

SINOPEC SHANGHAI PETROCHEMICAL CO LTD

Form 20-F/A

July 19, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F/A**  
**Amendment No. 1**

**“ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2009**

**OR**

**“ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-12158

(Exact name of Registrant as specified in its charter)

**Sinopec Shanghai Petrochemical Company Limited**

(Translation of Registrant's name into English)

**The People's Republic of China**

(Jurisdiction of incorporation or organization)

**No. 48 Jinyi Road, Jinshan District, Shanghai, PRC 200540**

(Address of principal executive offices)

**Mr. Zhang Jingming**

**No. 48 Jinyi Road, Jinshan District, Shanghai, 200540**

**The People's Republic of China**

**Tel: +86 (21) 57943143**

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

| <b>Title of each class</b>                                       | <b>Name of each exchange on which registered</b> |
|--|--|
| <b>American Depositary Shares, each representing 100 Class H</b> |  |
| <b>Ordinary Shares, par value RMB1.00 per Share</b>              | <b>New York Stock Exchange</b>                   |
| <b>Class H Ordinary Shares, par value RMB1.00 per Share</b>      | <b>The Stock Exchange of Hong Kong Limited</b>   |

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

None

(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**2,330,000,000 H Shares, par value RMB1.00 per Share**

**4,870,000,000 Domestic Shares, par value RMB1.00 per Share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or (15) (d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this file:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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**EXPLANATORY NOTE**

This Amendment No. 1 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission (the "SEC") on June 10, 2010 (the "Original Report"), is being filed for the purpose of adding additional disclosure to the Original Report in Item 3 "Key Information" pertaining to Risk Factors and in Item 4A.

We are including in this Amendment No. 1 currently-dated certifications by our Chairman and Chief Financial Officer. Other than the foregoing items, no part of the Original Report is being amended. Accordingly, this Amendment No. 1 does not include any unchanged portions of the Original Report, does not reflect events occurring after the filing of our Original Report and does not modify or update the disclosure therein in any way other than as discussed above. As a result, this Amendment No. 1 continues to speak as of June 10, 2010, except for the certifications referenced above, which speak as of the filing date of this Amendment No. 1.

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Our selected consolidated statements of income and cash flow data for each of the years ended December 31, 2007, 2008 and 2009 and our selected consolidated balance sheet data as of December 31, 2008 and 2009 are derived from our consolidated financial statements included in Item 17. Financial Statements. Our selected consolidated statements of income and cash flow data for the years ended December 31, 2005 and 2006 and our consolidated balance sheet data as of December 31, 2005, 2006 and 2007 are derived from our consolidated financial statements not included in this Annual Report. Our selected consolidated financial data should be read in conjunction with our consolidated financial statements, and the notes thereto, and Item 5. Operating and Financial Review and Prospects. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ( IFRS ), as issued by the International Accounting Standards Board.

**Selected Consolidated Financial Data**

(in thousands, except per share and per ADS data)

|  | Years Ended December 31, |               |               |               |               |
|--|--------------------------|---------------|---------------|---------------|---------------|
|  | 2005<br>(RMB)            | 2006<br>(RMB) | 2007<br>(RMB) | 2008<br>(RMB) | 2009<br>(RMB) |
| <b>STATEMENTS OF INCOME DATA</b>                                     |                          |               |               |               |               |
| Net sales:   |                          |               |               |               |               |
| Synthetic fibers   | 4,763,993                | 4,711,667     | 4,328,742     | 3,662,023     | 2,823,663     |
| Resins and plastics  | 13,958,329               | 15,753,304    | 15,878,803    | 14,850,284    | 12,263,540    |
| Intermediate petrochemicals  | 6,555,953                | 6,775,721     | 9,372,658     | 10,271,840    | 8,421,035     |
| Petroleum products   | 17,954,954               | 19,387,666    | 21,036,581    | 27,552,859    | 18,917,890    |
| All others   | 1,956,985                | 3,289,765     | 3,637,905     | 2,992,765     | 4,919,136     |
| Income/(loss) from operations  | 2,527,960                | 552,907       | 892,656       | (7,817,264)   | 2,023,476     |
| Earnings/(loss) before income tax                                    | 2,287,594                | 964,200       | 2,151,352     | (8,014,438)   | 2,166,509     |
| Net income/(loss) attributable to equity shareholders of the Company | 1,850,449                | 844,407       | 1,634,080     | (6,238,444)   | 1,590,988     |
| Net income attributable to minority interests                        | 70,845                   | 66,555        | 49,056        | 36,717        | 64,471        |
| Basic earnings/(loss) per share(a)                                   | 0.26                     | 0.12          | 0.23          | (0.87)        | 0.22          |
| Basic earnings/(loss) per ADS(a)                                     | 25.70                    | 11.73         | 22.70         | (86.65)       | 22.10         |

