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

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Dear Clients, Partners, and Friends,

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

	Sep 2015	Year-to-date
Hong Kong Partners LP	-0.5%	3.6%
Hang Seng Index	-3.8%	-11.7%
Hang Seng Small Cap Index	1.2%	-10.0%
MSCI HK Small Cap Index	-1.9%	-18.4%

Partnersô NAV $2.9344 after management fees, but before annual incentive fees of 15% on appreciation.

Volatility in China markets, a collapse in energy prices and uncertainty over U.S. interest rate policy rocked Asian and world stock markets over the past quarter. The benchmark Hang Seng Index ended 3.8% lower for September, extending a five-month losing streak. For the third quarter, the Hong Kong index fell 20.6%, the worst quarter since the July-to-September quarter of 2011. Our small/mid cap holdings of quality, Hong Kong-listed companies fell 18.7% over the 3rd quarter versus -26.3% for the Hang Seng Small Cap Index.

Our proprietary stock selection system screens all Hong Kong stocks, renders an intrinsic value for each and, importantly, a maximum price to buy. For the 3 years, 9 months since launching our enhanced stock selection system, our Hong Kong Partners LP net asset value has risen 17.0% (net, after fees) versus -8.0% for the blue chip Hang Seng Index and -6.6% for the Hang Seng Small Cap Index.

Recently, the mainland China stock markets have stabilized (we own no holdings in those markets) and Hong Kong share prices have generally risen since quarter-end, primarily in the large cap oil and financial sectors (we have no exposure to these areas in our portfolios today). Yet, investors still remain wary. The collateral damage to Hong Kongôs stock market over the summer has taken trading volumes down 25% as the blue chip index now sells at an 8.8 price-earnings level, near historic lows.

Growth in Chinaôs economy has slowed as Beijing attempts to restructure the economy and reform State-owned enterprises. Beijing has also rolled out an unprecedented series of rescue policies, including a market-stabilization fund, raising its holdings in big state banks and financial firms, prohibiting major stock holders and state companies from selling their shares, and clamping down on insider trading.

Soon, China will announce its 13th Five-year Plan. Whether the anticipated announcements, (such as the ñOne Belt One Road,ò ñMade in China 2025ò plans, any new growth targets or easing measures) will regain investor confidence quickly or not is conjecture at this point. Regardless, Hong Kong equities have been heavily discounted and stock values are attractive today.

We invest in several industry trends that China is supporting, such as sports broadcasting, municipal water treatment facilities, electricity production and build-out, solar and IT development, distribution and production. For example, our investment in Beijing Enterprise Water Group (BEWG, code 0371HK, our largest holding at 7.7%) outperformed in the third quarter (and as of this writing, its shares have gained back 11.1% in value versus a rise of 6.2% for the Hang Seng Small Cap Index). BEWG is the leading waste water/sewage treatment company in China, with backing from the Beijing municipal government and China Development Bank.

For the first half through June, the Group recorded revenues of HK$5,763.7 million (US$743 million), an increase of 51% over the corresponding year ago period and net profits of HK$1,160.4 million (US$150 million), an increase of 63%, in line with expectations. As environmental protection, clean energy and water resource development have been listed among the 11 key development and investment targets by the central government in China, BEWG is a direct beneficiary of those directives.

The company ranked high on our value screen, based on its strong business fundamentals, when we purchased the shares just over two years ago. And, like today, the holding continues to outperform as we have enjoyed a gain of over 200% since that purchase.

PC and smartphone casing manufacturer, Tongda Holdings (code 0698HK, our second largest holding at 7.6%) reported solid results in the first half. Increased smartphone casing revenues from its key smartphone customers, Huawei, Xiaomi and OPPO, continues to drive sales growth. Revenue rose 37% year-over-year, beating forecasts, with recurring net profits rising 65%. Tongdaós new metal casings business for smartphones should provide strong growth for the foreseeable future. The shares sell at 11 times this yearós estimated earnings.

We continue to investigate and research high growth, quality Hong Kong-listed companies, now selling at substantially lower levels than just 6 months ago. Overall, our portfolio weighted average price earnings ratio on this yearós estimated earnings per share is 8.8x, 7.7 times next yearós estimates. Our weighted average dividend yield is 5.0%.

Thank you for your investment alongside ours in Hong Kong Partners LP.

Sincerely,

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