SOUTH OCEAN 南海管理有限公司
MANAGEMENT, LTD.
HONG KONG

February 9, 2011

Dear Clients, Partners, and Friends,

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

	Jan 2011
Hong Kong Partners LP *	1.41 %
Hang Seng Index**	1.78 %
BNP Peregrine Greater China Index	-0.49 %
MSCI HK Small Cap Index	0.60 %

Partnersô NAV for Jan was $3.5472, after management fee, but before annual incentive fees of 15% on appreciation.

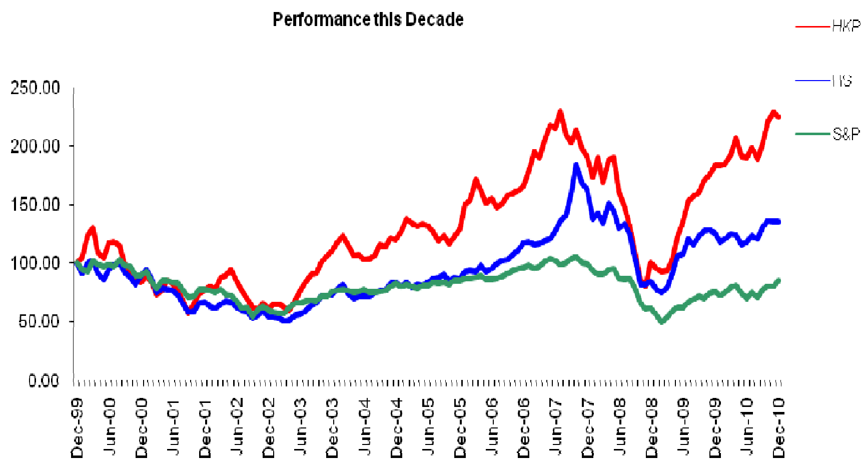
Since the February 2009 stock market lows, our Hong Kong Partners LP has gained 146.7%, net, versus 83.0% for the Hang Seng Index and 75.0% for the S&P 500 (February 2009 to Jan. 2011 month-end).

We have been investing exclusively in well managed, undervalued Hong Kong-listed stocks with rapidly growing businesses in China. Our portfolios are concentrated in holdings of primarily small/mid cap names.

Though the past two years have been gratifying, we are not making any forecast this goes on endlessly. Last month, for example, just a few big constituent names in the blue chip index accounted for most of the Hang Sengôs gain. Our holdings were impacted mid-month by tighter credit conditions in China (though we donôt out-perform each and every month, we think we get better with age).

Still, we strongly believe we can produce out-performance, over a cycle, with our fast growth investments of China-geared companies, as we have over the past two cycles:

This Decade: Performance of Hong Kong Partners (HKP) NAV (net asset value) ,S&P 500 and Hang Seng Index



Hong Kong Partners vs. S&P 500 and Hang Seng Index

	HKP	HS-I	S&P 500
1. Since Jan 1, 2000			
Cumulative	124.4%	35.8%	-14.4%
Annualized	7.6%	2.8%	-1.4%
STD	28.6%	22.7%	16.4%
2. Since 1 April, 1995			
Cumulative	349.9%	168.2%	151.2%
Annualized	10.0%	6.4%	6.0%
STD	29.2%	26.4%	16.0%
Last 5 Yrs	73.9%	54.8%	0.7%
Last 3 Yrs	17.8%	-17.2%	-19.4%
Last 12 mths	22.3%	7.1%	12.8%

Results through Dec 31, 2010

Last month, we visited consumer electronics casing manufacturer, Tongda Holdings (698 HK, market cap HK$2.2 billion/US$285 million) at the company headquarters and factory sites in Fujian Province. The familyï controlled company has built an impressive set of manufacturing facilities, nearby to Taiwanese technology firms, located across the Taiwan straits in Chinaôs coastal province. The company boasts customers such as Sony, Nokia, Samsung, LG, Sharp and Panasonic, and major domestic companies such as Huawei, ZTE and Lenovo.

The Wong family, and brothers running the company, own 54.4% of the stock. The public owns 43%.

We were given tours of Tongdaôs two new production plants, one making LED TV light plates and the other laptop/notebook casing. The later plant uses patented In-Mould Lamination technology, a far cheaper manufacturing process than what is used by the competition, giving the company a significant edge, in our opinion. The former plant is a JV with its Japanese partner, Matsushita Shokai, produces Light Guide Plates, a core component used in LEDT TVs to project consistent lighting. It began production only in the fourth quarter last year. This new product line, based in Xiamen Fujian, will likely make up 10% of the overall business this year.

In the companyôs first half results through June, revenues increased 53% to just over HK$1 billion. Higher margins produced a 78% jump in earnings per share. Dividends also increased 71% for a 2.8% dividend yield. Net income may rise to over HK$300 million this year; almost double the 2010 expected HK$180mn in net profits. The shares are trading at just 6.9 times our 2011 earnings per share estimate of HK$0.07. The company, after capital expenditures last year of $180 million, has HK$138million in cash, and almost zero long term debt (net debt/equity is 7.2%).

Touch screens, which are in undersupply, may also be a new growth driver for the company, with sales to BYD (a Warren Buffet China investment) being made already. Tongda manufactures the lens cover, the glass on the top of the touch screen, for handset customers.   This division may be promising as handset makers such as Apple, require reliable suppliers. Having Apple sign on as a client would also put another arrow in Tongdaôs high quality customer quiver. The company expects 15 million shipments this year.

As we walked through the factories, I concluded this enterprise just isnôt easily duplicated, anywhere, today.   Furthermore, as ólow techô as their manufacturing process seems, the success of low-cost, China-based manufacturers such as Tongda cannot be easily replicated anywhere else on earth. It is increasingly difficult to obtain low cost plots of land, near transportation ports, that are sizeable enough to amass mass production factories. Even with rising costs for labor, energy and materials on the mainland, these well managed enterprises are able to consistently work out ever increasing profits for their businesses. Also, as these firms climb in technological prowess, they remain some of the most attractive, low cost, yet higher quality groups of manufacturers anywhere in the world today.

Tongda is a good example of the types of companies we like to investigate and own in our portfolios: Chinese managed, fast growth, low debt companies with share prices selling at low price to expected growth ratios.

About 15 years ago, we met an economic forecaster visiting Hong Kong, who is now in a US prison cell, named Martin Armstrong. He is a mad genius. His cycle theories are fascinating. He pens a short missive from time to time from his prison cell, using what appears to be an old Smith Corona typewriter.

We have long followed his analysis (see background on his work here) and bring his latest comments (double click these blue highlighted words) concerning the immense promise of Chinaôs future currency appreciation to your attention. It is imperative to keep a perspective on why investing in the growth of China is a compelling, long term program.

Last, I had a brief interview on financial TV, CNBC, during the month. That interview can be viewed on CNBCôs website here; It takes about 2 minutes before the interview starts…
http://www.cnbc.com/id/15840232?video=1766885264&play=1

Airtime: Wed. Jan. 26 2011 | 9:20 AM ET

Brook Mcconnell, president at South Ocean Management, sees 50 percent upside for the Hang Seng index in the next 18 months. He tells CNBC's Bernard Lo and Karen Tso what's behind his bullish view.

Sincerely,

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*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.