

Worldwide Container Depot Network

North America	Central America	South America	South Africa
Atlanta	Puerto Limon	Buenos Aires	Cape Town
Baltimore		Guayaquil	Durban
Calgary		Itajai	Johannesburg
Charleston		Manaus	
Chicago		Navegantes	
Cincinnati		Paranagua	
Cleveland		Rio Grande	
Columbus		Salvador	
Dallas		San Antonio	
Detroit		Santiago	
Houston		Santos	
Illinois City		Suape	
Jacksonville		Valparaiso	
Kansas City			
Kelowna			
Los Angeles			
Louisville			
Memphis			
Miami			
Minneapolis			
Montreal			
Nashville			
New Orleans			
New York			
Norfolk			
Pittsburgh			
Portland			
San Francisco			
Savannah			
Seattle			
St. Louis			
Tacoma			
Toronto			
Vancouver			
Winston Salem			



Container Fleet Capacity

1,944,654 TEU

Total Container Depots

242

Europe & Mediterranean

- Aarhus
- Antwerp
- Basel
- Bilbao
- Birmingham
- Bremen
- Copenhagen
- Dubai
- Duisburg
- Felixstowe
- Fos
- Genoa
- Gothenburg
- Hamburg
- Helsinki
- La Spezia
- Leeds
- Leghorn
- Le Havre
- Lisbon
- Liverpool
- London
- Lyon
- Manchester
- Mannheim
- Marseille
- Milan
- Naples
- Padua
- Rotterdam
- Rubiera
- Valencia
- Vienna

Asia Pacific

- Adelaide
- Auckland
- Bangkok
- Brisbane
- Busan
- Calcutta
- Chongqing
- Cochin
- Colombo
- Dalian
- Da Nang
- Delhi
- Fremantle
- Fuzhou
- Haiphong
- Hanoi
- Ho Chi Minh City
- Hong Kong
- Huangpu
- Incheon
- Jakarta
- Kaohsiung
- Karachi
- Keelung
- Kobe
- Laem Chabang
- Lianyungang
- Lyttelton
- Madras
- Manila
- Melbourne
- Nagoya
- Nansha
- Nhava Sheva
- Ningbo
- Pasir Gudang
- Penang
- Port Kelang
- Qingdao
- Quanzhou
- Seoul
- Shanghai
- Shekou
- Singapore
- Surabaya
- Sydney
- Taicang
- Taichung
- Tauranga
- Tianjin
- Tuticorin
- Wellington
- Xiamen
- Yantian
- Yingkou
- Yokohama



■ Container Depot



Floren's container fleet has increased in size over the years to reach 1.9m TEU, ranking as the world's fourth largest container leasing company, enabling it to strengthen its position among the world's leading container leasing companies.

In 2015, the container leasing market suffered from the weak global economy and worse-than-expected overcapacity in the shipping industry. According to Drewry's estimate, the TEU capacity of global container ships increased by 8.5% year-on-year in 2015, 1.3 percentage points higher than the original prediction of 7.2%. However, container demand grew by only 0.9% year-on-year, significantly lower than the 5.3% originally predicted. The gross margin of the container leasing industry was therefore pressured by intense competition resulting from oversupply, lower new container prices and lease rates, declining resale prices, as well as the expiry of certain container leases at higher rates.

During the year, the number of the Group's leased containers increased, while overall lease rates declined year-

on-year, resulting in a slight decline in revenue from the container leasing business. In addition, the number of disposed returned containers declined, while there was continued pressure on resale prices. These factors negatively affected the profit of the container leasing, management and sale businesses, which decreased by 13.5% to US\$82,849,000 (2014: US\$95,757,000).

Long-term leases accounted for 96.7% (2014: 96.2%) of the Group's total revenue from the container leasing business in 2015, while revenue from master leases accounted for 3.3% (2014: 3.8%). With a strategic focus on long-term leasing, the overall average utilisation rate of the Group's containers remained stable during the year, at 95.0% (2014: 95.3%), higher than the industry average of approximately 93.0% (2014: approximately 94.0%).



Utilisation Rate Remained Steady

In 2015, revenue from the Group's container leasing, management and sale businesses reached US\$315,675,000 (2014: US\$357,075,000), representing a decrease of 11.6%. The decline was mainly attributable to the decrease in revenue from the disposal of returned containers. Revenue from the container leasing business was US\$285,511,000 (2014: US\$295,774,000), a decrease of 3.5%, and accounted for 90.4% (2014: 82.8%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers grew 7.7% to 1,476,507 TEU (2014: 1,370,324 TEU).

Revenue Breakdown of Container Leasing, Management and Sale Businesses

	2015 US\$	Year-on-year change	Percentage of total
Container Leasing	285,511,000	-3.5%	90.4%
Disposal of returned containers	18,116,000	-62.1%	5.7%
Container management	4,612,000	-27.7%	1.5%
Others	7,436,000	+4.0%	2.4%
Total	315,675,000	-11.6%	100.0%

The Group's overall utilisation rate remained steady and was higher than the industry average, however, the market lease rates were relatively low, which dragged down the Group's revenue growth.