- (a) The calculation of earnings per share is based on the weighted average number of shares outstanding during the year of 7,200,000,000 in each of 2009, 2008, 2007, 2006 and 2005, respectively. Earnings per ADS are calculated on the basis that one ADS is equivalent to 100 shares.

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|  | Years Ended December 31, |            |            |             |            |
|--|--------------------------|------------|------------|-------------|------------|
|  | 2005                     | 2006       | 2007       | 2008        | 2009       |
|  | (RMB)                    | (RMB)      | (RMB)      | (RMB)       | (RMB)      |
| <b>CASH FLOW DATA</b>  |                          |            |            |             |            |
| Net cash flow generated from/ (used in) operating activities | 3,943,578                | 1,696,615  | 1,441,998  | (3,986,490) | 3,346,890  |
| Capital expenditures   | 1,142,927                | 2,008,779  | 2,134,123  | 1,511,072   | 2,120,292  |
| Net proceeds from issuance of corporate bonds                |                          | 2,977,800  |            |             | 1,000,000  |
| Proceeds from loans and borrowings                           | 9,836,199                | 13,939,126 | 17,605,887 | 32,528,758  | 29,211,434 |
| Repayment of loans and borrowings                            | 11,393,941               | 15,910,127 | 16,166,938 | 27,377,610  | 31,849,620 |

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|   | Years Ended December 31, |               |               |               |               |
|---|--------------------------|---------------|---------------|---------------|---------------|
|   | 2005<br>(RMB)            | 2006<br>(RMB) | 2007<br>(RMB) | 2008<br>(RMB) | 2009<br>(RMB) |
| <b>BALANCE SHEET DATA</b>                                       |                          |               |               |               |               |
| Current assets  | 7,507,554                | 7,563,106     | 8,936,764     | 6,511,351     | 9,061,425     |
| Property, plant and equipment                                   | 14,651,167               | 13,359,862    | 14,977,237    | 13,272,899    | 14,977,205    |
| Total assets  | 26,810,371               | 27,406,060    | 29,853,050    | 27,533,027    | 29,908,486    |
| Short term debt(a)  | 3,926,742                | 4,270,337     | 4,091,969     | 9,372,725     | 7,774,673     |
| Current liabilities   | 6,132,637                | 7,030,050     | 8,261,732     | 13,342,720    | 14,304,925    |
| Long term debt (excluding current portion)                      | 1,477,261                | 1,063,654     | 639,289       | 429,021       | 304,258       |
| Total equity attributable to equity shareholders of the Company | 18,829,987               | 18,976,343    | 20,648,038    | 13,496,933    | 15,005,018    |

(a) Including corporate bonds and current portion of long term debt.

*Dividends*

The following table sets forth certain information concerning the dividends since January 1, 1994:

