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

April 15, 2020

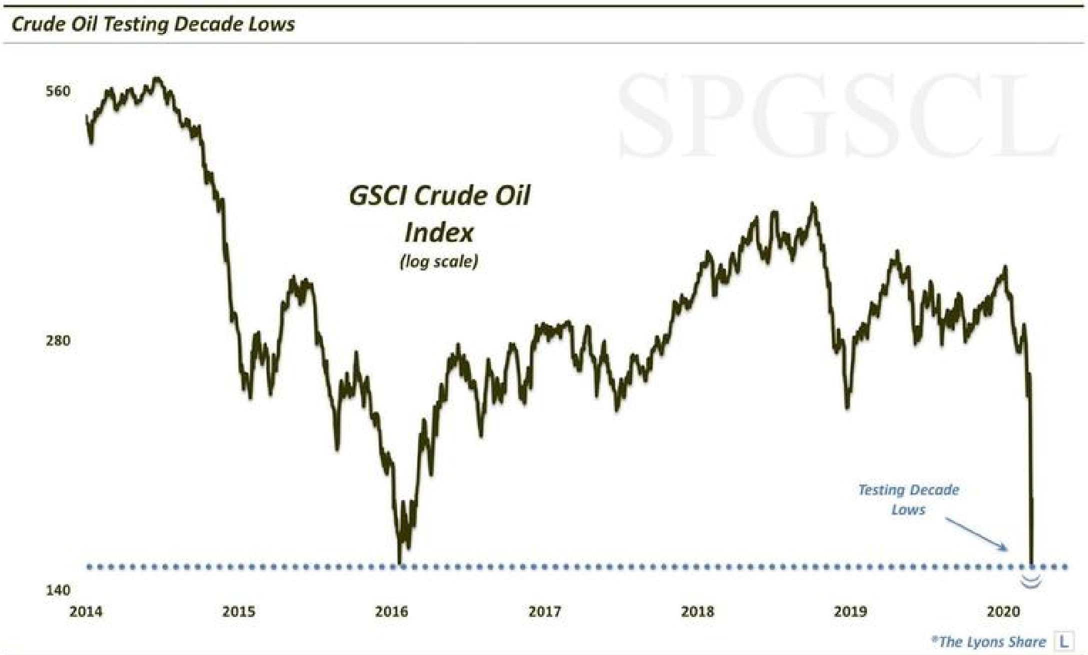
Dear Clients, Partners, and Friends,

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

	Mar. 2020	Year-to-date
Hong Kong Partners LP *	-16.9%	-24.1%
Hang Seng Index **	-9.7%	-20.5%
Hang Seng Small Cap Index	-9.7%	-21.0%
MSCI HK Small Cap Index	-14.5%	-4.3%
HS Mid Cap Index	-12.4%	-19.7%

Partners' NAV $1.9825 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

It was a rough first quarter. The COVID-19 virus spread (where the CDC predicted in mid-March over 200 million Americans could be infected), coupled with an historic decline in oil prices;



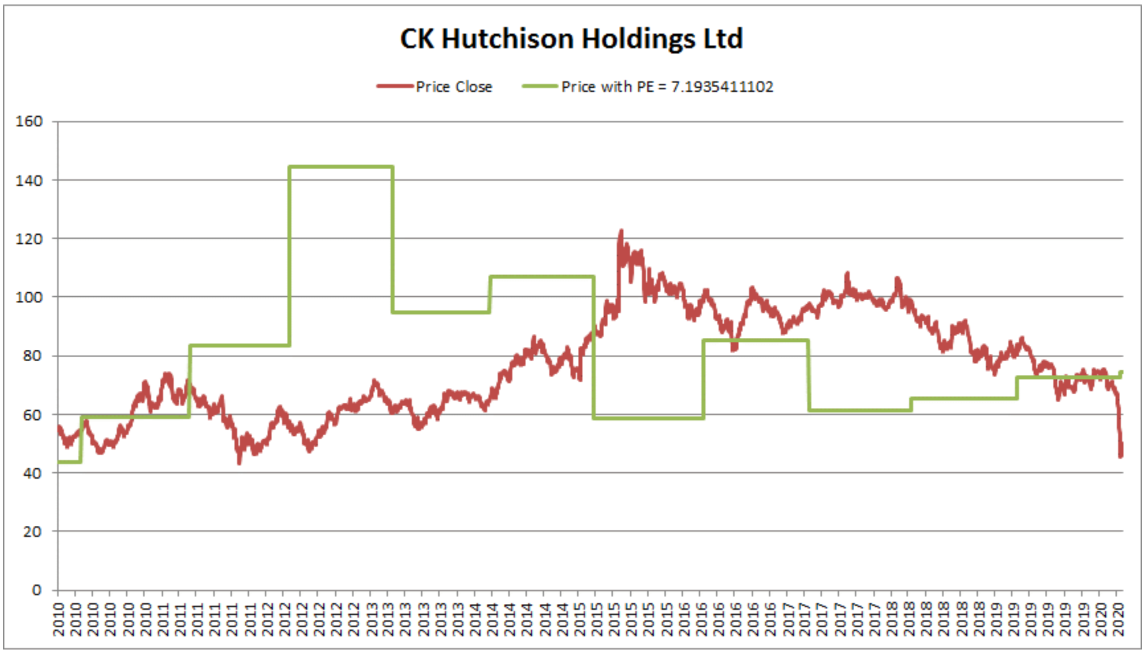
...along with a richly valued US equity market, all coalesced to upend investors' nerves in early 2020.

