



April 19, 2017

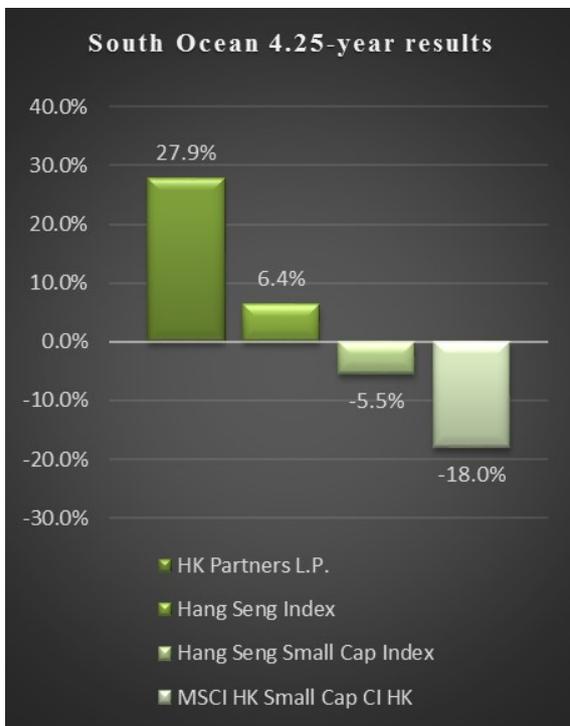
Dear Clients, Partners, and Friends,

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

	<u>Mar 2017</u>	<u>Year-to-date</u>
Hong Kong Partners LP	3.5%	7.4%
Hang Seng Index	1.6%	9.6%
Hang Seng Small Cap Index	1.4%	7.2%
MSCI HK Small Cap Index	-0.8%	4.5%

Partners’ NAV \$3.2070 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

South Ocean Management’s portfolios of Hong Kong small/mid cap stocks gained 7.4% in the first quarter this year. Our Hong Kong Partners LP has out-performed since we inaugurated our proprietary intrinsic value system 4 years and one quarter ago, investing long term in fundamentally strong, China geared companies:



Our heaviest investment weighting today is in out-of-favor, ‘environmentally-oriented’ stocks, a vital sector that China is deeply committed to improving (a report released in

January by the Institute for Energy Economics and Financial Analysis, based in Ohio, said China was the world leader in domestic investment in renewable energy and associated low-emissions-energy sectors).

For the quarter, our returns were powered by our positions in leading water treatment Beijing Ent Water Group (code 371hk, market cap HK\$55.1bn, US\$7.1bn), smartphone casing manufacturer (such as Apple) Tondga Holdings (code 698hk, market cap HK\$16.0bn, US\$2.1bn), China's leading foreign TV (Phillips) brand, TPV Technology (code 903hk, market cap HK\$4.7bn, US\$606mn) and the PRC's top selling recliner chair/sofa manufacturer, Man Wah Holdings (code 1999hk, market cap HK\$25.2bn, US\$3.3bn). These stocks gained in value 20% to 50%.

Detracting from total returns were two holdings: China's leading wind turbine manufacturer Xinjiang Goldwind Science & Technology Co. (code 2208hk, market cap HK\$45.1bn, US\$5.8bn) and leading smart meter manufacturer Wasion Group (code 3393hk, market cap HK\$4.1bn, US\$526mn). Both reported lower than expected earnings results late in the quarter. We would add to these 'environmental' positions on any further share price weakness (Goldwin sells at 7.9x 2017 expected consensus earnings and Wasion at 10.5x).

Though we scrutinize the geopolitical tensions, trade issues and global macro topics of the day, our focus is long term. We invest in investor-neglected securities, with an inherent margin of safety, that helps protect our holdings from large losses in declining markets. These securities generally rise less than the public's favorites, yet tend to do better in declining market environments.

For our Chinese reading friends, attached is a March interview in the prestigious Hong Kong Economic Digest outlining further thoughts about our holdings and strategy.

Sincerely,

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Hong Kong