| <b>Dividend Period</b>            | <b>Dividend per Share</b> |
|-----------------------------------|---------------------------|
| January 1, 1994-June 30, 1994     | RMB0.04 (US\$0.0059)      |
| July 1, 1994-December 31, 1994    | RMB0.085(US\$0.0125)      |
| January 1, 1995-June 30, 1995     | RMB0.04 (US\$0.0059)      |
| July 1, 1995-December 31, 1995    | RMB0.09 (US\$0.0132)      |
| January 1, 1996-June 30, 1996     | RMB0.04 (US\$0.0059)      |
| July 1, 1996-December 31, 1996    | RMB0.08 (US\$0.0117)      |
| January 1, 1997-December 31, 1997 | RMB0.06 (US\$0.0088)      |
| January 1, 1998-December 31, 1998 | RMB0.03 (US\$0.0044)      |
| January 1, 1999-December 31, 1999 | RMB0.05 (US\$0.0073)      |
| January 1, 2000-December 31, 2000 | RMB0.06 (US\$0.0088)      |
| January 1, 2001-December 31, 2001 | No dividend               |
| January 1, 2002-December 31, 2002 | RMB0.05 (US\$0.0073)      |
| January 1, 2003-December 31, 2003 | RMB0.08 (US\$0.0117)      |
| January 1, 2004-December 31, 2004 | RMB0.20 (US\$0.0293)      |
| January 1, 2005-December 31, 2005 | RMB0.10 (US\$0.0147)      |
| January 1, 2006-December 31, 2006 | RMB0.04 (US\$0.0059)      |
| January 1, 2007-December 31, 2007 | RMB0.09 (US\$0.0132)      |
| January 1, 2008-December 31, 2008 | No dividend               |
| January 1, 2009-December 31, 2009 | RMB0.03 (US\$0.0044)      |

See also Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividend Policy.

*Exchange Rates*

The Chinese government controls its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. See Item 10.D. Additional Information Exchange Controls.

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The following table sets forth information concerning exchange rates between Renminbi and US dollars for the periods indicated:

| Period        | Noon Buying Rates (RMB/US\$) |                        |        |        |
|---------------|------------------------------|------------------------|--------|--------|
|               | Period End                   | Average <sup>(1)</sup> | High   | Low    |
| 2005          | 8.0702                       | 8.1828                 | 8.2765 | 8.0702 |
| 2006          | 7.8041                       | 7.9579                 | 8.0702 | 7.8041 |
| 2007          | 7.2946                       | 7.5806                 | 7.8127 | 7.2946 |
| 2008          | 6.8225                       | 6.9477                 | 7.2946 | 6.7899 |
| 2009          | 6.8259                       | 6.8307                 | 6.8470 | 6.8176 |
| November 2009 | 6.8265                       | 6.8271                 | 6.8300 | 6.8255 |
| December 2009 | 6.8259                       | 6.8275                 | 6.8299 | 6.8244 |
| January 2010  | 6.8268                       | 6.8269                 | 6.8295 | 6.8258 |
| February 2010 | 6.8258                       | 6.8285                 | 6.8330 | 6.8258 |
| March 2010    | 6.8258                       | 6.8262                 | 6.8270 | 6.8254 |
| April 2010    | 6.8247                       | 6.8256                 | 6.8275 | 6.8229 |

Source: The sources of the exchange rates are: (i) with respect to any period ending on or prior to December 31, 2008, the Federal Reserve Bank of New York, and (ii) with respect to any period ending on or after January 1, 2009, the H.10 statistical release of the Federal Reserve Board.

Note: (1) Determined by averaging the rates on the last business day of each month during the respective period.

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

**D. Risk Factors.**

*An investment in our ADSs involves significant risks. The risks and uncertainties described below are not the only ones we face. You should consider carefully all of the information in this annual report, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.*

**The global financial crisis may have further material adverse effects on our financial condition and operating results.**

The global financial crisis has resulted in reduced demand and decreased prices for the petrochemical industry. Although the Chinese government has taken measures to stabilize the macroeconomic environment and the Chinese economy maintained some growth as a result of the economic stimulus packages implemented by the Chinese government in 2009, it is not clear if and when economic growth in China will be as strong as it was in the past. China's petrochemical industry is confronted with substantial difficulties and challenges. The uncertainty as to when certain economic stimulus policies will be revoked and the growth trend of international trade may continue to have an adverse impact on our operating results.

