SOUTH OCEAN 南海管理有限公司

MANAGEMENT, LTD.

HONG KONG

November 9, 2010

Dear Clients, Partners, and Friends,

The results for South Ocean Managementôs Delaware LP, Kong Partnersô L.P., before incentive fees, were as follows:

	Oct 2010	Year-to-Date
Hong Kong Partners NAV *	9.07%	19.94%
Hang Seng Index**	3.30%	5.60%
BNP Peregrine Greater China Index	3.50%	4.67%
MSCI HK Small Cap Index	3.22%	26.74%

Partnersô NAV for Nov was 3.4304 after management fee, but before annual incentive fees of 15% on appreciation.

Our Hong Kong-listed holdings of companies benefitting from operations in China gained in October. Our portfolios are concentrated in two dozen fast growing, small/mid cap stocks, with óundiscovered,ô low valuations. As the businesses grow, more and more investors take note, and drive share prices higher. This under-the-radar-screen strategy paid off well last month as several positions we owned were ópicked-upô by large brokers/investors.

For instance, we began buying the PRCôs leading flow-control steel processing manufacturer, Sinoref Holdings (code 1020.hk, market cap US$235 million) after the shares dipped below its IPO price last August (see mention on CNBC TV interview September here). We met the founders on several occasions and, after confirming their sound growth strategy, we added to our position in September (when the entire market cap was just US$100mn). At our HK$0.72 per share cost, the cash-rich company was selling at just three times our expectations of next yearôs earnings.

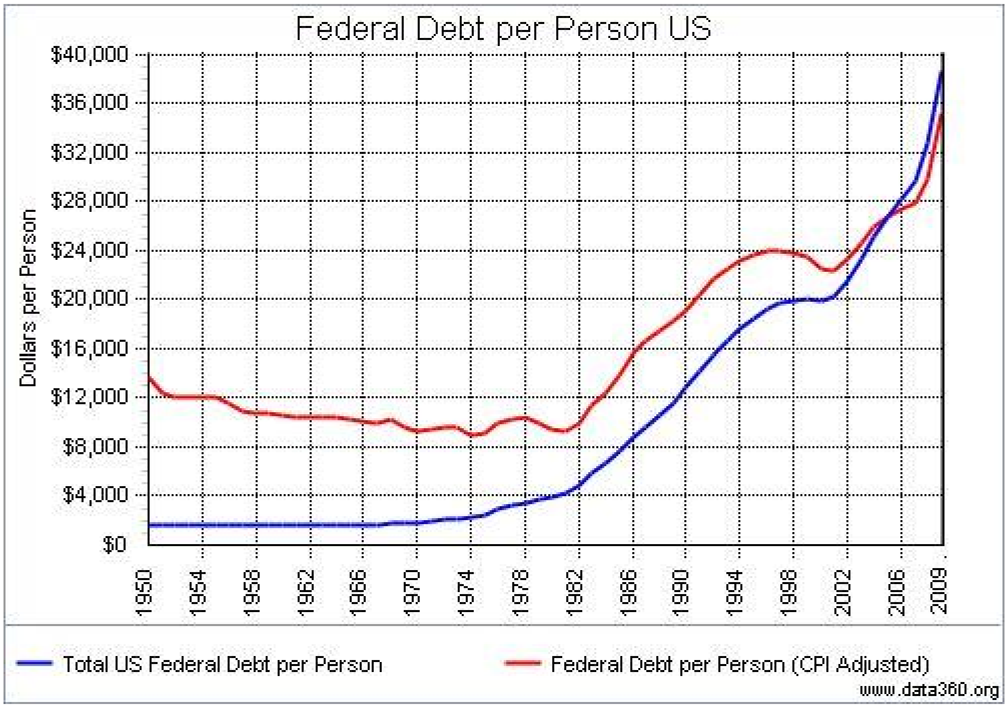
The growth prospects of our companies remain as promising today as ever.

Sincerely,

Brook McConnell
President
Email: *brook@south-ocean.com* Website: *www.south-ocean.com*

PS: Several further thoughtsé

The following graph shows the federal debt per person since the 1950s.



According to the U.S. NATIONAL DEBT CLOCK , outstanding public debt in the US, as of the end of October, was $13.669 trillion or $44,183.76 in debt per citizen (Laurence Kotlikoff, research associate at US National Bureau of Economic research, believes outstanding debt is actually 14 times higher, at $200 trillion).

China, on the other hand, has US$4.2 trillion in savings. Its citizens have relatively little debt.

China, with four times the population, has savings of US$3,500 per person.

Second, China plans to build 13,000 km of high-speed railways by 2012, more than the rest of the world combined. According to the governmentôs blueprint, by 2020 the network will serve more than 90% of the population at a projected cost of CNY 2 trillion, and include 16,000 km of the fastest newly-built lines.

