SOUTH OCEAN 南海管理有限公司

MANAGEMENT, LTD.

HONG KONG

9 Aug 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:

	July 2015	Year-to-date
Hong Kong Partners LP *	-10.4%	14.3%
Hang Seng Index **	- 6.1%	4.4%
Hang Seng Small Cap Index	-18.4%	-0.4%
MSCI HK Small Cap Index	-11.1%	-5.5%

Partnersô NAV $3.2367 after management fees, but before annual incentive fees of 15% on appreciation.

Our holdings of Hong Kong listed small/mid capitalized stocks, with earnings geared towards China, witnessed increased volatility due to the China market sell-down.

The sharp correction in Hong Kong during June and July has now settled into much slower trading volumes as the mid-summer doldrums have set in. As of this writing, investors await financial earnings releases for the first half ending June before making any commitments.

To recap recent events, Shanghai stocks lost a third of their value in the three weeks to July 9. Conflicting central bank signals were partially to blame. In early June, the Peopleôs Bank of China (PBOC) drained funds from the countryôs financial system in the heat of the stock rally. That led investors to believe the central bank was tightening monetary policy.

Heavily leveraged China investors started selling. The official data of total margin borrowing from brokerages did not include money borrowed by investors from unofficial channels such as banks and Internet finance firms. As the selloff worsened in early July, triggered by heavily indebted investors rushing for the exit, the central bank had to step in to make cash available to brokers to expand margin lending to investors.

The sell-off forced the PBOC to announce ¼ point interest rate cut coupled with a loosening of some banksô reserve requirements on June 27 to spur lending. In the two weeks to July 20th, Beijing announced further initiatives to stem the downturn. The China Securities Finance Corp lent US$ 42 billion to 21 brokerages to buy stocks. The Commission further promoted bank lending to companies in order to buy their own shares.

Financial experts in the media were panic-stricken, claiming China was about to crash the world economy. But worries about the stock market rout causing a hard landing on the mainland are overblown.

Stocks account for about 9 percent of total household wealth in China, and major market indices are still higher on the year, so relatively few Chinese have been severely affected. Household income, wages and consumption are going up at a vigorous rate, and banks do not look seriously exposed to the rout.

There are certain areas in Chinaôs economy, such as in the industrial sectors, that are witnessing flat growth. Other sectors are strong, such as insurance, transportation and utilities. While we have no idea when the massive reform measures taking place in China today (moving from a central controlled economy to a market-led economy, recent interest rate cuts) will kick in, there certainly are reasons to believe the economy is seeing some improvements in this rough environment: China housing prices have turned up this year, the Caixin Services PMI, a measure of the service sector, hit an 11 month high in July (service sectors accounted for 51.6% of total GDP in the first quarter of this year, up from 46.9% in 2013 and 48.2% in 2014) and retail sales grew 10.6% in June versus 10.2% in May. (Interestingly, mobile e-commerce in China is expected to make up 11% of total retail sales next year and over half of total online retail shopping. This phenomena is only just beginning as the huge number of Chinese in the rural market has yet to be tapped. China is currently 22% of world Internet usage versus 8% in India and 10% in the U.S.)

Leading economic indicator, The Baltic Dry Index, is up 54% year-to-date.

The sell-off in China has unsettled investors, globally. Foreign ownership of China shares has dropped dramatically. There were 9 consecutive days in July of net money outflows from China, through the Shanghai Hong Kong stock connect, amounting to more than US$8 billion.   Miss-steps by China authorities/regulators are unlikely to be repeated in Hong Kong. Hong Kong is not China. Hong Kong has an independent securities regulator (SFC) and a self-regulating, listed stock exchange. The PRC securities market loopholes and miss-steps by the regulators are part of the learning curve for China to create a fully functioning market.

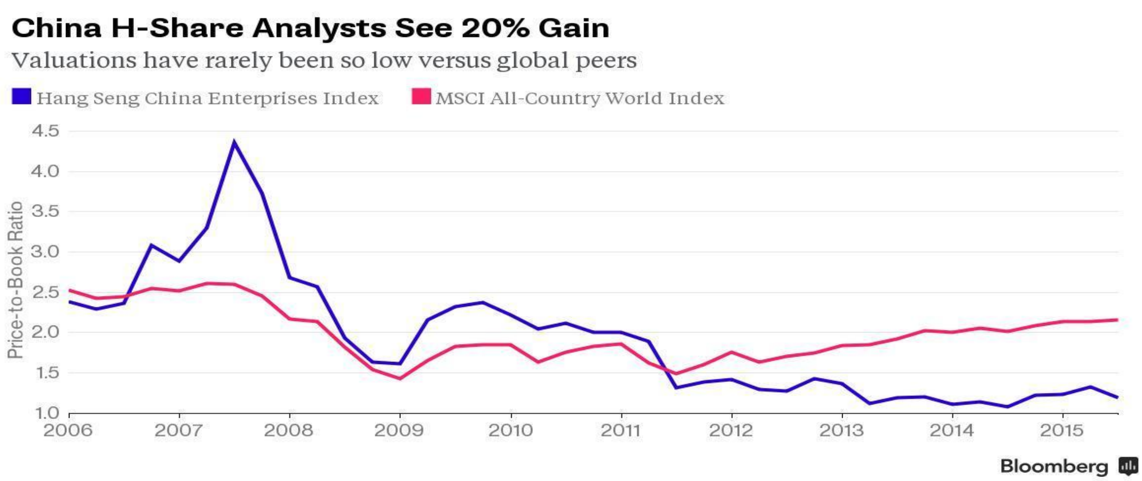
An in-depth review of the China equity markets in Institutional Investor is reported here. Nevertheless, the Chinese authorities (as Europeôs central banking once said) are doing ñwhatever it takesò to stem the rout. The Peopleôs Bank of China is essentially pledging unlimited credit support to keep buying battered shares and lending to securities firms.

