

Shanghai Petrochemical Announces 2014 Annual Results

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Focusing on system and product mix optimization, Striving to achieve sustainable growth

HONG KONG, March 22, 2015 /PRNewswire/ -- Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical" or the "Company") (HKEx: 00338; SSE: 600688; NYSE: SHI) today announced the audited operating results of the Company and its subsidiaries (the "Group") prepared under International Financial Reporting Standards ("IFRS") for the year ended 31 December 2014 (the "Year").

According to IFRS, revenue of the Group for the Year amounted to RMB102,126.2 million, representing a decrease of 12.11% over the previous year. Net loss attributable to owners of the Company amounted to RMB692.2million (2013: net profit attributable to owners of the Company of RMB 2,055.3 million). Basic loss per share was RMB 0.064 (2013: basic earnings per share of RMB 0.190 based on the Company's total issued share capital of 10.8 billion shares). The Board of Directors did not recommend the distribution of dividend for the Year (2013: distributing cash dividend of RMB 0.50 (VAT inclusive) for every 10 shares to the shareholders).

Mr. Wang Zhiqing, Chairman of Shanghai Petrochemical, said, "In 2014, The Chinese economy entered into a "three pile-up situation", which is a gears shifting period of growth pace, a throes period of structural adjustment and digestion of stimulus at the early stage, and the Chinese economy operating generally presented a trend of continuously slowing down. Affected by factors such as greater downward pressure of the domestic economy, slower growth of demand, over capacity, and constantly low prices, the petroleum and petrochemical industry remained in a weak position, and earnings of companies were low. Under great market pressure, the Group focused on economic returns, stepped up its effort in environmental protection and intensified its system optimization to cost reduction and increase efficiency. Leveraging its competitive edge in the integrated refinery and petrochemical segments, the Group also actively promoted structural adjustment and development and worked to maintain stable production and operations as a whole.

In 2014, the Group's net sales amounted to RMB92,725.0 million, representing a decrease of 12.11% year-on-year. Of the net sales, sales of synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products decreased by 10.22%, 32.77% and 14.21% respectively. Net sales of trading of petrochemical products rose by 32.56%.

In 2014, with the sluggish domestic petroleum and petrochemical industry and of the Company's planned turnaround, the volume of the Group's goods amounted to 13,570,600 tons, down 13.03% over the previous year. During the year, the Group processed 14,170,200 tons of crude oil (including 1,274,800 tons of crude oil processed on a sub-contract basis), representing a decrease of 9.56% as compared with the previous year. Total production output of refined oil products amounted to 8,400,000 tons, down 7.15%, with the Group producing 2,870,500 tons of gasoline, at par with the previous year, and 4,065,300 tons of diesel, down 17.56%. The Group also produced 1,488,500 tons of jet fuel, up 17.21%. The Group produced 804,400 tons of ethylene, 510,200 tons of propylene and 105,600 tons of butadiene, down 15.62%, 16.61% and 18.46%, respectively. The Group produced 347,500 tons of benzene and 680,600 tons of paraxylene, down 18.16% and 27.53%, respectively. The Group also produced 1,042,300 tons of synthetic resins and copolymers (excluding polyesters and polyvinyl alcohol), down 7.75%; 417,000 tons of synthetic fibre monomers, down 19.52%; 417,000 tons of synthetic fibre polymers, down 20.34%; and 232,400 tons of synthetic fibres, down 8.07%. In 2014, the Group's output-to-sales ratio and receivable recovery ratio were 100.06% and 99.99% respectively.

In 2014, the world economy continued to grow at a slow pace and the demand for crude oil was generally weak. A number of factors, including the shale gas renovation in the US, the quantitative easing monetary policy coming to an end, and general market factors resulted in a great fluctuation of international crude oil prices. In 2014, the average unit cost of crude oil processing (on own account) was RMB4,618.68 per ton, down 4.16% over the previous year. The Group's total cost of processing crude oil in 2014 represents 64.11% of the total cost of sales.