South Ocean's program is to invest in the growth of China through well managed, financially strong companies listed on the Hong Kong Stock Exchange. Most of the time, bargains are found in less analyzed, less followed smaller/mid cap stocks, which is where we spend most of our time evaluating and visiting with management. Typically, large cap/index stocks tend to be fully priced except during erratic markets.

According to Goldman Sachs, March was the most volatile, erratic month *ever* for equities... in history.

During the month, amidst the indiscriminate selling, bargains emerged in Hong Kong.

We selectively added several high-quality, larger cap names to our portfolios including Li Ka shing's CK Hutchison (code 0001hk, HK$ 191.1billion market cap, US$ 24.5billion) and China's largest state-backed life insurer, China Life (code 2628hk, HK$ 113.1billion market cap, US$ 14.5billion). Both of these stocks witnessed intense selling in March. It is rare for larger cap Hong Kong equities to sell this cheap and we would be comfortable (as personified in one of Warren Buffett's rules for investing) owning these two businesses if the stock market were to be closed tomorrow for the next 10 years.



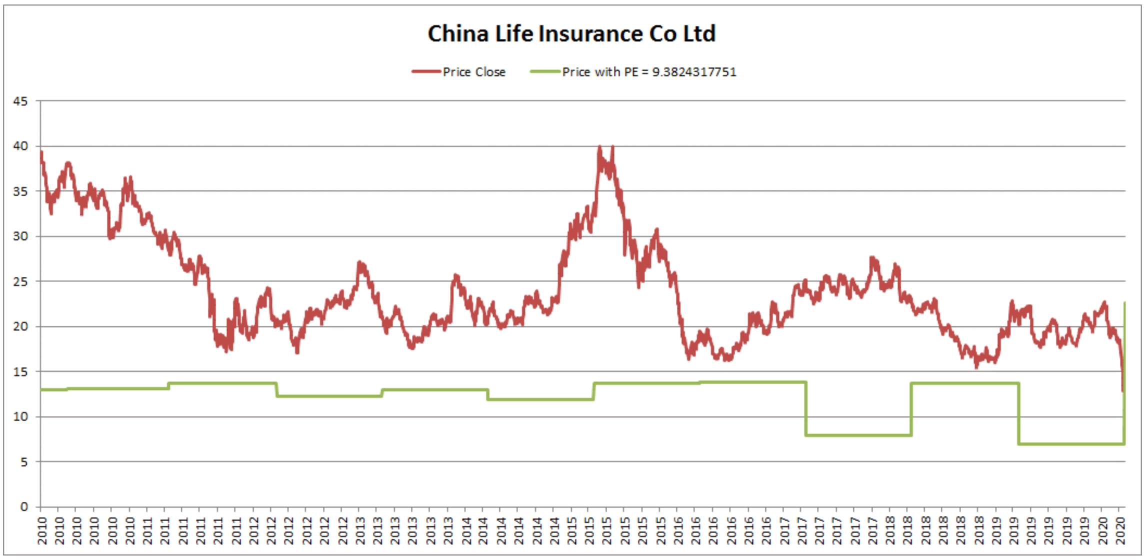
Current P/E: 5.2x

5-Year Average P/E: 8.9x

Dividend Yield: 6.0%

Book Value Per Share: HK$123.62

Current Price: HK$53.25 (as of Mar 27)



Current P/E: 6.6x

5-Year Average P/E: 21.5x

Dividend Yield: 5.3%

Book Value Per Share: HK$15.98

Current Price: HK$15.24 (as of Mar 27)

