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

December 9, 2011

Dear Clients, Partners, and Friends,

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

	Nov 2011	Year-to-Date
Hong Kong Partners LP *	-4.5%	-34.2%
Hang Seng Index **	-9.5%	-21.9%
MSCI HK Small Cap Index	-5.9%	-27.1%

Partnersô NAV for Nov $2.3019 after management fee, but before annual incentive fees of 15% on appreciation.

Trading in small/mid cap portfolios of Hong Kong-listed companies geared towards growth in China was subdued last month. November was a continuation of the bifurcated, schizophrenic market we have witnessed since springtime.

Take, for example, the early part of last month, as stock prices held steady in Hong Kong. By the second week, though, the market weakened on growing Italian sovereign concerns and slow growth fears in China. Chinaõs Premier Wen Jiabao was quoted saying that fiscal easing is only to come following a further drop in property prices on the mainland.

HSBC, the largest Hang Seng Index constituent, which makes up 15 percent of Hong Kong's benchmark stock index, announced on November 9th it had set aside more money for bad loans in the U.S. The bank shares skidded 9.1 percent, taking Hong Kong stocks for a 5.3% overall tumble; the most in three months. By November 25th, the blue chip index had declined 12.3% from its month high.

On first trading day of this month, Hong Kong stocks surged 5.6%, with the Hang Seng Index posting its second-biggest advance since April 2009, after China cut its reserve requirement for lenders as production slowed there. That short term euphoria, though, appears as ethereal as all rallies since April this year as haunting Euro zone concerns are now creeping back and dominating investorsô sentiment.

The overall market remains constrained and this monthly, almost weekly, pattern of back and forth, sudden rallies and declines, has persisted for 8 months straight. As it stands at present, there is no solution in sight for the EU/European debt crisis and we remain restrained in our risk appetite. Sidelined cash in our fund is about 18% of total portfolio value.

We continue to visit companies and hear management insights (our notes below on one recent company visit, Moiselle). We still would rather wait before committing to new positions, even at the extremely attractive valuations we are finding today.

Lastly, we have followed the Sino Forest saga in letters this year as it relates to our own holding in vegetable producer, Chaoda Modern Agriculture.

Sino-Forest mulls going private to escape mess read some recent headlines;

The troubled timber firm also considering partner and merger after stock plunge over fraud claims; Sino-Forest, the Chinese timber company that plunged 74 per cent this year after fraud allegations, says going private is among the options under consideration as it attempts to restore its finances and reputation. It may also raise additional funds, bring in a strategic investor or seek a merger.

As we relayed in our client letters this summer, shares in China-based, Toronto-listed Sino-Forest (which we do not own) fell by 3/4s in June after Carson Block, a short seller, said the company exaggerated its timber holdings. A committee of independent directors set up to investigate the allegations, announced last month that it rejected the claim by Block's Muddy Waters research firm that Sino-Forest was a "Ponzi scheme" and confirmed the company's timber assets, book value and cash balance.

As Sino Forestȇs CEO noted, "It is going to be real tough to get back to where we were," we believe Chaoda will face similar challenges when its audit review is completed.

We await that review, while the shares (we have a 7.8% holding) remain suspended from trading.

Last summer, we went to the headquarters of local high end womenȇs retailer, Moiselle, to meet top management and try and get a fix on whether recent earnings improvement were sustainable. We were both surprised and encouraged by what we learned.

Though Moiselle was created locally, it carries a European image of a high-end ladies fashion brand, aimed at the more affluent, 25-45 aged woman. Its designers are European, and though average selling prices far eclipse the average Chinese brand pricing, the company remains focused on expanding in China (49% of revenues are generated from Hong Kong, 38% from China). Expansion on the mainland, though, will be guarded, as prime locations in upscale shopping malls and department stores are hard (i.e. expensive) to obtain.

Moiselle reported record profits last year (fiscal year ending December 2010), with operating margins expanding from the companyȇs strict management of operating expenditures and stringent cost controls. Net profit for the interim period ending June increased almost 5 fold, including exceptional gains, and profits were up over 40% excluding the exceptional gains. The results were in line with our expectations.

We were surprised to learn of a gain from a property sale. The company has been unsuccessful at finding large enough office space by which to expand in Hong Kong. It intended to move into new office space in Aberdeen, but the large increase in commercial office values in Hong Kong this year made a sale even more opportunistic. The company will continue to operate out of its current location in North Point, Hong Kong until lower priced, more reasonable office prices arrive. We applaud this disciplined approach by management.

With cash from the recent property disposal, Moiselle can expand more diligently in China. Also, given its high-quality fabrics and designs, selling at only around 1/3rd the price of competing European couture brands, the company has significant leverage to grab a golden opportunity to build its brand on the mainland today.

For the six months ending June, the company's Hong Kong sales were almost flat, as expected. Total revenue increased 6% YoY to HK$213m with sales in other markets increasing 10%. We note recent slowing growth in Hong Kong Retail Sales Value (OCT +23.1% vs. 24.1% previously). One large retailer, (Belle, code 1880) was trading below it recent share placement price. Numerous other retail/consumer names have also been trading off, such as Luk Fok(590) and Chow Sang Sang(116). Yet, as China bids to increase liquidity on the mainland, as witnessed by the recent banking reserve ratio rate reduction, we see this slowdown as just a temporary swing in local retail sales growth.

The stock is currently trading at just 4.5 times next year's expected earnings per share of $0.50, with an expected dividend yield, including the special interim dividend of HK 6 cents, of 8%. This price earnings ratio is well below the industry's average of roughly 12 times next year's estimates.

As attractive a valuation as this established company now sports, along with many other small/mid cap stocks in Hong Kong now, we err to being a bit cautious (than extravagant) in today's unsympathetic environment.

Sincerely,

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*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.

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