

Shanghai Petrochemical Announces 2020 Annual Results Operation Further Optimized and Company Competitiveness Leapfrogged

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HONG KONG, March 24, 2021 - 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 2020 (the "Period").

Given the global COVID-19 pandemic spread, a short-term historical plunge in international oil price and a sharp fall in oil demand, the Group adhered closely to the grand principle of seeking progress while maintaining stability. The Group sought to achieve a level of operation results as expectations with the joint efforts of all staff. Under IFRS, net sales of the Group for 2020 were RMB61,561 million, a decrease of 30.1% from the previous year's RMB88,056 million. Net profit attributable to owners of the Company was RMB645 million, a decrease of 70.9% from the previous year's RMB2,216 million. Basic earnings per share amounted to RMB0.10. The Board proposed to distribute a dividend of RMB0.10 per share (including tax), accounting for 167.79% of the net profit attributable to owners of the Company.

Reinforcement of safety and environmental management with an overall stable production
In 2020, the Group focused on building up and implementing stable production as its top priority in production management and consolidated its foundation in production operation while cementing safety management. The Company seeks to improve its management system and put into practice process safety management, and further enhance its ensure equipment integrity management. In addition, the Company vows to strictly enforce the "10 Major Measures to Step Up Management of Segments In Direct Production" on contractors and direct work process management, a safety marking system is to be implemented on all staff, while reinforced on change management, limitation management and advance warning management, etc. Moreover, the Company expanded the scope of work on areas such as safety management and job ticket management. Both safety and environment is well managed. The Group also strictly controlled the "Three Small" (i.e. small fluctuations, small anomalies and small deviations) and put a stop to "Three Nons"(i.e. non-planned shutdown of divisions, non-planned shutdown of machine and non-planned shutdown of furnace). The Group implemented a three-year plan for the prevention and control of work safety and carried out safety hazard management. Through the development of green grass-roots level and environmental traceability management. Through the re-examination of the green enterprise, the site environment was continued to improve and the concentration of VOCs at the boundary of the site. There were 17 full-scale unplanned shutdowns in 2020, representing a decrease of 32%, the smoothness rate of equipment was 98%, representing an increase of 0.36 percentage point. Among the 58 main technical and economic indicators included in the assessment plan, 44 indicators reflected better performance than last year, with a year-on-year improvement rate of 75%.

Oil and petrochemical market was deeply affected by the epidemic with product prices adjusted downwards
In 2020, the country's petrochemical industry faced major challenges. The production and sales of petrochemical products in the first quarter and gradually return to normal after the second quarter with the prices of major petrochemical products were low. Demand for refined oil was slowing down, especially in the first half of the year while the competition was fierce among petrochemical enterprises. In December 2020, the weighted average prices (excluding tax) of the Group's synthetic fibers, resins and plastics, intermediate products, and petroleum products had decreased by 19.84%, 10.65%, 19.49% and 30.48%, respectively as compared with the same period last year.

As of 31 December 2020, the Group had processed a total of 14.6715 million tons of crude oil (of which 402,400 tons were imported), indicating a year-on-year decrease of 3.47%. The cost of crude oil processing for the whole year of 2020 was RMB 2,300 million, a decrease of RMB 950.61/ton or 28.54% from the same period last year. The annual crude oil processing total cost decreased by RMB 950.61 billion from the same period last year or 27.86%, accounting for 54.86% of the total cost of sales.

