January 12, 2022

Dear Clients, Partners, and Friends,

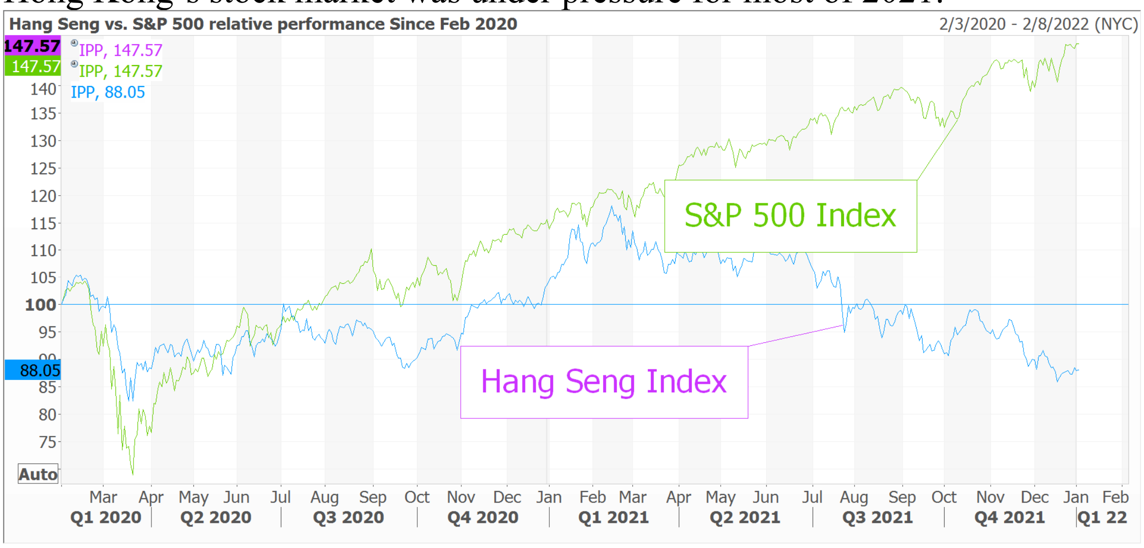
The results for South Ocean Management's Delaware LP, Hong Kong Partners' L.P., before incentive fees, were as follows:

	Dec. 2021	Year-to-date
Hong Kong Partners LP*	-0.3%	10.8%
Hang Seng Index	-0.3%	-14.1%
Hang Seng Small Cap Index	-3.3%	-10.1%
MSCI HK Small Cap Index	-2.0%	-0.6%
HS Mid Cap Index	-2.1%	-12.2%

Partners' NAV $2.5841 after management fee and provisions, but before annual incentive fees of 15% on appreciation.
Please refer to footnotes at the end of this commentary for descriptions of the Fund's indexes and Fund risk disclosures.

"Big companies have small moves, small companies have big moves." Peter Lynch, former Magellan Fund manager.

Hong Kong's stock market was under pressure for most of 2021:



South Ocean's portfolios are invested in intrinsically undervalued small/mid cap, Hong Kong-listed stocks, with earnings benefiting from growth in China. In the face of an incredibly poor investment environment last year, we managed to out-perform the major averages and post positive, low double digit returns. Our disciplined approach to investing helps keep our portfolios 'intact' when the markets turn down, such as in 2021.

For the 6 months ending December 31, 2021, the Hang Seng Index fell 18.8% vs. our Hong Kong Partners LP down 2.8%.