As an article in the English Peopleôs Daily, October 26, 2010 points out; Chinaôs infrastructure build-out is dramatically improving competitiveness of businesses:

Not only will China's superb infrastructure help it fend off competition from other emerging markets in the manufacturing sector, it also paves the way for the country's transformation into a service-based economy.

It has taken China less than a decade to construct the longest high-speed rail network in the world, with about 4,300 miles (6,920 kilometers) of total high-speed rail mileage, including nearly 1,250 miles (2,000 kilometers) on which trains run as fast as 220 mph (350 kph).

China will have twice as much high-speed rail track as the rest of the world combined by 2014, according to Bloomberg. China's high-speed train established a new world record of 417 km/hr (259 mph) on a trial run this week on the newly-constructed Shanghai-Hangzhou high-speed rail line, which will soon enter service.

The Shanghai-Hangzhou high-speed rail line, together with the Shanghai-Nanjing high-speed rail line that is already in use, will make the Yangtze River Delta (YRD)—one of the world's most populated regions since the ninth century—more integrated than ever before. It soon will be possible for business people to make round-trips between any two cities in the region within one day, which will translate into huge business savings. Shorter travel time will also draw suppliers and customers closer together, which will improve inventory management.

An informed friend here in Hong Kong told me that Dell Computer is investing US$4 billion into factory operations in western China. Dell plans to use rail versus air for exporting. It projects savings of >50% by using Chinaôs rail network.

Third, THE BOECKH INVESTMENTS LETTER suggested in a research piece called Emerging Market Uprising, the trends in emerging markets are compelling:

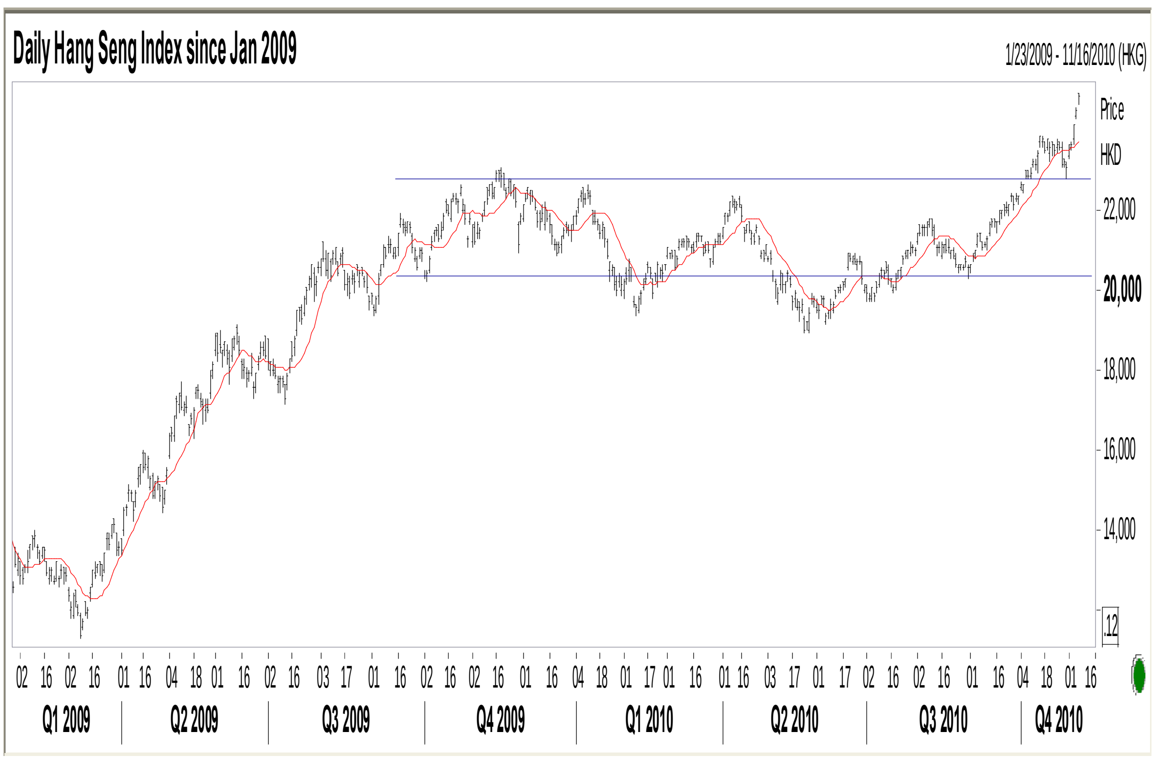
The economic fundamentals underpinning EM assets hardly merit yet another airing here. Because the EM universe is diverse, not all of those fundamentals exist in every case, but in general, they include stronger growth, higher total factor productivity, better demographics, rising levels of urbanisation and modernity, resource endowment… Importantly, their fiscal positions are, generally, far stronger than those of Western countries. So, why do typical institutional investors have EM weightings of no more than 5-10% in their portfolios, when EM market capitalisation has already risen over the last decade from 1% to about 13% of the MSCI World Index? What is there not to like?

