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

July 14, 2011

Dear Clients, Partners, and Friends,

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

	Jun 2011	Year-to-Date
Hong Kong Partners LP (net)	- 6.5%	- 10.3 %
Hang Seng Index	- 6.3%	- 3.6 %
BNP Peregrine Greater China Index	- 3.9 %	- 0.9 %
MSCI HK Small Cap Index	- 4.0 %	- 3.7 %

Partnersô NAV for Jun 3.1363 after management fee, but before annual incentive fees of 15% on appreciation.

We started this month, July, with a bang: a nearly 6% gain in our portfolios of small/mid capitalized holdings of China-geared, Hong Kong-listed shares. These gains were after a particularly rough trading environment last month, worldwide, due to the Greek financial crisis drama.

The sudden collapse in confidence in Chinese companies (see last month's client letter) added anxiety to Hong Kong's markets and, according to Bloomberg, China stocks traded in Hong Kong fell the most in the world in June. There has been broad erosion in confidence over fate of the world's major economies, and this has affected China investments. With China, the second biggest economy, there has been this growing sense it is due for a setback. China had been the bright spot amid the world gloom and its prospects seemed murkier to investors.

Shares of our specialty plastics paint coatings group, Schramm Holding 0955.HK, more than doubled the first trading day in July after AkzoNobel AKZO.AS, the world's largest paint firm, made a friendly buy-out offer, at a 160% premium. AkzoNobel agreed to buy Schramm for 142 million euros, to tap into fast-growing emerging markets of China. The offer price of HK$78.70 per Schramm share represented a premium of about 163 percent over the closing price of HK$29.90 per share when shares were suspended on June 14th.

Notably, as the MSCI China Index fell 10 percent from the end of April through June as bearish bets climbed to record levels, this premium value set by a strategic investor for a China-related stock listed in Hong Kong is in stark contrast to how short term traders, especially bearish hedge funds, view this sector today.

We believe we have an advantage by having our base of operations in Hong Kong, following mainland China corporate activities, especially when these activities are a bit miss-understood by prevailing perceptions.
Importantly, we can (and we do) 'drop by' our holdings' offices here for a

coffee on any given day for an update. Not easy to do if we had our offices half way around the world.

We continue to seek investment values in the heavily discounted small and mid cap sectors of Hong Kong today. The cheapness on all China related equities is providing an investment opportunity for our new found cash from our 9% Schramm position. The all cash proceeds of the buyout offer will be deployed in shares of companies doing business in China, at a reduced concession today.

Our website is under renovation presently, so please contact myself or Joyce Yip at joyce@south-ocean.com if you need any updates.

Sincerely,

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