With Hong Kong stock prices sold down this far, Hong Kong stocks, along with China shares traded in Hong Kong, are the cheapest in the world today, using Price to Earnings and Price to Book valuations.

The following chart from Reuters shows world index valuations:

Americas 03-Aug-2015							
Name	**Last**	**Div Yld %**	**PE**	**PE FY1**	**PE FY2**	**PBook**	**Mcap USD**
S&P 500	2,103.84	2.4	19.39	17.39	15.86	2.72	19.40T
DJI	17,689.86	2.49	16.01	15.92	14.65	3.07	5.42T
NASDAQ 100	4,588.91		21.49	19.55	18.43	4.8	5.47T
S&P/TSX	14,468.44	3.39	16.94	16.57	14.61	1.87	1.55T
BOVESPA	50,864.77	4.66	12.72	11.85	10.41	1.29	504.98B
MXSE IPC	44,752.93	1.9	23.87	20.57	16.94	3.53	313.56B
Europe							
Name	**Last**	**Div Yld %**	**PE**	**PE FY1**	**PE FY2**	**PBook**	**Mcap USD**
STXE 600	396.37	3.28	17.63	16.6	15.07	1.94	11.27T
FTSE 100	6,696.28	4.15	15.93	16.04	14.71	1.81	2.90T
DAX	11,308.99	2.63	16.9	14.07	12.89	1.85	1.20T
CAC 40	5,082.61	3.02	20.06	16.12	14.52	1.62	1.53T
FTSE MIB	23,538.03	2.73	26.07	17.43	14.61	1.25	537.97B
SMI	9,428.17	2.94	17.01	18.51	16.99	2.92	1.24T
AEX	495.23	2.73	17.67	17.96	15.76	1.71	611.86B
IBEX	11,180.70	5	17.39	16.29	14.18	1.62	709.53B
OMXS 30	1,615.64	3.72	15.05	16.78	15.5	2.42	602.63B
Asia							
Name	**Last**	**Div Yld %**	**PE**	**PE FY1**	**PE FY2**	**PBook**	**Mcap USD**
NIKKEI 225	20,492.53	1.43	20.69	19.62	17.66	1.92	3.06T
S&P/ASX 200	5,680.40	5.95	14.33	15.97	14.94	1.78	1.13T
HANG SENG	24,502.49	3.27	11.53	12.94	11.82	1.45	1.96T
H-Share	11,038.13	3.62	8.33	8.14	7.33	1.21	767.87B

China shares traded in Hong Kong have witnessed almost panic selling the past month and today sell at historic relative discounts.



China H-Share Strategists See 20% Gain on Cheap Valuations
http://www.bloomberg.com/news/articles/2015-07-16/china-h-share-analysts-see-20-gain-on-valuations-rarely-so-low

On a 5-10 year outlook, the US stock and bond markets are priced for low returns. China will remain the worldôs largest source of economic growth during the next five years and the risk gain ratio of buying and owning Hong Kong stocks at these levels are compelling today.

For instance, we are buying shares in a retail operator in China listed in Hong Kong with a market capitalization of US$810 million and revenues last year of US$715 million. The seasoned company has closed loss making stores on the mainland, a market that has witnessed an extremely challenging retailing environment since the 2008 Beijing Olympics. Huge operating leverage will benefit the bottom line when the retailing cycle turns. The companyôs balance sheet is clean with ~HK$900 million net cash. Its management is very shareholder friendly, producing an annual report that is one of the most transparent descriptions of any companyôs operations Iôve read here in Hong Kong. The dividend yield is over 6%, return on equity is a decent 14%. The stock is selling at 2.5x book, which is low for a retailer. Our 10 year price target, assuming a modest 6.3% compound annual growth in earnings per share, is calculated, using our proprietary Banquet System intrinsic value analysis program, at HK$28 per share. We started buying at $4.01 or 14.3 times this yearôs estimated earnings.

Our concentrated portfolios of small/mid cap, Hong Kong listed stocks have an average ROE of 15.8%, sell at a weighted average 8.8 times expected earnings, 1.8 times book value, with an average 4.7% dividend yield and strong balance sheets.

Sincerely,

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Hong Kong

Here is an eye-opening clip of Chinaôs ambitions; **China opens world's largest single structure**. http://youtu.be/tn9hoo6cZFc).

*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.