**Our operations may be adversely affected by the cyclical nature of the petroleum and petrochemical market and by the volatility of prices of crude oil and petrochemical products.**

Most of our revenues are attributable to petrochemical products, which have historically been cyclical and sensitive to the availability and price of raw materials and general economic conditions. Markets for many of our products are sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions, the price and availability of substitute products and changes in consumer



demand, which from time to time have had a significant impact on product prices in the regional and global markets. Historically, the markets for these products have experienced alternating periods of tight supply, causing prices and margins to increase, followed by periods of capacity additions, finally resulting in oversupply and declining prices and margins. As tariffs and other import restrictions are reduced and the control of product pricing is relaxed in China, the markets for many of our products have become increasingly subject to the cyclical nature of regional and global markets.

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Historically, international prices of crude oil have also fluctuated widely due to many factors beyond our control. For example, international crude oil prices increased significantly in the first half of 2009 after reaching a low for the year of US\$33.98 per barrel on February 12. In the second half, prices remained volatile and fluctuated at a relatively high level, rallying between US\$70 ~ US\$80 per barrel and rising to an all-year high closing price of US\$81.18/barrel on October 22. As crude oil costs accounted for RMB26,450 million or 58.76% of the Group's annual cost of sales in 2009, changes in crude oil prices can affect the Group's profitability. We expect that the volatility and uncertainty of the prices of crude oil and petrochemical products will continue, and that increasing crude oil prices and declines in prices of petrochemical products may adversely affect our business and results of operations and financial condition.

**Some of our major products are subject to government price controls, and we are not able to pass on all cost increases from rising crude oil prices through higher product prices.**

We consume large amounts of crude oil to manufacture our products of which more than 90% is imported. We attempt to mitigate the effect of increased costs due to rising crude oil prices. However, our ability to pass on these increased costs to our customers is dependent on market conditions and government regulations, particularly government regulation with respect to the price of certain of our fuel products. In particular, gasoline, diesel and jet fuel, and liquefied petroleum gas are subject to government price controls. In 2007, 2008 and 2009, approximately 54.06%, 43.52% and 47.70% of our net sales were from such products subject to price control. Although we do receive subsidies from the Chinese government to, among other things, cover part of our losses resulting from such price controls, the amount of such subsidies vary substantially from year to year or even quarter to quarter and is difficult to predict. Although the Chinese government has adopted a new pricing mechanism for domestic refined oil products that indirectly links the prices of these products to international crude oil prices (see Item 4. Information on the Company B. Business Overview Product Pricing ), such pricing mechanism is still nontransparent. Moreover, the Chinese government controls the distribution of many petroleum products in China. For instance, some of our petroleum products are required to be sold to designated distributors (such as the subsidiaries of China Petroleum & Chemical Corporation). Because we cannot freely sell our fuel products to take advantage of opportunities for higher prices and because the formula for the new pricing mechanism set by the Chinese government is not transparent, in periods of high crude oil prices, we may not be able to fully cover increases in crude oil prices by increases in the sale prices of our products, which has had and will continue to have a material adverse effect on our financial condition, results of operations and cash flows.

**Our development and operation plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.**

The petrochemical business is a capital intensive business. Our ability to maintain and increase our revenues, net income and cash flows depends upon continued capital spending. Our current business strategy contemplates capital expenditures for 2010 of approximately RMB2.0 billion (US\$293 million), which will be provided through financing activities and use of our own capital. Our actual capital expenditures may vary significantly from these planned amounts due to our ability to generate sufficient cash flows from operations, investments and other factors that may be beyond our control. In addition, there can be no assurance as to whether, or at what cost, our capital projects will be completed or the success of these projects if completed.

As a result of the global economic downturn and its negative effect on our net income and cash flows, we have had to take on an increased amount of indebtedness in 2008, 2009 and 2010 to fund our capital expenditures and operations as compared to previous years. As of March 31, 2010, we had aggregate outstanding indebtedness of approximately RMB8.093 billion (US\$1.186 billion). Most of our loans are with state-controlled banks in China and structured as short-term debt obligations with payment due in one year or less. These banks have generally been willing to provide new short-term loans while we pay down existing loans, as our overall debt level has been reduced slightly since 2008. China Petroleum & Chemical Corporation ( Sinopec Corp ), our controlling shareholder, did not provide any guarantee or credit support for our debt for the year ended December 31, 2009 and for the three-month period ended March 31, 2010.