Today, Hong Kong is the cheapest, developed stock market in the world:

HANG SENG

Index Price:	23,274.75	
Valuation Measures	2021 Est	2022 Est
Price/ EPS	12.20	10.88
Price/ Cash flow	8.48	7.48
Dividend Yield	2.64	2.92
Price/ Book	1.27	1.17
Price/ Sales	1.13	1.03
Price/ EBITDA	7.85	7.27
EV/EBITDA	6.59	5.82

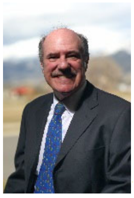
Universe: iShares Developed World Index Fund (MF);	P/E	Enterprise Value To EBITDA	Enterprise Value To Sales	Price To Cash Flow Per Share	Price To Book Value Per Share	Dividend Yield
All (2630)	21.85	13.98	2.98	13.30	3.27	1.84%
Asia Pacific (390)	14.72	10.78	1.76	7.92	1.53	2.16%
Developed Asia Pacific (390)	14.72	10.78	1.76	7.92	1.53	2.16%
Developed Europe (431)	17.90	10.07	2.05	7.86	2.27	2.23%
Euro Zone (235)	17.14	9.14	1.75	6.55	1.94	1.92%
Europe (431)	17.90	10.07	2.05	7.86	2.27	2.23%
Global Emerging Markets (9)	14.58	11.45	2.86	9.44	1.58	0.42%
Middle East (9)	14.58	11.45	2.86	9.44	1.58	0.42%
Middle East and Africa (9)	14.58	11.45	2.86	9.44	1.58	0.42%
North America (726)	24.56	16.13	3.73	16.88	4.38	1.67%

Refinitiv data a/o Jan 4

Still, Hong Kong stands to benefit substantially from the enormous development of China's economy going forward. Besides the impact of one billion plus new consumers entering the world, advances in China's innovative technologies will propel economic growth to heights not previously anticipated.

We believe our small, mid cap holdings offer potential 'big moves' in the years ahead. Further thoughts below.

Sincerely,



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"Our proprietary investing systems, developed since the early 1990s, capture growth in China, the fastest growing large economy on earth, by owning intrinscially undervalued Hong Kong-listed companies."

South Ocean Management, Ltd. is a fund management company based in Hong Kong. South Ocean has 6 team members and is registered with the SFC and SEC regulators.

South Ocean has been investing in the growth of China since our 1992 founding. I have been a keen follower of The Middle Kingdom, recently publishing a book (Insights of an American Investment Manager in Hong Kong) on my living experiences in Hong Kong and China. One book I read last year on China that helped complete several unanswered questions and aspects I had observed during my life in Asia was THE LAST KINGS OF SHANGHAI, THE RIVAL JEWISH DYNASTIES THAT HELPED CREATE MODERN CHINA. By Jonathan Kaufman, released June 2020.

A terrific historical rendition of two momentous Jewish families who built incredibly prosperous financial empires in Shanghai and Hong Kong. Starting nearly two centuries ago, with the immense wealth garnered from opium trading to banking to real estate, the Sassoon and Kadoorie families opened the world to China and China to the world.

One aspect of the wealth these families created was the build-out of Shanghai's once opulent Bund, which I first visited in 1993 (I listened to a jazz band in the pre-Mao built, Peace Hotel. At the end of the Bund, I visited a renovated theater that housed China's first stock market. Now, the Shanghai Exchange is housed in a gigantic building across the river in Pudong, fully modernized).

The book relays the multigenerational development of the two family empires and how their wealth was decimated with the Communist takeover. A fascinating and engaging read on China's history.

In 1992, when my late father and I first arrived in Hong Kong, we quickly surmized that Hong Kong companies were extremely undervalued relative to the prospects. Having dealt with western customers since the 50s, the entreprenurial founders of these newly listed companies were starting to move their factory operations to home towns across the border in China, cutting costs and arriving with quality products and services to the burgeoning domestic mainland market. The opening of China was just beginning and our firm has since been following all listed companies in Hong Kong that have progressed with China's opening.
Hong Kong/China in 2021 was a tough place to invest, both for old China hands as well as experienced foreign investors (aka Cathy Wood). It was a year when Hong Kong and China pursued zero Covid, leading to slower consumption growth and supply chain snags coupled with a continued war of words with Washington (the western rhetoric towards China, in my opinion, is vastly uninformed). Further mainland official pressure on sectors such as e-commerce, videogames, property, gambling and after-school tutoring also contributed to the year's underperformance.