Further optimization of operation with precision to overcome difficulties and achieve effectiveness
In 2020, the Group emphasized effectiveness and focused on business optimization, and actively promoted further optimization of operation and product structures. Taking advantage of the plant's low-load operation during the pandemic, the Group completed the optimization of oil refining plants. An adjustment was introduced into crude oil procurement strategy to combine with the change of crude oil prices. The Group increased the purchase volume of Kuwait crude oil, carried out crude oil financial derivatives and purchased Om

mode of Dubai commercial exchange. Downstream equipment for externally procured resources such as ethylene, carbon was fully deployed. The Group also optimized the structure of ethylene feedstock, the operation of the residue hydrotreating catalytic feedstock, and at the same time processed low-sulfur crude oil and realized the full-load operation of the catalytic replenishing of single-series residue hydrotreating. Furthermore, 614,000 tons of jet fuel were produced, and there was asphalt by 219,600 tons year-on-year. The diesel-gasoline ratio reached 1.22; The Group also seen an increase in production products such as butadiene and ethylene oxide, among which 312,900 tons of ethylene oxide were produced, representing an appreciation of RMB61.58 million in value in terms of efficiency. There was also a rise in production of high-grade gasoline sales volume reaching 1.144 million tons, with high-grade gasoline accounted for 34.8% which was a record high; annual production reached 100.11%. The Group made full force in costs and expenses reduction under strict control and developed the cost reduction campaign and the ongoing campaign. The Group also continued to explore cost-reduction potential in large-scale production time proactively promoted competitive procurement, open procurement, and the amendment and utilization of backlog management, issuance of extremely short-term commercial paper and other approaches, the comprehensive financial costs have been reduced.

A further deepening of energy saving and emission reduction

In 2020, the Group continued implementing various energy conservation and emission reduction measures as per the requirements of energy conservation and emission reduction requirements. The Group continued to optimize carbon emission accounting methods to reduce carbon emission compliance costs by RMB5.28 million. In the past year, 49 water resources management optimization measures were devised, and the total volume of retrieved industrial water decreased by 10.54%. In 2020, the Company's total comprehensive energy consumption was 6.920 million tons of standard coal. The comprehensive output value consumption was 0.743 tons of standard coal representing a decrease of 0.27% over 0.745 tons of standard coal/RMB10,000 of last year. The annual COD emission of sulfur dioxide emissions decreased by 4.74% and nitrogen oxide emissions decreased by 3.37% (Data from the Ministry of Environment had shown discrepancies), as compared with the same period last year. The volume of annual average VOCs concentration at the plant boundary is 99.1 micrograms/m³, a decrease of 26.92% compared with last year. The compliance rate of effluent wastewater was 100%, the compliance rate of controlled waste gas was 100%, and the rate of disposal of hazardous waste was 100%. The heating furnace's average thermal efficiency was 92.46%, which was equivalent to last year.

Innovation in stable steps forward

In 2020, the Group moved firmly along the direction of "basic + high-end" development and put innovation as the top priority in the development of the Company. The Group also sought to strengthen scientific and technological innovations. The Advanced Research Institute was established to carry out joint researches. A substantial breakthrough was made in the "company" operation model for carbon fibre. Constructions of projects were accelerated with the Jinshan Area Comprehensive Improvement Oil Product Cleaning Project was put into operation. The oxidation and carbonization part of the second phase of the annual output of 1,500 tons of PAN-based carbon fiber was suitable for intermediate delivery and the large tow carbon fiber was on schedule. We will actively promote joint ventures and cooperation. Acquisition of Zhejiang Jinlian Petrochemical Storage and Transportation Co., Ltd., and participation in Pinghu China Aviation Oil Port Co., Ltd. to meet the current operation and future development of storage and transportation system. The Group further worked to advance the integration of production, marketing, research and development, and new products. No. 92 China VIB grade automotive gasoline was successfully blended and produced for the first time, with a volume of 44,600 tons. The Group also completed a synthetic resin import substitution project. Success was seen in developing low-melting and pressure-bearing pipe products, with an accumulated sales volume of 3108.6 tons. The export business of the Group has seen good expansion. The new high-endurance polyester engineering plastic and its application won the CIFF New Materials International Industry Fair. Furthermore, the Group also steadily promoted the eight projects that included different areas of factory construction and promotion, the upgrade of real-time database to the acceptance benchmark. Projects such as the construction of contractor and direct operation management platform were also went online.

