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

December 11, 2015

Dear Clients, Partners, and Friends,

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

	Nov 2015	Year-to-date
Hong Kong Partners LP	-1.6%	8.5%
Hang Seng Index	-3.0%	-6.9%
Hang Seng Small Cap Index	-1.8%	-6.2%
MSCI HK Small Cap Index	2.2%	-15.0%

Partnersô NAV $3.0739 after management fees, but before annual incentive fees of 15% on appreciation.

Our portfolios of small/mid capitalized holdings of Hong Kong-listed companies doing business in China have out-performed year-to-date through November. Our disciplined investment approach seeks to generate low risk returns by capitalizing on Hong Kongôs *Western* adapted advantages with Chinaôs fast growing, *Eastern* economy.

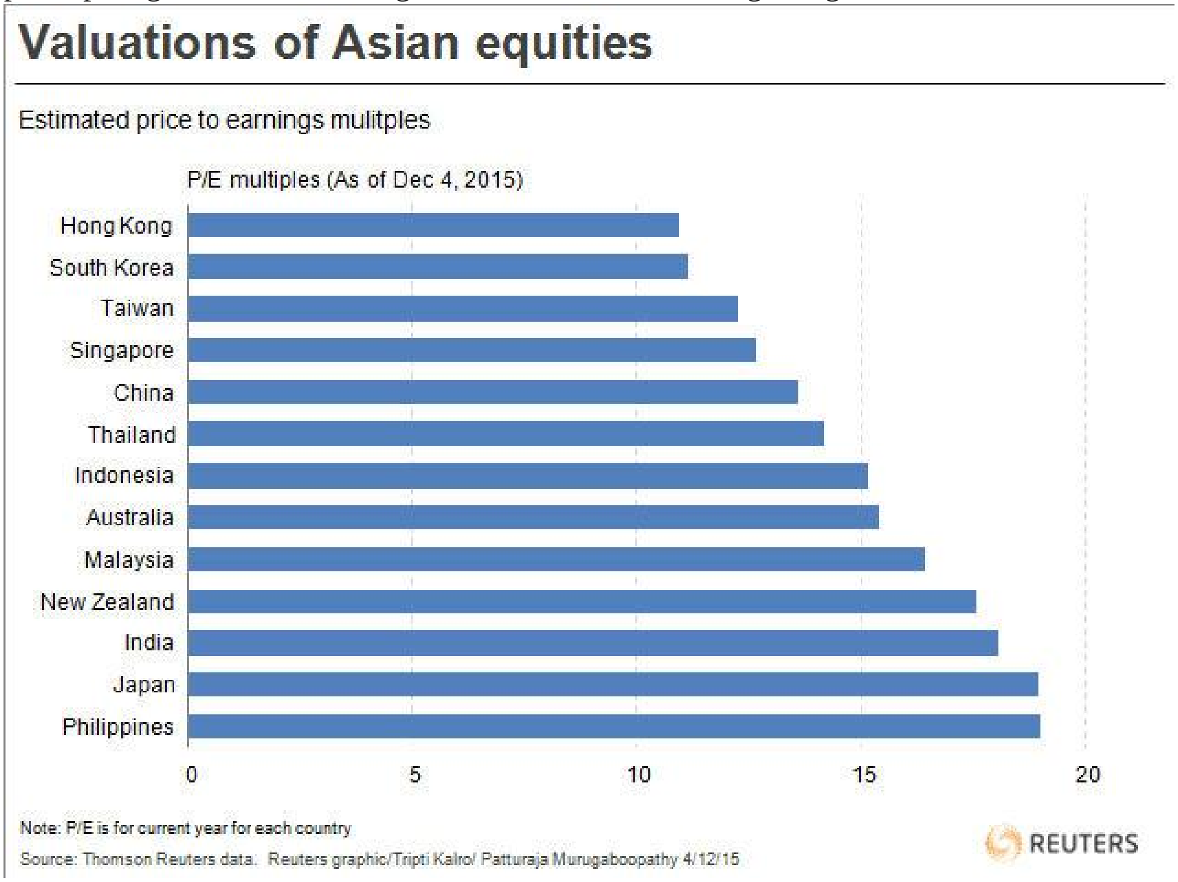
Overall, 2015 has been a difficult year worldwide for stock markets. Through the end of November, only the US markets have shown positive 1-year returns:

World Regions	1WK	YTD ↓	1YR
Emerging Europe	-3.8%	4.8%	-16.1%
US	0.2%	3.5%	2.9%
Asia	-1.0%	0.9%	-0.7%
Developed Europe	-0.2%	0.1%	-4.3%
Middle East	0.8%	-11.2%	-18.4%
Africa	-1.7%	-18.7%	-22.9%
Latin America	-3.9%	-25.0%	-33.5%

In China, the Shanghai Composite ended 1.9% higher in November (+ 6.5% YTD, outperforming most Asian markets) as, perversely, a weaker economy stoked pressure for more government stimulus (both imports and exports were reported -18.8% and -6.9%, respectively, missing expectations). The forward price-earnings ratio for the Shanghai Composite today stands at 14.9x.

Chinaôs technology and consumer-discretionary stocks have beaten estimates, whereas industrial and financial shares have missed earnings estimates. For example, the techheavy Shenzhen market (ChiNext) rose 12.5% in November (+ 99.2% YTD). Yet, the China H-share index in Hong Kong, which is heavily skewed towards financial and cyclical stocks (two areas we have avoided), fell 6% in November and is down 18% year-to-date. Concerns of over-capacity and non-performing loans continue to weigh on Chinaôs óOld Economyô stocks. The H-share index sells at a PE of 7.2 times forward earnings.

Though there is a strong, growing, mutual development between Hong Kong and China that is a direct result of Chinaôs continued economic and financial reforms, we do not own any A-share, domestically-listed companies in our portfolios. We find the risk/reward of participating in the mainlandôs growth is best found in Hong Kong stocks.



Of note, contrarian investor, Howard Marks, said China is beginning to appeal to him as an investment proposition after the recent market falls. He likens the worldôs second-largest economy to a ñteenagerò with the possibility of its best years ahead. The co-founder and chairman of Oaktree Capital made the following comments in late October: ñAll I know is that this is a better time because prices are way down and sentiment is very weaké You know China is kind of friendless at the present time as an investment proposition. Those are the circumstances under which I like to investé ò

Our projected weighted average portfolio price-earnings ratio is 7.5 times, with a 4.5% dividend yield. The potential for further China interest rate reductions (there have been 6 cuts in last twelve months), extra stimulus from cheaper energy costs (China is a net-importing country), a stable to lower currency, and compelling valuations afford a good backdrop for our approach in the coming years.

Our next letter will provide more insight into our holdings and outlook. We want to thank all our clients for their continued support and wish all a happy, healthy and joyous holiday season.

Sincerely,

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