Our ability to obtain external financing in the future and our ability to make timely repayments of our debt obligations are subject to a variety of uncertainties, including: our future results of operations, financial condition and cash flows; the condition of the economy in China and the markets for our products; the cost of financing and the condition of financial markets; the issuance of relevant government approvals and other project risks associated with the development of infrastructure in China; and the continuing willingness of banks to provide new loans as we pay down existing debt.

While we anticipate that we will rely less on debt to finance capital expenditures and operations as the global economic outlook begins to improve, if we fail to obtain sufficient funding for our operations or development plans or are unable to obtain new short-term debt to pay off existing debt, our business, results of operations and financial condition could be adversely affected.



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### **We could face increased competition.**

Our principal market, Eastern China, which is comprised of Shanghai, Jiangsu, Zhejiang, Anhui and Jiangxi, has enjoyed stronger economic growth and a higher demand for petrochemical products than other regions of China. As a result, we believe that competitors will try to expand their sales and build up their distribution networks in our principal market. In 2010, we expect that China's petrochemical market will reach a peak in newly built on stream capacity. The commencement of production by new plants will continue to create a capacity surplus and result in a structural oversupply in the petrochemical market in general. We believe this will have a substantial adverse impact on the production and sale of our major products. Moreover, Chinese private enterprises have gradually overcome technological and funding barriers to extend their business from the downstream processing sector to the upstream petrochemical field. These enterprises have advantages in many areas such as flexibility in operation costs, preferential policy treatment and regional presence, and may use these advantages to compete with us in markets for our products.

### **Related party transactions; non-competition; conflicts of interests.**

We have engaged from time to time and will continue to engage in a variety of transactions with Sinopec Corp and China Petrochemical Corporation, the controlling shareholder of Sinopec Corp, and their various subsidiaries or affiliates who provide a number of services to us, including the supply of raw materials, product distribution and sales agency, project design and installment service. Our transactions with these companies are governed by a Mutual Product Supply and Sales Services Framework Agreement with Sinopec Corp and a Comprehensive Services Framework Agreement with Sinopec Group, the terms of which were negotiated on an arm's length basis, see Item 7. B. Related Party Transactions - Intercompany Service Agreement and Business-related Dealings. Our business and results of operations could be adversely affected if Sinopec Corp refuses to engage in such transactions or if it seeks to amend the contracts between the parties in a way adverse to us. In addition, Sinopec Corp has interests in businesses which compete or are likely to compete, either directly or indirectly, with our businesses. Because Sinopec Corp is our controlling shareholder and its interests may conflict with our own interests, Sinopec Corp may take actions that favor itself over our interests.

### **We are controlled by Sinopec Corp, whose interests may not be aligned with yours.**

As of May 1, 2010, Sinopec Corp owned 55.56% of our shares. Accordingly, it has voting and management control over us, and its interests may be different from your interests and the interests of our other shareholders. Subject to our Articles of Association and applicable laws and regulations, Sinopec Corp will be in a position to cause us to declare dividends, determine the outcome of corporate actions requiring shareholder approval or effect corporate transactions without the approval of the holders of the H shares and ADSs. Any such increase in our dividend payout would reduce funds available for reinvestment in our business and any such actions or transactions could adversely affect us or our minority shareholders. Additionally, Sinopec Corp may experience changes in its own business strategy and policies. Although we are not currently aware of any specific changes, they could, in turn, lead Sinopec Corp to change its policies or practices toward us in ways that we cannot predict, with corresponding unpredictable consequences for our business.

### **Our business operations may be adversely affected by present or future environmental regulations.**

We are subject to extensive environmental protection laws and regulations in China. These laws and regulations permit:

the imposition of fees and penalties for the discharge of waste substances;

the levy of fines and payments for damages for environmental offenses; and

the government to close or suspend any facility which fails to comply with orders and require it to correct or stop operations causing environmental damage.