Resale prices declined and the number of disposed returned containers dropped by 55.3% to 22,747 TEU (2014: 50,860 TEU). As a result, revenue from the disposal of returned containers decreased by 62.1% to US\$18,116,000 (2014: US\$47,773,000), accounting for 5.7% (2014: 13.4%) of the total revenue of the container leasing, management and sale businesses. In addition, the number of containers returned from COSCON was 4,456 TEU (2014: 43,382 TEU).

During the year, the fleet size of managed containers dropped 12.9% to 468,147 TEU (2014: 537,454 TEU). As a result, revenue from managed containers decreased by 27.7% to US\$4,612,000 (2014: US\$6,377,000), accounting for 1.5% (2014: 1.8%) of the total revenue of container leasing, management and sale businesses.

The Group has a prudent and comprehensive customer risk management framework to evaluate the credit risk attaching to individual customers. Core customers of the Group are reliable container shipping lines. In 2015, 80.2% (2014: 79.5%) of the Group's container leasing revenue was contributed by the world's top ten container shipping lines.



As of 31 December 2015, the Group's container fleet had reached 1,944,654 TEU (2014: 1,907,778 TEU), up 1.9%. COSCO Pacific was one of the world's four largest container leasing companies, with a market share of approximately 10.5% (2014 approximately 11.0%). The average age of containers in the fleet was 6.9 years (2014: 6.5 years).

Balancing the Development of the Container Fleet to Reduce Operational Risk

During the year, the Group purchased 120,414 TEU (2014: 161,106 TEU) of new containers. Among these, 87,032 TEU (2014: 137,830 TEU) were purchased for COSCON,

Fleet Capacity Movement

	2015 (TEU)	2014 (TEU)	Change (%)
Fleet capacity at 1 January	1,907,778	1,888,200	+1.0
New containers purchased	120,414	161,106	-25.3
Total number of returned containers disposed of and pending for disposal	(11,510)	(52,710)	-78.2
Managed containers (disposed of or declared lost and compensated for by customers)	(69,307)	(78,593)	-11.8
Others ^{Note}	(2,721)	(10,225)	-73.4
Fleet capacity at 31 December	1,944,654	1,907,778	+1.9

Note: Others include ownership transferred to customers upon expiry of finance leases, defective containers written off, owned containers declared lost and compensated for by customers.

accounting for 72.3% (2014: 85.6%) of total new containers. A further 33,382 TEU (2014: 23,276 TEU) were purchased for international customers, accounting for 27.7% (2014: 14.4%)

of total new containers. The capital expenditure on new containers amounted to US\$204,020,000 (2014: US\$305,803,000).

Breakdown of Owned, Sale-and-leaseback and Managed Containers

As of 31 December	Leasing customers	2015 (TEU)	2014 (TEU)	Change (%)
Owned containers	COSCON	579,709	519,492	+11.6
Owned containers	International customers	610,230	564,264	+8.1
Sale-and-leaseback containers	COSCON	286,568	286,568	-
Managed containers	International customers	468,147	537,454	-12.9
Total		1,944,654	1,907,778	+1.9

As of 31 December	Leasing customers	2015 Percentage of total	2014 Percentage of total	Change (pp)
Owned containers	COSCON	29.8	27.2	+2.6
Owned containers	International customers	31.4	29.6	+1.8
Sale-and-leaseback containers	COSCON	14.7	15.0	-0.3
Managed containers	International customers	24.1	28.2	-4.1
Total		100.0	100.0	-



The Group's investment strategy has been to expand its container fleet, while balancing fleet development between owned containers, sale-and-leaseback containers and managed containers to minimise operational risk and achieve overall business stability. The Group's owned container fleet was 1,189,939 TEU (2014:1,083,756 TEU), representing 61.2% (2014: 56.8%) of the total container fleet, as at 31 December 2015. The fleet size of sale-and-leaseback containers and managed containers was 754,715 TEU (2014: 824,022 TEU), representing 38.8% (2014: 43.2%) of the total fleet size.

The Group's customers are global container shipping lines and COSCON is a major customer. COSCON leased 866,277 TEU (2014: 806,060 TEU), while international customers took up 1,078,377 TEU (2014: 1,101,718 TEU), which represented

44.5% (2014: 42.2%) and 55.5% (2014: 57.8%) of the total fleet size respectively.

Overcoming Industry Challenges through Solid Fundamentals

Looking ahead to 2016, the oversupply in the shipping industry has yet to be absorbed. According to Drewry's forecast, global shipping capacity will increase by 4.9% year-on-year. This is higher than the estimated 2.5% growth in demand and hence the surplus of global capacity in the shipping industry will continue. Furthermore, the container leasing industry is expected to remain intensely competitive, with container lease rates and container resale prices facing more downward pressure. The environment for the container leasing business is therefore expected to remain challenging.

The Group's container leasing, management and sale businesses are operated and managed by Florens. Backed by COSCO Pacific's shareholders and by shipping companies, over the years, Florens' container fleet has increased in size. Following COSCO Pacific's listing on the Stock Exchange of Hong Kong in 1994, the container fleet has grown from 261,570 TEU to 1,944,654 TEU at the end of 2015, making it the world's fourth largest container leasing company with a market share of approximately 10.5%. Following the reorganisation of COSCO Group and China Shipping Group, the expanded container shipping fleet will continue to give its support to Florens. Furthermore, the scale, competitiveness and cost structure of Florens' container leasing business has been upgraded, paving the way for it to strengthening its position among the world's leading container leasing companies.