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

February 12, 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:

	Jan. 2014
Hong Kong Partners LP *	0.4%
Hang Seng Index **	3.8%
Hang Seng Small Cap Index	-0.2%

Partnersô NAV $2.844 after management fee, but before annual incentive fees of 15% on appreciation.

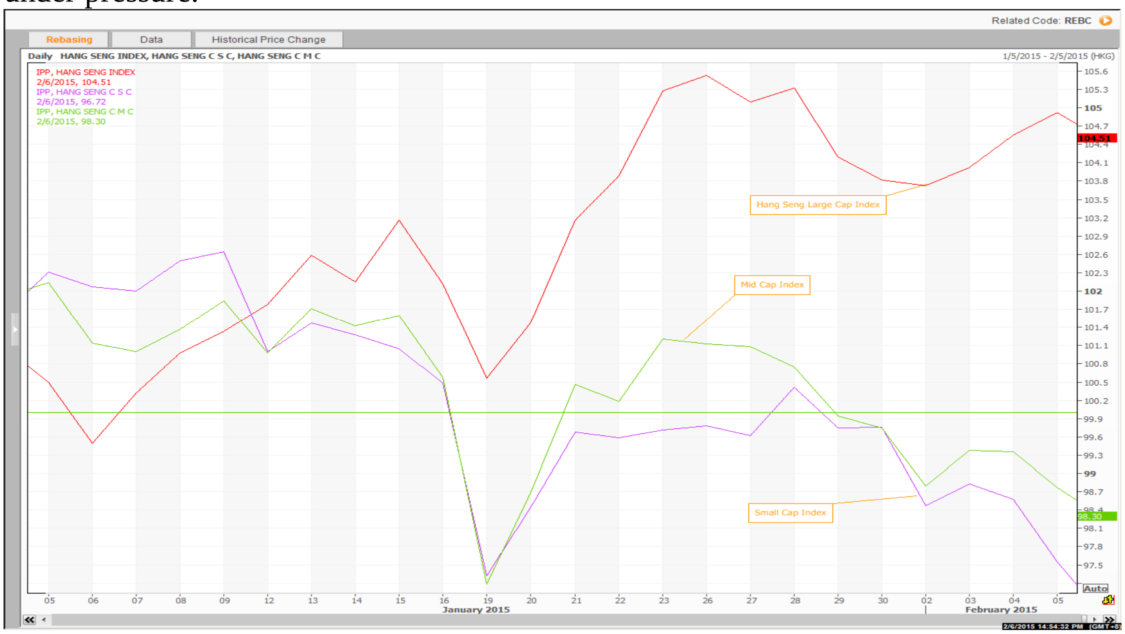
January was a volatile, erratic month of trading for our small/mid cap portfolios of stocks listed in Hong Kong.

Hong Kong-listed companies will soon announce year-end/interim financial results and have entered black-out periods, thus economic news has been filling the void.

Chinaôs slowing growth is a chief concern. Manufacturing suffers from over-capacity, efforts to rein in debt are curtailing local governmentsô investment and the housing market continues to decline. Chinaôs economy grew 7.4% in 2014, the slowest pace in 24 years as the country transitions from an investment/export led economy to a consumption-based economy.*

Last week, in early February, the Peoples Bank of China announced a 50 basis point cut in the bank reserve ratio requirement, the first cut in two years. The announcement actually spooked markets as it implied a more than expected slowing economy by Beijing. Immediately thereafter, a 20% plunge in Chinaôs imports was reported for January, the steepest drop since the global credit crisis five years ago. This highly publicized announcement deepened concerns as Chinaôs continued inventory de-stocking of major commodities, a trend that has been in progress since late summer, herded investors into retreat.

Under the weight of these concerns, small/mid cap sectors of the stock market have been under pressure.



Rebasing chart year-to-date: Red line is the blue-chip Hang Seng Index, green line, Mid-cap index, purple line is the Small-cap index

We own just three holdings listed in these indexes, out of about two dozen positions in our portfolios. Our holdings are niche growth companies we think we know well and have bought cheaply; companies benefitting from new 4G cellular build-out, suppliers to smartphone manufacturers, state electric grid construction, electricity production, water treatment operators, along with leading producers in retail, textile and sports programming.

On the first day of trading in February, our long suspended holding in vegetable producer, Chaoda Modern Agriculture, resumed trading to a flood of institutional sell orders. The companyôs business has been negatively affected after 3 ½ years of suspension by the Hong Kong Stock Exchange. Chaoda has no debt, with operations and management intact. With the shares deeply depressed, we added to our position after the first weekôs flurry of trading.

We are fully invested today and are quite confident in our undervalued holdings.

Sincerely,

Brook McConnell

President
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Hong Kong

*Chinaọs transformation from an export driven economy to a consumption economy was distinctively highlighted in a research weekly recently from 13D Research:

> *We think the fundamentals driving China's secular growth story in domestic consumption—in this case automobiles and tourism—are unchanged. Recent weakness in oil prices is helping boost growth expectations in those sectors…*
> *China now has about 300 million licensed drivers, a figure that is almost equivalent to the entire U.S. population.* Moreover, this number is increasingly quite rapidly, at a rate of more than 100 million new drivers every four years. *Despite this, more than 70% of the Chinese population, or about 1 billion people, do not drive—representing a huge untapped market….*

Seen from the map in this article in the New York Times last month, Chinaọs mega construction ambitions are the epitome of growth in todayọs sluggish world (click link below for the full article).

In China, Projects to Make Great Wall Feel Small

DALIAN, China — The plan here seems far-fetched — a $36 billion tunnel that would run twice the length of the one under the English Channel, and bore deep into one of Asia's active earthquake zones. When completed, it would be the world's longest underwater tunnel, creating a rail link between two northern port cities.

Throughout China, equally ambitious projects with multibillion-dollar price tags are already underway. The world's largest bridge. The biggest airport. The longest gas pipeline. An $80 billion effort to divert water from the south of the country, where it is abundant, to a parched section of the north, along a route that covers more than 1,500 miles…

http://www.nytimes.com/2015/01/13/business/international/in-China-projects-to-make-great-wall-feel-small-.html?_r=0

*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.

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.