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

February 8, 2013

Dear Clients, Partners, and Friends,

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

	Jan 2013
Hong Kong Partners LP *	3.7%
Hang Seng Index **	4.7%
MSCI HK Small Cap Index	6.9%

Partnersô NAV for Jan $2.601 after management fee, but before annual incentive fees of 15% on appreciation.

Our portfolios of Hong Kong-listed companies with earnings growth geared towards China gained in the first month this year. Our suspended holding in vegetable producer Chaoda Modern Agriculture, announced the signing on of a new audit firm, a major milestone for the resumption of trading by the Hong Kong stock exchange. We will have a progress update soon.

Earnings report season is starting, companies are in black-out period until their announcements. We also are starting Chinese New Yearôs, an almost month-long period of business inactivity in the Greater China regions.

As we leave the Year of the Dragon, we enter the Year of the Snake, which is more promising: we are not starting the year with dire hard landing and country default forecasts dominating the headlines.

Our office will be closed, along with the Hong Kong Stock Market, next week, February 11-13 and we resume work on Valentineôsô Day.

Sincerely,

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President
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PS: China will soon need to import food, which will impact global marketsé

China must invest abroad for food security, forum told

With a need to import 100m tonnes of grain each year by 2020, Beijing needs to invest in global agricultural markets, experts say

Tuesday, 22 January, 2013, 12:00am

Toh Han Shih hanshih.toh@scmp.com

- China is facing an explosive demand for proteins, which will put enormous pressure on the production of corn and soya beans. Photo: AFP

China must invest overseas to ensure its food security, said speakers at the recent Asian Financial Forum.

"China and India have to open to global markets like Australia, Africa and Latin America, and invest in these countries' agricultural production for food security," said Fan Shenggen, the director general of the International Food Policy Research Institute.

By 2020, China would need to import 100 million tonnes of grain each year, Fan said. Last year, it imported three million tonnes of rice, three million tonnes of wheat and 60 million tonnes of soya beans.

China accounted for 60 per cent of the world's trade in soya beans, said Frank Ning Gaoning, the chairman of Cofco, China's largest food conglomerate. It also had a US$27 billion annual food deficit.

State-owned Cofco acquired Australia's Tully Sugar in 2011.

China overtook the United States as the largest animal feed consumer in the world about 18 months ago, said Ismael Roig, the Asia-Pacific president of Archer Daniels Midland, a US food and commodities company.

"China is facing exploding protein demand. The biggest shift in Chinese diet has been to protein. That has put enormous pressure on corn and soya beans. The most opportunities are in protein production," Roig said.

By 2050, global demand for grain and oil seed would rise 60 per cent to 4.5 billion tonnes, he said. "Because the population increase is primarily happening in East Asia, we're going to see more stresses and incremental needs than in other parts of the world. How do we improve trade to access these commodities?"

Asian investors were looking beyond Asia to invest in farmland said Tim Hornibrook, a co-head of Macquarie Agricultural Funds Management.

Half the growth in global food imports came from Asia, but only 25 per cent of world food exports were from Asia, Hornibrook said.

Nebraska, a major US agricultural state, has an office in Beijing, and was looking at ways China could invest in Nebraska and vice versa, said Brett Rierson, the China representative of the United Nations World Food Programme.

Cofco plans to spend more than US$10 billion on overseas mergers and acquisitions in the next five years, according to mainland media reports.

During the five-year plan to 2015, it would focus its overseas investments on the US, Australia and Southeast Asia, the reports quoted Jiang Hua, a Cofco board member, as saying.

In May 2011, Australian Trade and Competitiveness Minister Craig Emerson launched a joint study with the Chinese government on encouraging Chinese investments in agriculture in Australia.

"We can't adopt the attitude 'let them eat cake'. We need to address policy to enable commerce to meet demand," said David Farley, the chief executive of Australian Agricultural, a beef and agricultural producer.

Australia exported 60 per cent of the food it produced, said Farley. Its food output could feed 60 million people, but if its agricultural technology was exported to places such as Africa, 500 million people could be fed, he said.

"I see an absolute commitment by the Chinese government that food security and safety is an issue for stability," said Rierson.

The affordability of food prices determined whether the middle class would grow or shrink in a developing country like China, he said "That is related to food security," he said.

"Food crisis can lead to political and economic uncertainty," said Colin Chartres, a former director of the International Water Management Institute.

Climate change might reduce crop yields by 30 to 40 per cent in some parts of the world in the next several decades, Fan warned.

"North China may not be able to produce wheat and rice, and may need to import from Australia," he said. "Climate change will hit this region hard, and China and India will be the most vulnerable."

In China, 5 to 14 per cent of the nation's 1.3 billion people are undernourished, according to the UN.

Rierson estimated 4 to 5 per cent of China's gross domestic product was lost every year due to malnutrition.

Children undernourished in their first three years risked having physically and mentally stunted lives, Rierson said. "This has massive economic impact."

*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.