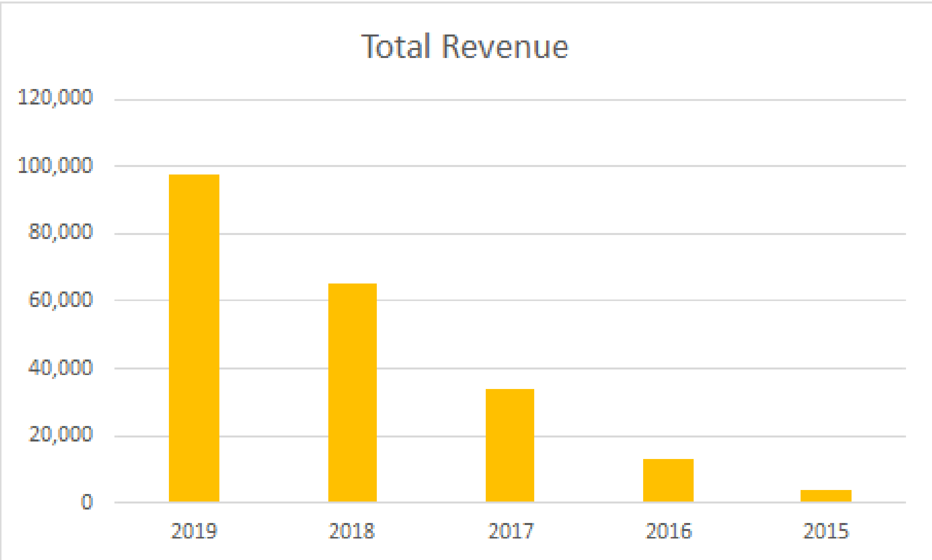
(Note, the green earnings line in these two charts is drawn using the lowest annual price-to-earnings ratio over the last 5 years).

CKH has three strong businesses still operating in today's virus-shut world; grocery (Park N Shop), pharmacy (Watson's) and petrol (Husky Oil). Its 5G cellular rollout will be a future growth driver. Perhaps paradoxically, the pandemic episode in China is likely to be a strong selling point going forward for life insurance agents. China Life, with over 400 million customers, is the largest life company in China.

We also purchased a position in a high growth, young company we have been following for the past year or so. MEITUAN DIANPING (code 3690hk, market cap HK$ 437.2 billion, US$ 56.1 billion) is 20%-owned by Internet giant Tencent and is one of China's largest e-commerce platforms. The Company owns an instant food ordering and delivery service which also enables food delivery through its mobile application ("Meituan"). Meituan is also engaged in travel and bike-sharing services on the mainland.

Food delivery was still robust even during the virus lockdown (though temporarily interrupted) and should see continued growth as China advances in digitalizing. For instance, the virus home lockdown converted many older people to use apps on their smartphones for Meituan's food delivery services.

Ecommerce ordering of food in China is in its infancy. The Company reported greater than 40% revenue gains in 2019 (to 97.5 billion Yuan) which were in line with estimates:

