



March 12, 2013

Dear Clients, Partners, and Friends,

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

	<u>Feb 2013</u>	<u>Year-to-Date</u>
Hong Kong Partners LP *	3.2 %	7.0%
Hang Seng Index **	-3.0 %	1.6 %
MSCI HK Small Cap Index	1.2%	8.2%

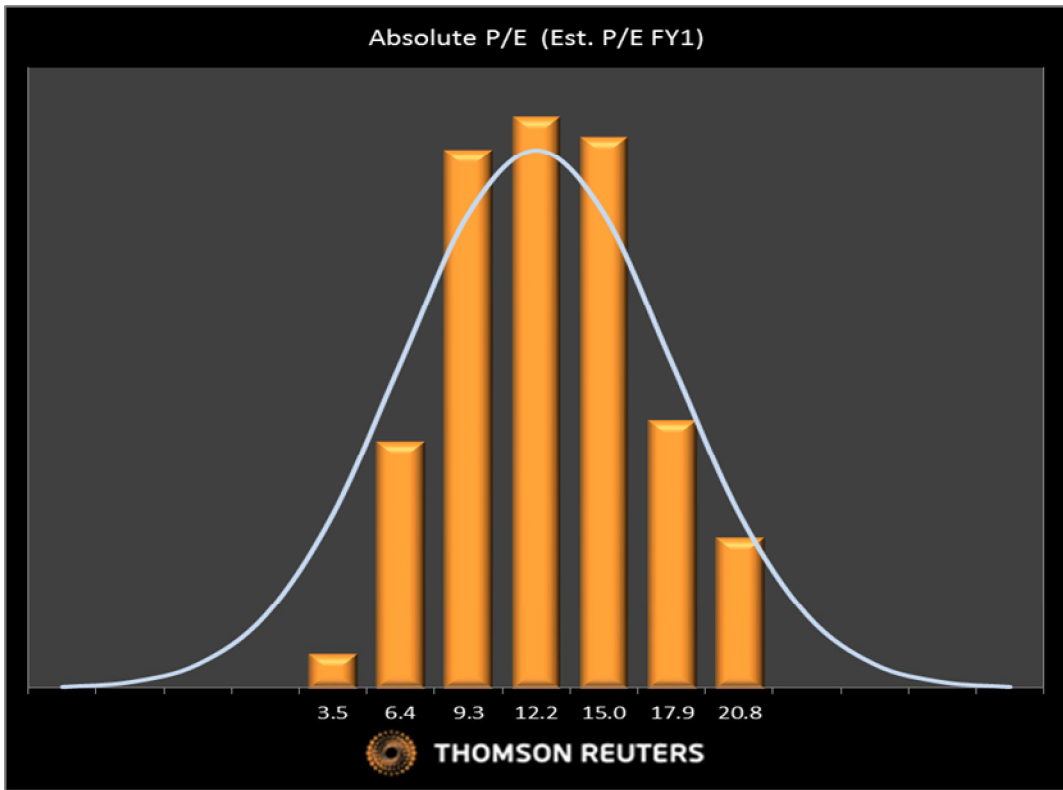
PartnersøNAV for Feb 13 \$2.6846 after management fee, but before annual incentive fees of 15% on appreciation.

February this year was cut short by the celebrations of lunar Chinese New Yearø arriving in the middle of the month. In China, it lasts for roughly 40 days. It starts 15 days prior to Chinese New Year and ends 25 days after when 250 million Chinese head/travels back -homeø the greatest migration of humans on earth.

