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

April 6, 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:

	Mar. 2015	Year-to-date
Hong Kong Partners LP	7.5%	10.8%
Hang Seng Index	0.3%	5.5%
Hang Seng Small Cap Index	3.8%	4.2%

Partnersô NAV $3.1364 after management fee, but before annual incentive fees of 15% on appreciation.

"A business with a good definite plan will always be underrated in a world where people see the future as random." *Zero to One*, by Peter Thiel (PayPal founder), p.80

Note: Due to Easter and Ching Ming (grave-sweeping) holidays, this letter was delayed and written prior to the rally in Hong Kong's stock market.

As we concluded in our December, year-end letter to clients, low stock valuations were likely to be only temporary. Our small/mid cap, high quality stocks of companies listed in Hong Kong, with earnings benefitting from operations in China, rose sharply during the earnings report season in March.

Better than expected earnings announcements propelled depressed share prices higher during the month. But even after this surge, our weighted average portfolio sells at single digit price/earnings levels on greater than 20% expected average growth this year.

This yearôs out-performance is gratifying. We adhere to a value-oriented investment approach, embedded in the belief that despite the market's sometimes short-term illogicality, over time, prices trend towards intrinsic value. We are rewarded only when we remain vigilant, performing rigorous, on the ground (here in Hong Kong), fundamental research and analysis.

Since the launch of our systematic, intrinsic-value investment program more than two years ago, results have bettered our expectations:

Period 12/31/2012 through 3/31/2015*

Hong Kong Partners LP (after March 2013 write-downs)	+25%
Hang Seng Index	+9.9%

Hang Seng Small Cap Index +8.1%

Our concentrated portfolios are benefitting from growth in China. For instance, we own 4 holdings (24.8% of total portfolio value) related to the telecom sector.

Our largest holding- PC/smartphone casing manufacturer Tongda Group (698 HK ï market cap US$840 million) reported that second half 2014 revenue grew 39%, net profits gained 46% and full-year EPS grew 26%, beating estimates. Surging demand for metal smartphone casings (for Xiaomi, Lenovo and Huawei) has ramped up operations faster than expected for its new Xiamen plant. The next two yearôs growth prospects look assuring and debt-free Tongda sells at just 9.8 times this yearôs expected earnings (similar, smaller companies listed in Shenzhen, sell at 80-100 times trailing earnings).

Leading patch cable manufacturer, China Fiber Optic (code 3777 HK - market cap US$460 million) saw earnings grow 28% last year, culminating five years of consecutive net income growth (patch cord cables are found at the back-end of data server modules). China will add more than 200 million 4G-telecom-network users this year and will build more than 600,000 new base stations across the country to expand coverage. The build-out of 4G installations will drive China Fiberôs earnings over the next several years. Debt-free China Fiber Optic sells at 4.7 times this yearôs expected earnings.

Our other two holdings: Asiaôs leading electronics distributor VST (code 856HK ï market cap US$548 million) sells iPhones (among its many products) in China and TCL Communications (code 2618 ï market cap, US$1.25 billion), is Chinaôs largest manufacturer and exporter of low to mid-priced cell phones, under the óAlcatelô brand name. VST sells at 6.2 times this yearôs expected earnings and TCL Comm sells at 7.2 times.

Hong Kongôs undervalued stock market should benefit from some significant reforms just announced in the PRC. Beijing approved Chinaôs five trillion yuan (US$800 billion) mutual fund industry to buy into Hong Kongôs stock market via the Shanghai-Hong Kong stock market connect (through-train). Dual listed China shares, in Shanghai (A shares) and Hong Kong (H-shares) trade at noteworthy differences (the average A-share trades at a 35% premium over the dual-listed Hong Kong shares).

The through-train scheme was further widened under Chinaôs continued reform liberalization programs, to include Shenzhen; Chinaôs ñNew Economyò stock market, which is anticipated to begin later this year. Shenzhen-traded shares include biotech, healthcare and technology companies. Importantly, this expansion includes a widening of the eligible shares allowed to be bought and owned by Chinese citizens in the Hong Kong market, including small/mid cap stocks. Hong Kong smaller capitalized stocks trade at even greater discounts than similar stocks in China, especially Shenzhen. Since the once dominant, sole investment vehicle for Chinese citizens (the once red-hot property market) in China is at all-time highs, the only other investment avenue, Chinaôs stock market, still sells at 40% *below* all-time highs (set in 2007). Stock speculators in China are betting the bull market in stocks, which began last July, is only in its early stages.

Shanghaiôs stock market, which is dominated by retail investors, trades 10 times the daily volume of Hong Kongôs exchange.

Trading advances in Hong Kong are to be expected this year. Under this optimistic outlook, we plan to remain fully invested in quality smaller cap companies listed in Hong Kong. As of this writing, the blue chip Hang Seng Index is nearing 7-year highs (but still trades ~24% below all-time highs).

Sincerely,

Brook McConnell
President
Email*:* *brook@south-ocean.com* Website: *www.south-ocean.com*
Hong Kong

PS. Due to Easter and Ching Ming (grave-sweeping) holidays, this letter was delayed and written prior to the rally in Hong Kongôs stock market.

*- Past performance, as the regulators insist we emphasize, is no guarantee of future performance.