

Shanghai Petrochemical Announces 2019 Annual Results

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Further Optimized Operation and Improved the Ability to Increase Efficiency

HONG KONG, March 26, 2020 - Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical" or the "Company", together with its subsidiaries known as the "Group") (HKEX: 00338; SSE: 600688; NYSE: SHI) today announced the annual results for the twelve months ended 31 December 2019 (the "Period").

Under the influences of frequent security accidents, industrial zone closures and enterprises' suspension and rectification, China's petrochemical industry faced greater pressure on economic operation. The performance of enterprises declined significantly as the market continued to be weak. The Group actively responded to the complex and severe domestic and international economic and industry situations, and attached great importance to safety and environmental protection, operation optimization, cost reduction, transformation and development, further reform in difficult areas, and team building. All work processed in an orderly manner. Under IFRS, net sales of the Group in 2019 amounted to RMB88,056 million, a decrease of 7.90% from the previous year's RMB95,614 million. Net profit attributable to owners of the Company amounted to RMB 2,216 million, a decrease of 58.47% from the previous year's RMB5,336 million. Basic earnings per share amounted to RMB0.205, and the Board proposed to distribute a dividend of RMB0.12 per share (including tax).

Price of the products fell under weak oil and petrochemical markets

Under the severe and complicated domestic and international economic situations, oil and petrochemical industries faced great pressure. Price of petrochemical products fell under the sluggish market. As the demand for refined oil products slowed down and supplies increased, product competition became increasingly fierce. As of 31 December 2019, the weighted average prices (excluding tax) of synthetic fibers, resins and plastics, intermediate petrochemical products and petroleum products of the Group decreased by 13.24%, 11.48%, 17.48% and 4.28% year-on-year respectively.

In 2019, the Group processed 15,199,400 tons of crude oil (including 1,064,600 tons of crude oil processing on given materials), up by 5.71% or 820,400 tons year-on-year. The average unit cost of crude oil processed by the Group (proprietary part) was RMB3,330.63/ton, down by 1.53%. The total cost of the Group's crude oil processing was RMB47,077 million, an increase of 1.97% over the previous year's RMB46,168 million, accounting for 54.54% of the total cost of sales.

Further optimized operation and improved the ability to increase efficiency

In 2019, the Group actively promoted the optimization of structure of crude oil, controlled crude oil stock and reduced costs of crude oil procurement. The Group optimized the structure of oil products, increased the output of gasoline, jet fuel and petrochemicals and raised the proportion of high value-added products with a growth rate of 7.41% in gasoline production and 27.95% in jet fuel production as well as a decrease of 0.05 in diesel to gasoline ratio. In addition, the Group encouraged market expansion and boosted sales with the annual exports of heavy low-sulfur marine fuel oil reaching 37,800 tons. The black polyethylene pipe plastic products successfully entered China Gas Holdings with sales increasing by 13.55% year-on-year. Moreover, the Group arranged field visits for technical experts and carried out the establishment of intelligent marketing service system to improve service quality. The Group implemented costs reduction by cutting the annual finance expenses by RMB363 million, a fall of RMB25.6 million year-on-year, strengthened the management of cash flow with a year-on-year decrease of 16.71% in the inventory balance, and controlled the key expenses including repairs, reducing nearly RMB100 million in the actual expenses compared to the goal.

Speed up development and promoted technological innovation

In 2019, the Group started the 400,000 tons/year oil cleaning project, achieved mid-term delivery of the precursor part of the second stage of PAN (Polyacrylonitrile) based carbon fiber project with annual production of 1,500 tons, and completed the Sinopec's demonstration of 48K large tow carbon fiber. The Group vigorously promoted regional cooperation with neighboring SCIP and Zhejiang Dushan Port Economic Development Zone to reach a development consensus on new materials. The Group strengthened technical researches in the field of new energy, made technical improvements on carbon fiber equipment technologies, deepened the updated technology applications of the whole process of refineries, and strived to promote researches on key technologies for low-sulfur marine fuel oil production and fuel cell-level hydrogen supply.