In 2014, the Group leveraged its competitive edge in the integration of its refinery and petrochemical segments, and increased the refining volume of high-sulfur crude oil by taking full advantage of the high degree of adaptability of its refinery plants. The Group further centralized crude oil procurement and decreased the cost of crude oil. To maximize its overall economic return, the Group carried out a series of optimization adjustment, such as optimization of ethylene feedstock, optimization of natural gas and

structure, optimization of hydrogen system, minimizing the flare gas emission, and maximizing the output of gasoline as well as optimizing the processing flow of naphtha, residual oil and wax oil. Through adopting measures such as transition from diesel hydrogenation to jet fuel hydrogenation and quality upgrade of 3.30 million tons of diesel hydrogenation, the refined oil was further enhanced with an annual diesel-to-gasoline proportion of 1.42:1. The Group reinforced the margin contribution tracking on its plants, to keep track of changes in the effectiveness and make adjustments to the load of plants, respective commencement/suspension plan in a timely manner. Priority for production was given to products with effective and marketability. In seeking to leverage the innovative financing platform in the Shanghai Free Trade Pilot Zone and the preferential policies, the Group set up Shanghai Jinshan Trading Corporation at the Zone. The Group explored the use of innovative incentive schemes, adopting the A Share Option Incentive Scheme for senior management and core employees.

Looking forward, Mr. Wang Zhiqing said, "The global economy will remain volatile following the financial crisis as the global weak rebound is expected to largely continue in 2015. China's economic development faces uncertainties in the recovery of the global economy. While the steady economic growth is driven by the country's fundamentals conditions and reform policies, such as difficulties in boosting domestic and foreign demand significantly, as well as sharp structural contradictions, will still exist and constrain economic growth. As such, there remains multiple challenges in maintaining steady economic growth. In the domestic petroleum and petrochemical markets will face a tougher external business environment with market competition intensifying due to the slowdown in market demand, overcapacity of refineries in the country and impact from imported petrochemical products. Stricter regulations in relation to environment and resources brought greater challenges to business operations and development. Under the prolonged nature of the challenging production and operation environment, the Group will continue its efforts in safety and environmental protection. It will also maintain stable production and operations when facing the market system and products structure optimization in 2015. The Group will further strengthen its internal management and endogenous motivation to maximize economic benefits for sustainable growth.

Shanghai Petrochemical is one of the largest petrochemical companies in China in terms of sales revenue and was one of the first Chinese companies to complete a global securities offering. Located at Jinshanwei in southwest Shanghai, the Group is an integrated petrochemicals enterprise which processes crude oil into a broad range of products such as synthetic fibres, plastics, intermediate petrochemicals and petroleum products.

This press release contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terms such as "will", "expects", "anticipates", "future", "intends", "plans", "believes", "estimates" and similar statements. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks such as the risk that the PRC economy may not grow at the same rate as it has in the last several years, or at all, due to the PRC government's implementation of macro-economic control measures to curb over-heating of the PRC economy; the risk of uncertainty as to global economic growth in future periods; the risk that prices of the Company's raw materials, particularly crude oil, will continue to increase, the Company may not be able to raise the prices of its products as appropriate, which would adversely affect the Company's profitability; the risk that new market sales strategies may not be effective; the risk that fluctuations in demand for the Company's products may cause the Company to either over-invest or under-invest in production capacity in one or more of its four major product categories; the risk that investments in new technologies and development cycles may not produce the benefits anticipated by the management; the risk that the trading price of the Company's shares may decrease for a variety of reasons, some of which may be beyond the control of the management; the risk of competition in the Company's existing and potential markets; and other risks outlined in the Company's filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update or revise this forward-looking information, except as required under applicable laws.

For the financial tables that accompany this release, please refer to the following PDF:
http://origin-qps.onstreammedia.com/origin/multivu_archive/ENR/SPC-2014-Annual-Results.pdf

To view the original version on PR Newswire,
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