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

November 11, 2013

Dear Clients, Partners, and Friends,

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

	Oct 2013	Year-to-Date
Hong Kong Partners LP (net)	2.2%	8.6%*
Hang Seng Index	1.5%	2.4%
Hang Seng Small Cap Index	3.1%	8.8%

Partnersô NAV $2.7253 after management fees and March 2013 provisions, but before annual incentive fees of 15% on appreciation. *after provisions March 31, 2013

Our portfolios of Hong Kong-listed small/mid cap holdings rose slightly in the month of October.

During the month, we visited a dozen companies in the Hong Kong area (we like to get first-hand information and knowledge through this effort). As one of the great investors, Peter Lynch, used to point out, ñInvestigate ten companies and you're likely to find one with bright prospects that aren't reflected in the price. Investigate 50 and you're likely to find 5ò).

With Chinaõs improving index of manufacturing activity (HSBC/Markit PMI for manufacturing was 50.1 in August, the first time in four months that this gauge registered above the key threshold of 50), all eyes seemed focused on this monthõs important meeting, The Third Plenary Session of the 18th Communist Party of China Central Committee, which promises to announce major reforms for Chinaõs economy.

Comments by Chinaõs sovereign wealth fundõs Chairman explained further;

> CNBC.com | Thursday, 26 Sep 2013 | 1:10 AM ET
> While parallels have been drawn between China's inflated housing market and the U.S. housing bubble that triggered the 2007-2008 global financial crisis, the world's second-largest economy is unlikely to face similar subprime problems, according to former chairman of the board of supervisors of China Investment Corp (CIC) – the country's sovereign wealth fund.
>
> "You can't generalize about a housing bubble in China. In tier-one cities there's strong demand, in second and third-tier cities there may be some bubbles. But as long as we handle it carefully, it's not the same as the U.S.," Liqun Jin said… "The down payment for home

buyers is pretty high, you can't have mortgage financing without a steady income. In the U.S. you could have zero [interest mortgages]; you expected the appreciation of property to pay for the mortgage. The [Chinese] banks will not have a problem in dealing with this," he added.   Jin... however, acknowledged there were some risks present in the country's financial sector stemming from the colossal stimulus package the government introduced to bolster the economy at the height of the global financial crisis.

In 2008, the government unveiled a 4 trillion yuan stimulus program that funded a wave of infrastructure projects across the country, some of which are not generating returns. This is reflected in China's "roads to nowhere," or bridges built under the premise of boosting infrastructure but which are barely used.

"This round of stimulus probably would have created [non-performing loans] on balance sheets. I think both the government and people in the financial sector should be aware of potential risks," he said.

Nevertheless, he doesn't expect a "tough situation" for the sector, noting that banks are in a healthy position and have become more prudent in managing their businesses.

"It's not the same thing you saw 10 years ago when banks would have made loans to state-owned enterprises regardless of their performance; things have changed. (Also the) capital adequacy of major banks is sufficient, and loan loss provisions are very high," he said.