Business plans in 2021

In 2021, the Group will continue to adhere to the market-oriented, efficiency-centred strategy, and to consolidate the foundation for protection, continue to optimize production and operation, improve corporate governance efficiency with a focus on building a high-quality development of the Company and strive to create better economic benefits. In 2021, the Company will process a total of 14.20 million tons of crude oil and produce a total of 8.69 million tons of refined oil, 0.75 million tons of ethylene, 0.42 million tons of paraxylene, 0.42 million tons of polyethylene, 0.43 million tons of polypropylene, 0.30 million tons of purified terephthalic acid, 0.03 million tons of ethylene glycol, 0.03 million tons of polyester fiber and 0.10 million tons of acrylic fiber.

Wu Haijun, Chairman of Sinopec Shanghai, said: "The key components of the Group's development strategy are as follows: to focus on both low cost and differentiation, and to focus on both scale and refinement. The Company focuses on value and market, and talents as the backbone of the Company, the emphasis of environment and low carbon emissions and integrated development and large scale of the upstream, and high value-added and refinement of the downstream. The Company will give full play to the wide product chain, diversified products and close monitoring of the market to enhance competitiveness.

In accordance with the "3060" national carbon emission requirement, the Company's ultimate goal is to ensure "zero carbon" and guarantee coordination of carbon reduction and transformation and development. The Company promoted the construction of carbon fibre, hundred-ton high performance carbon fibre pilot plant project, 3rd circuit 220 kV power supply line project. We will

of hydrogen energy demonstration projects and launch the thermoplastic elastomer project. The Company shall emphasize technologies such as carbon fiber, and increase investment in research and development, and improve the collaborative innovation capabilities. The Company shall also explore opportunities in differentiated high value-added products, and strive to build a new main body of the carbon fiber industry as the core and utilize polyester, polyolefin, elastomer, C5 downstream fine chemical new materials, etc. to achieve breakthroughs and developments. The Company also vigorously promote the construction of a data governance system, promote advanced control and optimization technologies, and deepen the application of intelligent security, with promoting the construction of an integrated platform for intelligent marketing, and accelerate the advancement of digital transformation."

About Sinopec Shanghai Petrochemical Company Limited

Sinopec Shanghai Petrochemical Company Limited is one of the major comprehensive petrochemical enterprises integrated with upstream and downstream petrochemical capacity in the People's Republic of China. It is also one of the major domestic producers of ethylene. Ethylene is an important intermediate petrochemical products used in the production of synthetic fibres, resins and plastics. Located at the southwest of Shanghai, the Company is a highly integrated petrochemical enterprise which processes crude oil into a broad range of products, intermediate petrochemical products, resins and plastics, and synthetic fibres. The Company sells most of its products in the domestic market and derives most of its revenues from customers in Eastern China, one of the fastest growing regions in the PRC. Leveraging its competitive advantage of its high degree of integration, the Company is optimizing its product mix, improving the quality of its products, upgrading technology and increasing the capacity of its key upstream plants. In 1993, the Company became a public 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 enhance its operation and management efficiency with an aim to build itself into a "leading domestically, first-class globally" petrochemical and new material enterprise.

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Sinopec Shanghai Petrochemical Company Limited

2020 Annual Results

(Prepared under International Financial Reporting Standards)

Consolidated Income Statement

Revenue

Taxes and surcharges

Net sales

Cost of sales

Gross (loss)/profit

Selling and administrative expenses

Net impairment losses on financial assets

Other operating income

Other operating expenses

Other gains - net

Operating (loss)/profit

Finance income

Finance expenses

Finance income - net

Share of net profit of associates and joint ventures
accounted for using the equity method

Profit before income tax

Income tax benefit/(expense)

Profit for the year

Profit attributable to:

- Owners of the Company

- Non-controlling interests

Earnings per share attributable to owners of the Company for the year (expressed in RMB per share)

Basic earnings per share

Diluted earnings per share

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