That puts Hong Kong in a very interesting posture today. As noted above, Hong Kong sells below all other markets. Many sectors of the market, especially the large cap China tech stocks, are selling at levels similar to what US stocks sold for at the bottom of the 2007 financial collapse, down 50%.

Against this backdrop, we are bullish.

To start, near term, China has the most restrictive interest rates in the world and has much room to stimulate and re-inflate its economy, as it has recently done with its property market.

Second, BofA predicts a spring 2022 peak in the US dollar, which would be bullish for Hong Kong company earnings should it come to surpass (an event we are not basing our investments on).

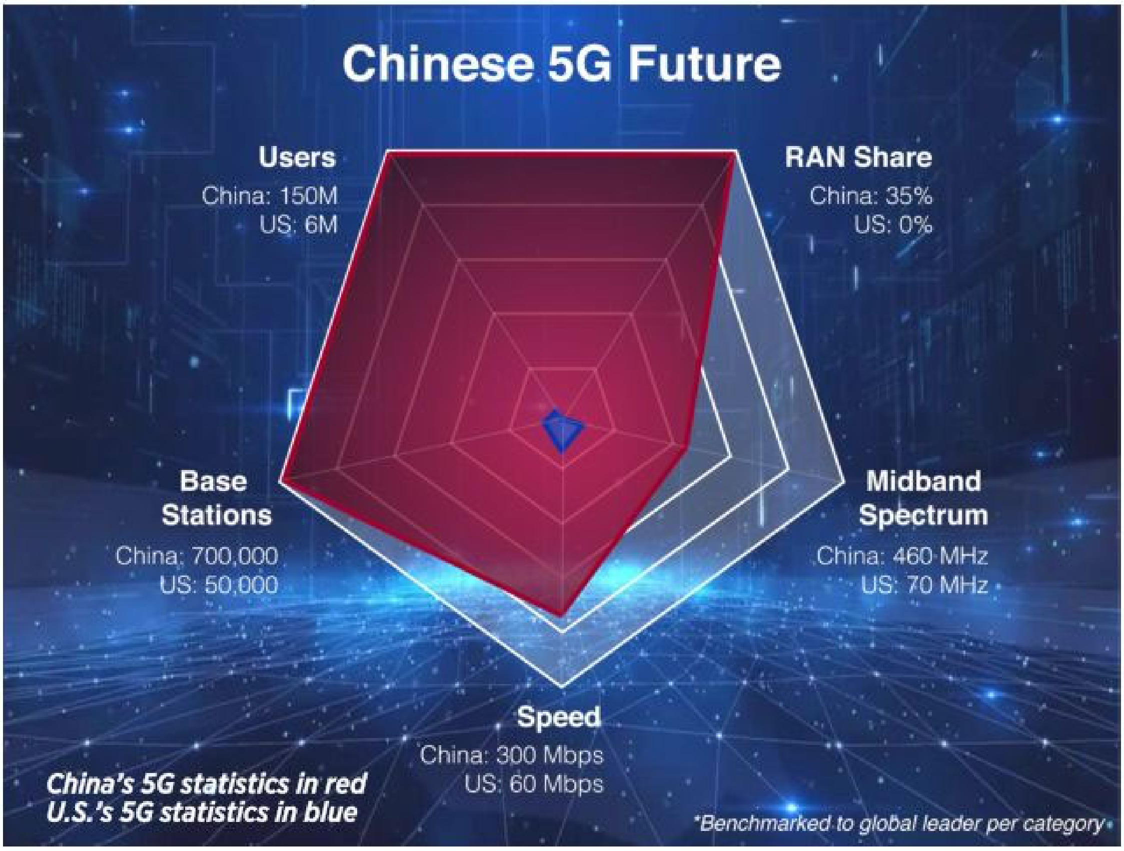
Any positive developments to the vastly negative sentiment prevailing in Hong Kong will likely ignite a fire-like upside burst to a very dried-out stock market.

On an intermediate to longer term outlook, the most important transformative event is the multi-trillion-dollar global buildout of 5G wireless networks, the largest infrastructure projects ever and '*a modern-day equivalent of the moon race*.'