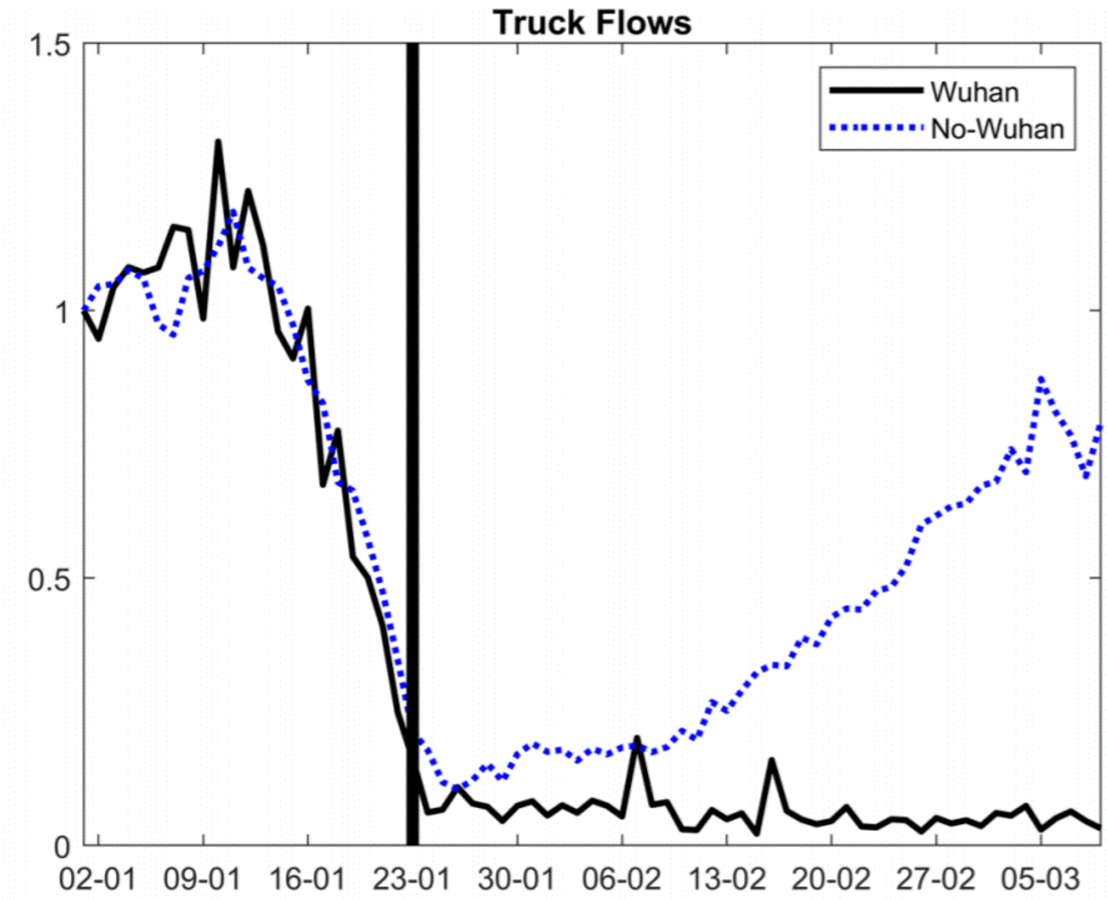


During the sell-off in March, we initiated purchases near the 200-day moving average:

China has been returning to work. Incidental bits of information reveal the turnaround, as this report outlines:

> A research report from the Research Center for the Chinese Economy based in the City University of Hong Kong provides some interesting data where...economic activities have started to resume and are expected to fully recover by mid-April.

Daily Truck Flows among Provincial Capital Cities in the past three months;



> "For cities outside Hubei, the index picked up quickly since people returned to work starting from Mid-February.... The evidence above shows that normal economic activities in China have nearly resumed to the level prior to the epidemic."

https://seekingalpha.com/article/4334475-coronavirus-update-where-china-is-now-in-terms-of-recovery

As of this writing, China has lifted the 76-day lockdown on Wuhan, Hubei province, where the outbreak started. Travel restrictions are easing, with trains leaving the city, flights resuming at the airport and cars now allowed to exit highways.

China will benefit from the monetary and fiscal stimulus packages initiated by governments, both domestically and globally. These combined efforts, despite strong headwinds, should offset/mitigate the negative impact from the potential global slowdown.

The MSCI China/CSI300 Indexes, at trough valuations today, have outperformed the US markets year-to-date as China fights to reboot its economy. The US S&P 500 Index sells at 2.8x book value (PB) and 19.6x price-to-earnings (PE). In contrast, the Hang Seng Index and the China H-share indexes are at trough valuations, at 0.96x/0.72x P/B and 9.4x/6.0x P/E, respectively. The Hang Seng Index last week traded below its net asset value for only the third time in almost 30 years when the benchmark's price-to-book ratio (or its market capitalization compared to its net assets) fell to as low as 0.92 times.

We cautiously added a few bargains to our holdings last month amidst the blaring reports and accounts of an economic ice age/depression era predicted by economic forecasters. We never presume to know what will transpire for markets, especially today. Even though Hong Kong is at a trough valuation, we are content to sit on a bunch of sidelined cash (>30% of total portfolio value) for the time being and wait out this uncertain period with an open mind.

South Ocean has managed through three decades of various market declines, including the 1997 Asian Financial Crisis, Y2K, the Dot Com collapse, the SARs epidemic in 2003 and the 2008 Great Recession.

I took this photo of Big *Brutus* at the Grizzly Bear Rescue & Education Sanctuary in Bozeman, Montana.

Today's *Brutus* bear market decline is no less stressful.

We continue to have strong convictions, though, in our investment mandate of owning the growth of China through well managed companies listed in Hong Kong. (In fact, I have just finished writing a book about those convictions, entitled: *Insights of an American Investment Manager in Hong Kong*).

The unprecedented spread of the COVID-19 disease upended our travel plans. This winter, we vacationed in Thailand with family over Chinese New Year's just before China announced it was cancelling the holiday (several 100 million citizens on the mainland were stopped from returning home). As the virus spread and conditions worsened, we kept postponing, then cancelling plans to travel to Hong Kong (on much good advice from friends the world over). Just before the Land of Smiles totally locked down (flagship THAI Airways completely grounded, hotels, as well as Phuket's airport, closed), we managed to find flights home (a 50-hour journey) to be near family in Montana.

All's well for us and pray all of our partners, clients and friends are safe and healthy.

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.

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.