Our production operations produce substantial amounts of waste materials. In addition, our production and operations require permits that are subject to renewal, modification and revocation. At present, we believe that our operations substantially comply with all applicable Chinese environmental laws and regulations as they have been previously interpreted and enforced. The Chinese government, however, has moved, and may move further, toward more rigorous enforcement of applicable laws, and toward the adoption of more stringent environmental standards. Chinese national or local authorities may also impose additional regulations or apply more rigorous enforcement of such regulations which

would require additional expenditures on environmental matters.

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### **Our business may be limited or adversely affected by government regulations.**

The central and local Chinese governments continue to exercise a certain degree of control over the petrochemical industry in China by, among other things:

mandating distribution channels for our fuel products;

setting the allocations and pricing of certain resources, products and services;

assessing taxes and fees payable;

setting import and export quotas and procedures; and

setting safety, environmental and quality standards.

As a result, we may face significant constraints on our flexibility and ability to expand our business operations or to maximize our profitability. In the past, we have benefited from favorable regulatory policies that have, for example, reduced the competition we face from illegal imports of petroleum products. Existing policies that favor our industry may change in the future and our business could be adversely affected by any such changes.

### **Our development plans may require regulatory approval.**

We are currently engaged in a number of construction and expansion projects. Most of our projects are subject to governmental review and approval. The timing and cost of completion of these projects will depend on numerous factors, including approvals from relevant government authorities and general economic conditions in China.

While in general we attempt to obtain governmental approval as far in advance as practicable, we may not be able to control the timing and outcome of these governmental reviews and approvals. If any of our important projects required for our future growth are not approved, or not approved on a timely basis, our results of operations and financial condition could be adversely affected.

### **China's entry into the World Trade Organization, or WTO, may significantly increase foreign competition in our lines of business.**

China joined the WTO on December 11, 2001. As part of its membership, China has committed to eliminate some tariff and non-tariff barriers to foreign competition in the domestic petrochemical industry that benefited us in the past. In particular, China:

has reduced tariffs on imported petrochemicals products that compete with ours;

increased levels of permitted foreign investment in the domestic petrochemicals industry, allowing foreign investors to own 100% of a domestic petrochemicals company from December 11, 2004;

has gradually relaxed restrictions on the import of crude oil by non-state owned companies;

has granted foreign-owned companies the right to import petrochemical products; and

has permitted foreign-owned companies to distribute and market fuel products in both retail and wholesale markets in China. As a result of these measures, we face increased competition from foreign companies and imports. In 2010, the impact of the global economic downturn will continue, the global market for petrochemical products may be slow to recover, and many overseas petrochemical companies, in particular those from neighboring areas, such as Japan, South Korea and the Middle East, have switched their focus to sales in China, which we believe, will further intensify competition in the Chinese domestic petrochemical market. In addition, tariff reductions could reduce our profit margins or otherwise negatively impact our revenue from certain products, including a small number of significant products. The PRC government may also reduce the tariffs imposed on production equipment that we may import in the future.

**Political and economic policies in China could affect our business in unpredictable ways.**

The economy of China differs from the economies of most countries belonging to the Organization for Economic Co-operation and Development in a number of respects, including:

structure;

level of government involvement;

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level of development;

level of capital reinvestment;

control of foreign exchange; and

allocation of resources.

Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since that time, the Chinese government has been reforming the Chinese economic system, and has also begun reforming the government structure. These reforms have resulted in significant economic growth and social progress. Although the Chinese government still owns a significant portion of the productive assets in China, economic reform policies since the late 1980s have emphasized autonomous enterprises and the utilization of market mechanisms. We currently expect that the Chinese government will continue these reforms, further reduce government intervention and rely more heavily on market mechanisms to allocate resources. Although we believe these reforms will have a positive effect on our overall long-term development, we cannot predict whether changes to China's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business or results of operations.

**If the Chinese government changes current regulations that allow us to make payments in foreign currencies, we may be unable to obtain the foreign currency which is necessary for our business.**

The Renminbi currently is not a freely convertible currency. We receive most of our revenue in Renminbi. A portion of our Renminbi revenue must be converted into other currencies to meet our foreign currency obligations. We have substantial requirements for foreign currency, including:

debt service costs on foreign currency-denominated debt;

purchases of imported equipment;

payment of any cash dividends declared in respect of the H shares; and

import of crude oil and other materials.