The true potential of 5G, according to tech news platform CNET, is the improvements it will make to driverless cars, telemedicine and virtual reality gear. Designed for maximum speed and capacity, 5G has the potential to vastly expand how data is moved and will enable a wide range of new applications and uses that go way beyond smartphones.

Emerging markets will be unequivocal beneficiaries, with little legacy landline systems disrupting their mobile network buildouts. China has deployed over 1 million 5G base stations resulting in the nation accounting for 80 per cent of the total number of base stations deployed globally. In fact, China is poised to gain on the US in the fields of AI, 5G, quantum information science, semiconductors, biotechnology and green energy within the next decade, according to a [Harvard study](#).

> *In 5G, nearly all key indicators support projections that China will dominate this field, according to the report. By the end of 2020, China had 150 million 5G users to America's 6 million; 700,000 5G base stations to America's 50,000; 460 megahertz of licensed mid-band spectrum to America's 70 MHz; and 300 megabits per second average 5G speeds to America's 60 Mbps.*



Recently, two Chinese companies were granted China's first licences to charge passengers for self-driving taxis in Beijing. Baidu and Pony AI will soon launch their driverless cab services commercially following successful trial periods. Video: https://youtu.be/1cGb2Fs8Hz8

The two companies can now charge fees for their so-called robotaxis in a designated area of the capital covering 60 sq km. The taxis will have a human 'security officer' behind the wheel, ready to intervene if necessary. As an analysis from ARK Invest points out: "If and as it scales, the (driverless auto) technology unlocks massive capital-utilization and labor-efficiency improvements...it truly could be an innovation without precedent."

Here are seven industries that will be most affected by 5G when rollout is complete.

Transportation... 5G will enable self-driving cars and vehicle-to-vehicle or vehicle-to-infrastructure setups... shipping and logistics... Logistic and shipping industry can make use of smart 5G technology for goods tracking, fleet management, centralized database management, staff scheduling and real-time delivery tracking and reporting.

Manufacturing...5G for efficient automation of equipment, predictive maintenance, safety, process tracking, smart packing, shipping, logistics and energy management.

Tele-Healthcare... 5G will support medical practitioners to perform advanced medical procedures with reliable wireless network connected to another side of the globe. People with chronic medical conditions will benefit from smart devices and real-time monitoring. Doctors can connect with patients from anywhere anytime and advice them when necessary. Scientists are working on smart medical devices which can perform remote surgery... Smart medical devices like wearable will continuously monitor patient's condition and activate alert during emergency... Medical practitioners will be able to share large files like a MRI report which often larger than 1GB size within seconds using 5G network.

Energy... Smart grid technology · Smart meters for private properties · Remote equipment monitoring.

Smart Cities... Smart city application like traffic management, instant weather update, local area broadcasting, energy management, smart power grid, smart lighting of street, water resource management, crowd management, emergency response etc.

Smart Farming... Using smart RFID sensors and GPS technology, farmers can track location of livestock and can be used for irrigation control, access control and energy management.

Autonomous Driving... High performance wireless network connectivity with low latency is significant for autonomous driving.