Business plans in 2020

In 2020, the Group will continue to adhere to the market-oriented and efficiency-centered strategy, constantly improve the level of safety and environmental protection, further strengthen system optimization and cost reduction and promote industrial restructuring, reform and innovation as well as the establishment of leader teams to strive to overcome the impact caused by COVID-19, the pressure of the sharp decline of crude oil prices on the Company's short-term performance and maintain stable production and operation. The Company plans to process a total of 15.30 million tons of crude oil and produce a total of 9.27 million tons of refined oil, 0.82 million tons of ethylene, 0.66 million tons of paraxylene, 0.92 million tons of plastic resin, 0.65 million tons of raw materials of synthetic fibers, 0.44 million tons of synthetic fiber polymers and 0.20 million tons of synthetic fibers.

Wu Haijun, Chairman of Sinopec Shanghai, said: "In order to realize the business targets in 2020, the Group will improve the level of safety and environmental protection, keep smooth operation of production devices, improve system optimization, tap the potential for cost reduction and efficiency improvement, accelerate the adjustment of industrial structure, make breakthroughs in core technologies, further strengthen corporate management and advance the reform of management system.

The Group will fully launch the establishment work of "14th Five-Year Plan", actively promote the implementation of refining clean-up transformation and initiate the construction of 48K large tow carbon fiber and third circuit 220KV power line project, ensuring oil cleaning project, the second phase of the carbon fiber project and other projects can be put into production on time. Meanwhile, the Group will build an innovative R&D center for new materials and promote the R&D of carbon fiber composite and industrial cultivation to accelerate the formation of industrial cluster superiority and make more breakthroughs in domestication of key equipment including oxidation furnaces and carbonization furnaces."

About Sinopec Shanghai Petrochemical Company Limited

Sinopec Shanghai Petrochemical Company Limited is one of the largest comprehensive petrochemical enterprises integrated refinery and petrochemical capacity in the People's Republic of China. It is also one of the largest domestic producers of ethylene. Ethylene is one of the most important intermediate petrochemical products used in the production of synthetic fibres, resins and plastics. Located at Jinshanwei in the southwest of Shanghai, the Company is a highly integrated petrochemical enterprise which processes crude oil into a broad range of petroleum products, intermediate petrochemical products, resins and plastics, and synthetic fibres. The Company sells most of its products within the PRC market and derives most of its revenues from customers in Eastern China, one of the fastest growing regions in the PRC. Relying on the competitive advantage of its high degree of integration, the Company is optimizing its product mix, improving the quality and variety of its existing products, upgrading technology and increasing the capacity of its key upstream plants. In 1993, the Company became the first company incorporated under the laws of the PRC to make a global equity offering, and its shares were listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the New York Stock Exchange. Since the listing of its shares, the Company has strived to continuously improve and enhance its operation and management efficiency with an aim to build itself into a "leading domestically, first-class globally" energy and chemical and new material enterprise.

Sinopec Shanghai Petrochemical Company Limited		
2019 Annual Results		
(Prepared under International Financial Reporting Standards)		
Consolidated Income Statement		
	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	100,269,667	107,688,907
Taxes and surcharges	(12,213,927)	(12,075,424)
Net sales	88,055,740	95,613,483
Cost of sales	(86,467,995)	(89,838,977)
Gross profit	1,587,745	5,774,506
Selling and administrative expenses	(549,885)	(536,114)
Net impairment losses on financial assets	59	(39)
Other operating income	150,714	202,617
Other operating expenses	(21,925)	(32,548)
Other gains - net	153,864	176,690
Operating profit	1,320,572	5,585,112
Finance income	416,747	443,661
Finance expenses	(53,784)	(106,249)
Finance income - net	362,963	337,412

Share of net profit of associates and joint ventures	972,593	885,597
? accounted for using the equity method		
?	2,656,128	6,808,121
Profit?before income tax		
Income tax expense	(428,963)	(1,471,903)
Profit?for the year	2,227,165	5,336,218
Profit attributable to:		
Contact: PRCChina Limited. Ray Sun, +862 2622 1368, roun@prchina.com.hk; Jack Liu, +862 6862 8423, zliu@prchina.com.hk	2,215,728	5,336,331
Non-controlling interests	11,437	(113)
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Earnings per share attributable to owners of the Company for the year (expressed in RMB per share)		
Basic earnings per share	RMB 0.205	RMB 0.493
Diluted earnings per share	RMB 0.205	RMB 0.493

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