Under existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions, including the payment of dividends, without prior approval from the State Administration of Foreign Exchange by producing commercial documents evidencing the foreign exchange transactions, provided that they are processed through Chinese banks licensed to engage in foreign exchange transactions. The Chinese government has stated publicly that it intends to eventually make the Renminbi freely convertible in the future. However, uncertainty exists as to whether the Chinese government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in China.

Foreign exchange transactions under the capital account (international revenues and expenditures that increase or decrease debt or equity, including principal payments in respect of foreign currency-denominated obligations) continue to be subject to limitations and require the prior approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign exchange through debt financing, or to make capital expenditures in foreign currency.

If the Chinese government restricts our ability to make payments in foreign currency, we may be unable to obtain the foreign currency which is necessary for our business. In that case, our business may be materially adversely affected, and we may default on our obligations.





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### **The rejection of the proposed share reforms required of companies listed on the Shanghai Stock Exchange may adversely affect our market image and our ability to effectuate future transactions such as public offerings on the Shanghai Stock Exchange.**

Pursuant to regulations issued by the China Securities Regulatory Commission (the "CSRC"), we were required to gain shareholder approval for and implement certain share reforms in 2006. Under the share reform plans proposed by holders of our non-circulating A Shares in 2006 and 2007, respectively, all non-circulating A Shares would be converted into circulating A Shares and may be sold publicly on the Shanghai Stock Exchange subject to any applicable lock-up period under the condition that holders of our non-circulating A Shares transfer a portion of their A Shares to holders of our circulating A Shares. However, holders of our circulating A Shares rejected both share reform plans. No specific new proposals have yet been presented to implement the required share reforms. We are uncertain as to when such share reforms will be completed. On January 8, 2007, the Shanghai Stock Exchange began to impose stricter regulations on its listed companies that are required but unable to complete the share reforms, including stricter trading information disclosure requirements and greater restrictions on their ability to effectuate future public offerings. Since March 26, 2007, the Shanghai Stock Exchange has required us to make periodically public announcements regarding the status of our share reforms. In addition, the CSRC is expected to more strictly scrutinize any securities-related applications by publicly listed PRC companies that are required to but have failed to complete such share reforms, their major shareholders and ultimate beneficial owners. The rejection of the proposed share reforms by the holders of our circulating A Shares may adversely affect our market image and our ability to effectuate future transactions such as public offerings on the Shanghai Stock Exchange. The possibility that the CSRC and the Shanghai Stock Exchange will impose more restrictions cannot be eliminated.

### **Interpretation and enforcement of Chinese laws and regulations is uncertain.**

The Chinese legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority, but do not have the binding effect of precedents. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade. Because these laws, regulations and legal requirements are relatively new and not all accessible to the public and because prior court decisions have little precedential value, the interpretation and enforcement of these laws, regulations and legal requirements involve greater uncertainty than in other jurisdictions.

### **You may not enjoy shareholders' protections that you would be entitled to in other jurisdictions.**

As most of our business is conducted in China, our operations are governed principally by the laws of China. Despite changes to the PRC Company Law, Chinese legal provisions for the protection of shareholders' rights and access to information are different and less developed than those applicable to companies formed in the United States, Hong Kong, the United Kingdom and other developed countries or regions. You may not enjoy shareholders' protections under Chinese law that you would be entitled to in other jurisdictions.

### **Our Articles of Association require you to submit your disputes with us and other persons to arbitration. You will have no legal right to a court proceeding.**

Our Articles of Association require holders of our H shares or ADSs having a claim against, or a dispute with, us, our directors, supervisors, executive officers or a holder of our domestic shares relating to any rights or obligations conferred or imposed by our Articles of Association, the Chinese Company Law or any other Chinese laws or regulations relating to our affairs, to submit such claim or dispute to arbitration with the China International Economic and Trade Arbitration Commission or to the Hong Kong International Arbitration Center. Our Articles of Association further provide that any arbitration decisions with respect to such disputes or claims shall be final and binding on all parties.

