



May 9, 2012

Dear Clients, Partners, and Friends,

The results for South Ocean Management's Delaware LP, Kong Partners L.P., before incentive fees, were as follows:

| | <u>April 2012</u> | <u>Year-to-Date</u> |
|-------------------------|-------------------|---------------------|
| Hong Kong Partners LP * | -3.0% | 7.8% |
| Hang Seng Index ** | 2.6% | 14.4% |
| MSCI HK Small Cap Index | 0.7% | 14.9% |

Partners' NAV for April \$2.5382 after management fee, but before annual incentive fees of 15% on appreciation.

Trading volumes slowed further in Hong Kong, as average daily volume in April was HK\$51 billion (US\$6.6 billion), lowest since 2009. Trading in small cap shares, where we focus, was extremely light.

On the last day of trading for the month, the large cap Hang Seng Index jumped 1.7%, (2.6% for the month), led by China bank stocks, and ended at 21,094, its highest close since March 19. Yet, as of this writing in early May, just after the French elections, the index has backed down to 20,485, giving up all the gains in April.

The semi-official China Federation of Logistics and Purchasing's PMI (Purchasing Managers Index) reported a reading of 53.1 in March, up strongly from 51.0 in February and some way above the 50 mark that separates growth from contraction.

Even though China's economy reportedly rebounded, investors remain at a standstill, mostly sidelined.

China's slowdown and Europe's sovereign debt problems seem to weigh on investors' minds. *"People are saying, how deep is this European thing going to get?"* says Sam Stovall, chief equity strategist at S&P-Capital IQ. *"Both China and the U.S. are closely tied to Europe. Basically, we're mountain climbers — the U.S. is in front, China is behind and Europe is tethered to us. But if Europe should fall, it could drag the rest of us down the mountain as well."*

As such, investors have become defensive.

There was a positive note, however, on vegetable grower Chaoda Modern Agriculture (7.73% holding, code 0682 hk). A Hong Kong tribunal found that Chaoda Chairman Kwok Ho and Chief Financial Officer Andy Chan, who were specified in a civil inquiry into insider trading, didn't break insider trading laws when they divulged the Chinese

vegetable producer's plans to issue shares on investor calls in 2009. This decision was handed down in a 135-page ruling by Hong Kong's Market Misconduct Tribunal.

We have not yet been able to speak to the company. We suspect this verdict was sought by the Hong Kong stock exchange before releasing the company's share suspension. Its auditors could then release the audited figures for its fiscal year end June and first half results ending December.

We await further news on the share suspension now that the Tribunal ordeal has been completed ([here](#) is the 135 page verdict).

Charlie Munger, regarded by some as one of the greatest investors of all times, commenting on Berkshire and his partner Warren Buffett in this 30 minute CNBC interview. He discussed his thoughts on China. He said, "China has grown at a rate, for a country that big, that is unprecedented in the previous history of the world - it is a huge development and enormously important - it affects the whole world."

China's accomplishments are, "the most remarkable human achievements in the history of the world - China has, to an extent, copied Singapore" -

Click here:

<http://video.cnbc.com/gallery/?video=3000088395>



Getty Images

Warren Buffett

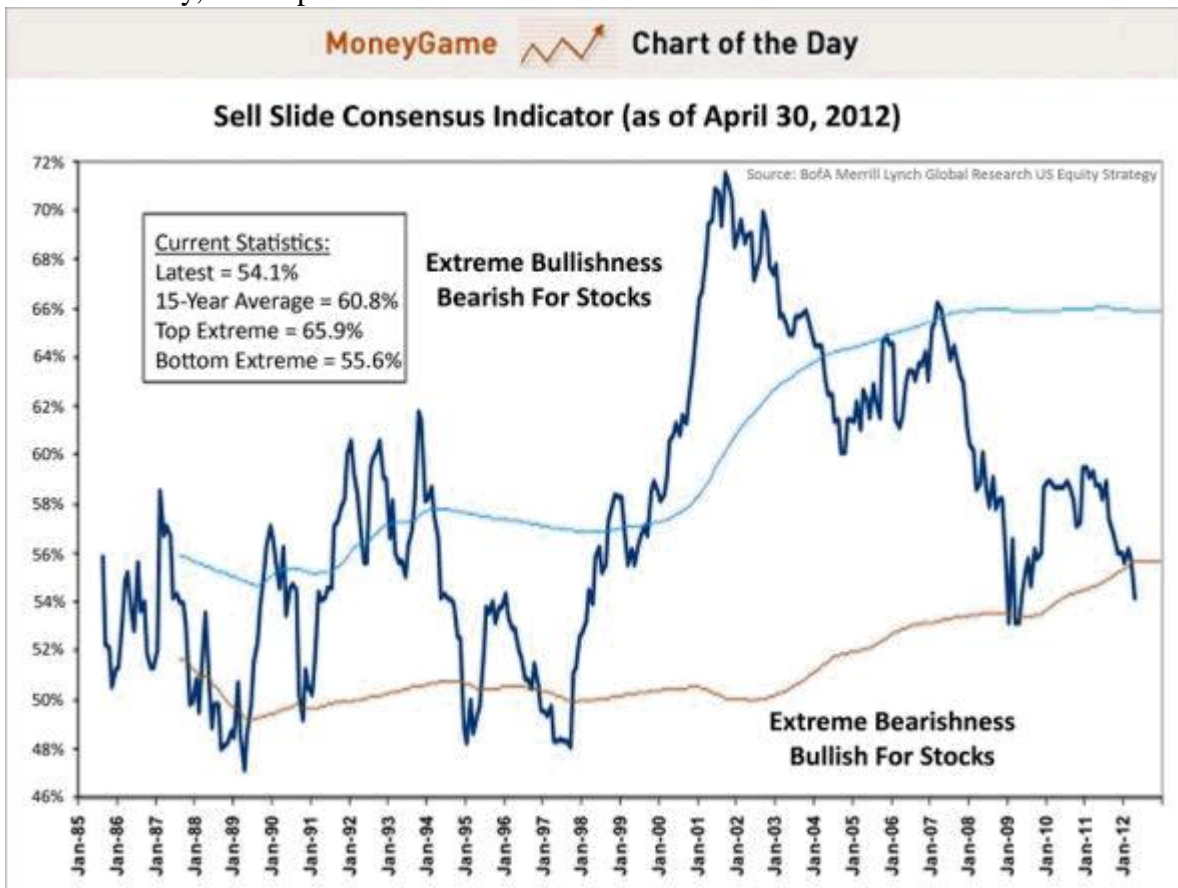


Berkshire's Charlie Munger Published: Friday, 4 May 2012 | 4:28 PM ET

By: [Margo D. Beller](#)
Special to CNBC.com

Munger also commented in the interview, “ when everybody thinks the world is going to hell, we like to be buying.”

With strategists/analysts extremely pessimistic/bearish about the future today, maybe, in a contrarian way, that is positive/bullish news?



Sincerely,

Brook McConnell

President

Email: brook@south-ocean.com Website: www.south-ocean.com

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.