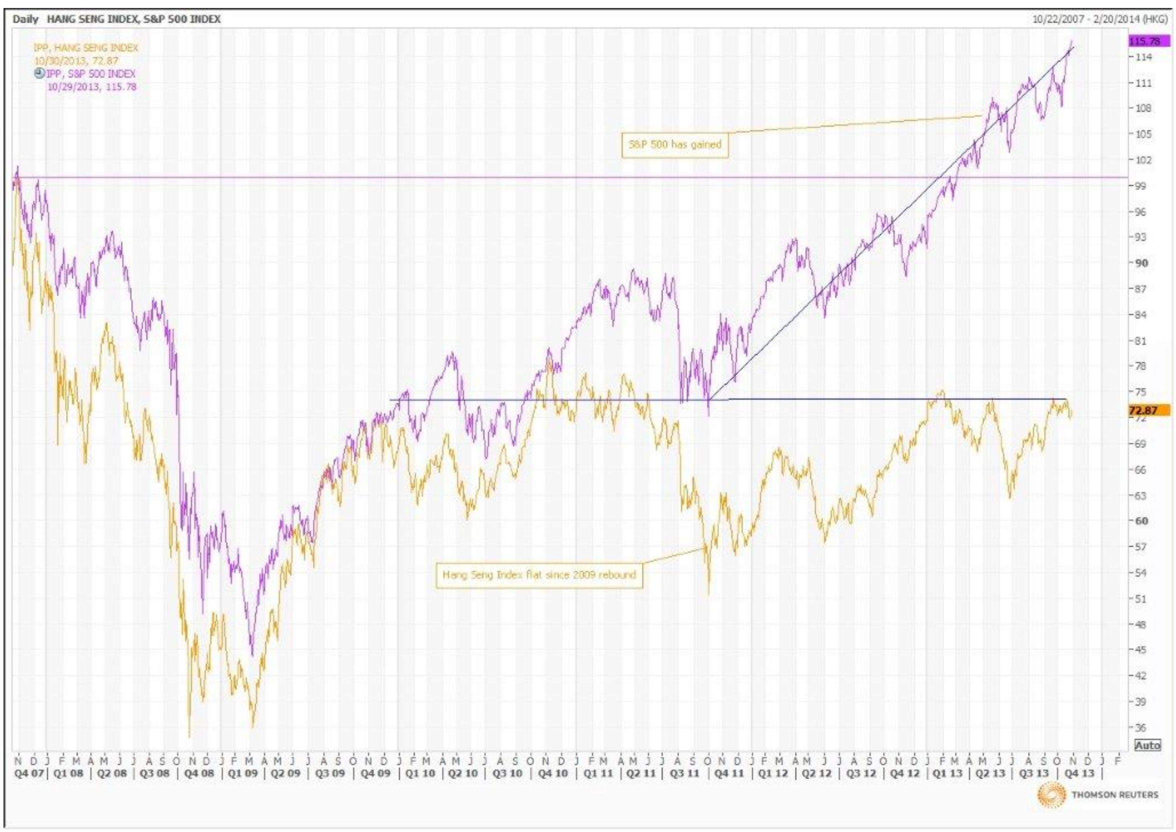
Growth momentum to sustain: Discussing his outlook for the economy, Jin said he expects Chinese authorities will be determined to keep gross domestic product growth above 7 percent over the next one to two decades, sustained by the government's reform momentum.

...The imminent establishment of a free trade zone covering 29 square kilometers of eastern Shanghai is regarded as an important step forward in China's economic liberalization. Successful initiatives will ultimately be rolled out nationwide, but likely after several years, say analysts.

> Further reform initiatives are expected be outlined at The Third Plenary Session of the 18th Communist Party of China Central Committee set to be held in November.
>
> "Looking at the statements by the leaders, I would say it would be focused on reforms in the financial sector (including) equity market, bond and banking sector reform," Jin said.

One program that may embolden reluctant investors is a bank recapitalization plan utilizing preference shares. Further progress on this front could be delineated soon after the week long Plenary Session. Fears of burgeoning loan losses at Chinaôs big banks have been a depressant to the local index (as pointed out in last monthôs letter).

Since the 2009 stock market rebound, the Hang Seng has been flat whereas the S&P500 has soared (S&P 500 in purple, Hang Seng Index in yellow, rebased to late 2007).



Improving economic data along with major reforms being instituted are extremely bullish indicators for the depressed China equity markets.

All our holdings have improving fundamentals and prospects. Our proprietary investment process generates a maximum price to pay for shares (so we donôt overpay) and we will take advantage (with our sidelined cash holdings of ~14% of total value) of any future price weakness.

Sincerely,

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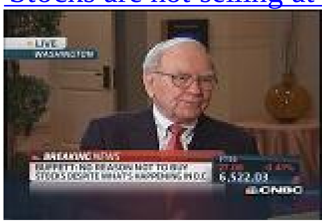
Brief comments on the markets by Warren Buffett recentlyé

Mid-October CNBC interview
Cash and long term bonds ¢terrible investments.ô
'Stocks are not selling at bubble levels': Buffett Wed, 16 Oct '13 | 8:40 AM ET



Warren Buffett, Berkshire Hathaway chairman & CEO, explains why stocks still offer the best investment opportunities compared to cash or long-term bonds.

http://video.cnbc.com/gallery/?play=1&video=3000208281