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### **We may be or become a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. investors.**

We may be classified as a passive foreign investment company ( PFIC ) by the U.S. Internal Revenue Service for U.S. federal income tax purposes. Such characterization could result in adverse U.S. federal income tax consequences to you if you are a U.S. investor. For example, U.S. investors who owned our ADSs during any taxable year in which we were a PFIC generally are subject to increased U.S. tax liabilities and reporting requirements for that taxable year and all succeeding years, regardless of whether we actually continue to be a PFIC, although a shareholder election to terminate such deemed PFIC status may be available in certain circumstances. The same adverse U.S. federal income tax consequences will apply to U.S. investors who acquire our ADSs during the current taxable year or any subsequent taxable year if we are treated as a PFIC for that taxable year.

The determination of whether or not we are a PFIC is made on an annual basis and depends on the composition of our income and assets, from time to time. Specifically, we will be classified as a PFIC for U.S. tax purposes for a taxable year if either (a) 75% or more of our gross income for such taxable year is passive income, or (b) 50% or more of the average percentage of our assets during such taxable year either produce passive income or are held for the production of passive income. For such purposes, if we directly or indirectly own 25% or more of the shares of another corporation, we generally will be treated as if we (a) held directly a proportionate share of the other corporation's assets, and (b) received directly a proportionate share of the other corporation's income. We do not believe that we are currently a PFIC. However, because the PFIC determination is highly fact intensive and made at the end of each taxable year, there can be no assurance that we will not be a PFIC for the current or any future taxable year or that the IRS will not challenge our determination concerning our PFIC status. For further discussion of the adverse U.S. federal income tax consequences of our possible classification as a PFIC, see "Taxation" below.

### **Negative publicity regarding, and divestments by investors in response to, our affiliation with Sinopec Corp. and Sinopec Group, and their respective activities in certain countries identified by the U.S. government as state sponsors of terror, may adversely impact our stock price.**

We are affiliated with Sinopec Corp. and Sinopec Group, both of which have been identified in the news media as engaging in operations in or purchasing substantial volumes of crude oil sourced from countries identified by the U.S. government as state sponsors of terrorism such as Iran, Syria, Cuba and Sudan. We do not conduct any material operations in, nor do we purchase any material volume of crude oil from these countries. Further, we have no control over the activities of Sinopec Group or Sinopec Corp. in connection with any activities they may have related to Iran, Syria, Sudan or Cuba. Nevertheless, certain articles in the press have identified institutional investors, many of whom have substantial investment portfolios and purchasing power, that may have divested, or intend to divest or otherwise not invest in, our stock because of the alleged operations of our affiliates in such countries. Decisions by such large investors may have the effect of reducing demand for our stock in the market, perhaps significantly, which could cause substantial downward pressure on our stock price. Any such downward pressure likely would result in a reduction of our market capitalization and could impact not only the value of our existing stockholders' investment in our company, but also potentially our ability to raise equity or debt financing in the future.

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**PART III**

**ITEM 4A. UNRESOLVED STAFF COMMENTS.**

We have received certain correspondence from the U.S. Securities and Exchange Commission which contained comments to our Form 20-F for the fiscal year ended December 31, 2008. We have provided disclosure in our Form 20-F for the fiscal year ended December 31, 2009 (as amended) to address those comments.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F (as amended by this Form 20-F/A Amendment No. 1) and that it has duly caused and authorized the undersigned to sign this amendment to such annual report on its behalf.

**SINOPEC SHANGHAI PETROCHEMICAL  
COMPANY LIMITED**

Date: July 19, 2010

/s/ RONG GUANGDAO  
**Rong Guangdao, Chairman**

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**Exhibit Index**

| <b>No.</b> | <b>Exhibit</b>  |
|------------|---|
| 12.1       | Certification of Chairman Required by Rule 13a-14(a).   |
| 12.2       | Certification of Chief Financial Officer Required by Rule 13a-14(a).  |
| 13.1       | Certification of Chairman Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.                |
| 13.2       | Certification of Chief Financial Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code. |