Longer term, a recent analysis by Goldman Sachs postulated equity values in emerging markets will continue to soar, rising to $37 trillion in 2020, before overtaking the developed world to reach $80 trillion in 2030. That represents a potential six-fold gain over 20 years, after which Chinaôs stock market will make up half of all the wealth on the planet.

Fourth, as global investor demand shifts to investing more in the Greater China region, the overall share market is not expensive today:

The year-to-date performance of mainland stocks traded in Hong Kong has been lackluster, so they are reasonably priced and are far from bubble-levels, despite the fact that their earnings are recovering sharply. The Hang Seng China Enterprises Index (HSCEI, 13,821) now trades at an estimated P/E of only 14.1x, the same as S&P 500's estimated P/E of 14.1x. This implies that Chinese stocks trading in Hong Kong are accorded no premium to U.S. stocks, despite the fact that the Chinese economy is growing significantly faster than the U.S. while the yuan is undervalued versus the U.S. dollar. **13D Research (USVI), LLC**

Lastly, the Hang Seng Index of 44 blue chip companies has been in a trading range since the summer of 2009:



As of this writing, the market has climbed out of that trading band. Though we donôt project where the market will go, I am reminded of a comment by our founder, Dick McConnell, my Dad, whose partner used to say to him, ñI donôt have enough money to tell the market what to do, so I listen to what the market tells ***me*** to do.ò

Brook McConnell
Hong Kong

*Hong Kong Partners LP risk disclaimer:

- Hong Kong Partners LP (The “Fund”) primarily invests in the Hong Kong equity market with a Greater China focus.
- The Fund invests in China-related companies which involve certain risks not typically associated with investment in more developed markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund is also subject to concentration risk due to its concentration in Hong Kong, particularly China-related companies. The value of the Fund can be extremely volatile and could go down substantially within a short period of time. It is possible that a substantial value of your investment could be lost.
- You should not make investment decision on the basis of this material alone. Please read the explanatory private placement memorandum for details and risk factors.

**Index Descriptions: The Hang Seng Indexes are a widely recognized capitalization-weighted indexes that measures the performance of the three largest-capitalization sectors of the Hong Kong stock market in descending order. The Hang Seng Index measures the largest 52 market capitalized listed companies in Hong Kong’s stock market. The Hang Seng Mid Cap Index represents the next 193 largest capitalized listed companies, the Hang Seng Small Cap Index represents the next 187 largest capitalized listed companies in Hong Kong.

The MSCI HK Small Cap Index is a free float-adjusted market cap weighted index designed to measure the performance of small cap equity securities in the bottom 15% of equity market capitalization in Hong Kong. With 69 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Hong Kong equity universe.

The Hong Kong Partners LP (HKP) is benchmark agnostic and its corresponding portfolio may have significant noncorrelation to any index. The portfolios may invest in all sectors (within and/or on other stock markets) and the composition of securities in the portfolio may change periodically depending on market conditions at the time. Securities in the portfolio will not match those in any index.

Index returns are generally provided as an overall market indicator. You cannot invest directly in an index. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index’s returns. Index performance information was furnished by sources deemed reliable and is believed to be accurate, however, no warranty or representation is made as to the accuracy thereof and the information is subject to correction.

Before investing you should carefully consider the Partnership’s investment objectives, risks, charges and expenses. This and other information are in the prospectus, a copy for Accredited Investors may be obtained by inquiring to info@south-ocean.com. Please read the prospectus carefully before you invest.

The principal risks of investing in HKP: Equity Securities Risk. The value of the equity securities the Fund holds may fall due to general market and economic conditions. Foreign Securities Risk. Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities. Industrials Sector Risk. Companies in the industrials sector may be adversely affected by changes in government regulation, world events, economic conditions, environmental damages, product liability claims and exchange rates. Consumer Discretionary Risk. Companies in this sector may be adversely impacted by changes in domestic/international economies, exchange/interest rates, social trends and consumer preferences. Information Technology Sector Risk. Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Detailed information regarding the specific risks of Hong Kong Partners LP can be found in the prospectus. Additional risks of investing in HKP include equity, market, management and non-diversification risks, as well as fluctuations in market value and NAV. An investment in a private limited partnership is subject to risks and you can lose money on your investment in the limited partnership.

There can be no assurance that HKP will achieve its investment objective. The LP’s portfolio is more volatile than broad market averages. Shares of HKP cannot be bought or sold publicly, there is no active market in the Units and there are restrictions imposed on Limited Partnership unit transfers. Partnership redemptions are handled by Authorized Administrators of the Partnership.