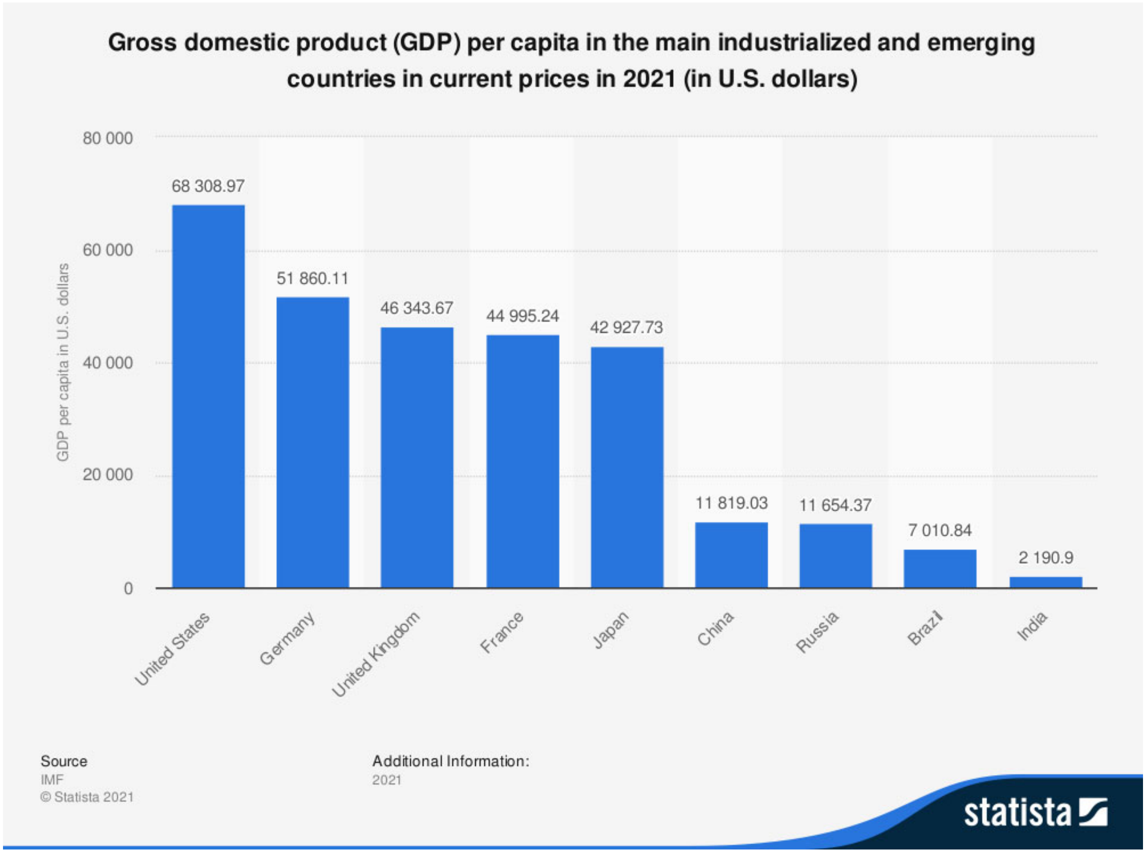
As one analyst ventured: *America led the 4G revolution. If China leads in 5G, it will have a first-mover advantage to experiment with emerging technologies and potentially displace Silicon Valley...*

China continues to modernize. This reformation touches the health care system (as the population is getting older but richer), technologies for self-sufficiency (such as semiconductors), domestic consumer brands (with a growing middle class) and digitization in areas with previously low penetration (i.e. software). These are monumental transformations happening to the largest population on earth.

The future of 5G is still being written but the massive improvements in productivity will drive economic growth far into the future. China's rapidly advancing modernization and deployment of advanced technology is far ahead of the rest of the world.

China’s economy transformed from a centrally organized system to an increasingly open market-oriented entity. Though China’s economy has grown to the world’s second largest (based on nominal GDP) in four decades, average per capita GDP in China is still lower than the global average level which indicates that China still has potential for future growth.

https://www.statista.com/topics/5819/key-economic-indicators-of-china/#dossierKeyfigures



Its estimated, by 2035, China's per capita GDP will reach more than US$25,000 (from $11,819) and China's total GDP will exceed US$30 trillion. China may double the 400 million middle-income people and halve the 600 million low-income people by 2035. Almost a doubling of brand new consumers on the global scene.

Our small/mid cap, value stocks are cheap today and sell at weighted average of 11.2x this year’s estimates. We remain optimistic on the prospects for our holdings benefiting from these (and other) ensuing trends. We invite any observations or questions you may have and look forward to a brighter 2022.

Brook McConnell – Bozeman, MT.

*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.
The S&P 500 Index is a market capitalization- weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies.

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.