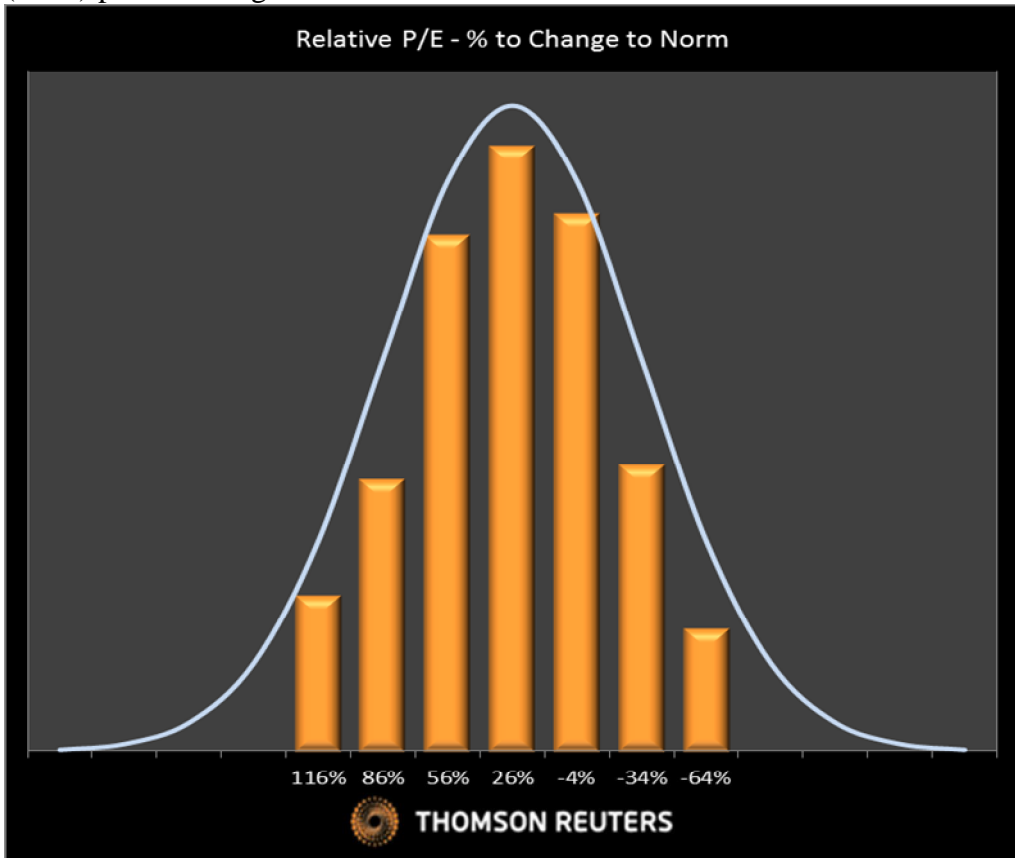
Our portfolios of fast growth companies listed in Hong Kong with niche operations benefiting from growth in China, out-performed last month.

To help better align where the overall stock market sells, we have developed several quantitative screens that measure relative and absolute price/earnings ratios on Hong Kong stocks.

The chart below measures where the majority of stocks in the Hong Kong market sell today. The mid-level of the bell curve, where most stocks are valued, represents a 12.2x price earnings ratio on estimated 2012 earnings (many of these numbers will be reported in March). This chart was created using Reutersøconsensus estimates, covering 410 stocks, having at least two analyst estimates.



The next chart compares the historic 15 year average price earnings ratio to the estimated (2012) price-earnings ratio.



A majority of stocks today would rise 26% to return to their historic P/Es on estimated earnings.

Overall, stocks are at reasonable levels today.

With our broader intrinsic valuation screen (explained in our December 2012 letter), using Warren Buffett's methodology of investing, we have been able to expand our universe of quality, growth-oriented stocks to investigate and own. Essentially, we are systematizing our previous methods of looking for stocks that are growing faster than their current price levels; I found trying to systematize was not possible to accomplish in my previous 20 years of investing in Hong Kong).

These stocks are slightly bigger names than ones we've generally owned in the past; all have very interesting stories (more on that next month).

Though these are much smaller cap stocks than what Buffett is buying at Berkshire Hathaway (he has established an outstanding record using this simple investment program), we own fast growing stocks with market caps anywhere from US\$100 million up, or, on average, \$2 billion market cap stocks.

Chaoda Modern Agriculture (a 7.5% holding) has managed to officially engage and appoint Crowe Horwarth as its new auditor on February 1st. The audit committee is now in discussions to develop the time table for the audit field work to begin.

There will be much effort put into the field work, as a team of two dozen auditors will need to travel to the China headquarters in Fuzhou (including many senior managers) to begin the new work of analyzing and collecting all past information for the audit.

This is a positive development for our long held, suspended holding. We hope to have more business progress to report on the company soon.

Sincerely,

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President

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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.