

SINOPEC SHANGHAI PETROCHEMICAL CO LTD

Form 20-F

April 27, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2017

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from to

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)

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The People's Republic of China

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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.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing 100 H Shares, par value RMB1.00 per Share	New York Stock Exchange
H Shares, par value RMB1.00 per Share	The Stock Exchange of Hong Kong Limited

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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.

3,495,000,000 H Shares, par value RMB1.00 per Share

7,319,176,600 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, a non-accelerated filer, or an emerging growth company. See definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S.GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP

International Financial Reporting Standards as issued

Other

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by the International Accounting Standards Board

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this annual report that address activities, events or developments which we expect or anticipate will or may occur in the future are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words such as believe, intend, expect, anticipate, project, estimate, predict, plan and similar expressions are also intended to identify forward-looking statements. Forward-looking statements address, among others, such issues as:

amount and nature of future development;

future prices of and demand for our products;

future earnings and cash flow;

capital expansion programs;

future plans and capital expenditures;

expansion and other development trends of the petrochemical industry;

expected production or processing capacities, including expected Rated Capacities and primary distillation capacities, of units or facilities not yet in operation;

expansion and growth of our business and operations; and

our prospective operational and financial information.

These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in particular circumstances. However, whether actual results and developments will meet our expectations and predictions depends on a number of risks and uncertainties which could cause actual results to differ materially from our expectations, including the risks set forth in Item 3. Key Information Risk Factors and the following:

fluctuations in crude oil and natural gas prices;

fluctuations in prices of our products;

failures or delays in achieving production from development projects;

potential acquisitions and other business opportunities;

continued availability of capital and financing;

general economic, market and business conditions, including volatility in interest rates, changes in foreign exchange rates and volatility in commodity markets; and

other risks and factors beyond our control.

Consequently, all of the forward-looking statements made in this annual report are qualified by these cautionary statements and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements should be considered in light of the various important factors set forth above and elsewhere in this annual report, including the risks set forth in Item 3. Key Information Risk Factors. In addition, we cannot assure you that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected effect on us or our business or operations.

EXCHANGE RATES

Unless otherwise specified, references in this annual report to U.S. Dollars or U.S.\$ are to United States Dollars, references to HK dollars or HK\$ are to Hong Kong dollars and references to Renminbi or RMB are to Renminbi yuan, the legal tender currency of the PRC.

We publish our financial statements in Renminbi. Unless otherwise indicated, all translations from Renminbi to U.S. Dollars have been made at a rate of RMB6.5063 to U.S.\$1.00, the noon buying rate on December 29, 2017 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We do not represent that Renminbi or U.S. dollar amounts could be converted into U.S. Dollars or Renminbi, as the case may be, at any particular rate.

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CERTAIN TERMS AND CONVENTIONS

References to we or us or Company are references to Sinopec Shanghai Petrochemical Company Limited and our subsidiaries, unless the context requires otherwise. Before our formation, these references relate to the petrochemical businesses carried on by the Complex.

References to Sinopec Corp. are references to China Petroleum & Chemical Corporation, the controlling shareholder of the Company.

References to the Sinopec Group are references to China Petrochemical Corporation, the controlling company of Sinopec Corp.

References to the Complex are references to Shanghai Petrochemical Complex, our predecessor founded in 1972.

References to China or the PRC are references to The People's Republic of China which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

References to ADSs are references to our American Depositary Shares, which are listed and traded on the New York Stock Exchange. Each ADS represents 100 H Shares.

References to our domestic shares are references to 7,319,176,600 domestic shares of the Company, par value RMB1.00 per share, which are ordinary shares held by Chinese investors.

References to our H Shares are references to our overseas-listed foreign ordinary shares, par value RMB1.00 per share, which are listed and traded on the Stock Exchange of Hong Kong Limited (HKSE) under the number 338.

Rated Capacity is the output capacity of a given production plant or, where appropriate, the throughput capacity, calculated by estimating the number of days in a year that the production plant is expected to operate, including downtime for regular maintenance, and multiplying that number by an amount equal to the plant optimal daily output or throughput, as the case may be.

All references to tons are to metric tons.

Unless otherwise noted, references to sales volume are to sales to entities other than us or our divisions and subsidiaries.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.**A. Selected Financial Data.**

Our selected consolidated statements of operations data (except for ADS data) and cash flows data for each of the years ended December 31, 2015, 2016 and 2017 and our selected consolidated balance sheets data as of December 31, 2016 and 2017 are derived from our consolidated financial statements included in [Item 18. Financial Statements](#). Our selected consolidated statements of operations data and cash flows data for the years ended December 31, 2013 and 2014 and our consolidated balance sheets data as of December 31, 2013, 2014 and 2015 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

(RMB in millions, except per share and per ADS data)

	Year Ended December 31,				
	2013 (RMB million)	2014 (RMB million)	2015 (RMB million)	2016 (RMB million)	2017 (RMB million)
CONSOLIDATED STATEMENTS OF OPERATIONS DATA					
Net sales:					
Synthetic fibers	3,220.5	2,891.5	2,328.2	1,855.5	2,005.3
Resins and plastics	14,268.4	12,489.4	9,992.2	9,797.6	10,218.4
Intermediate petrochemicals	18,430.8	12,391.1	9,332.0	8,827.6	10,070.2
Petroleum products	57,419.8	49,259.5	30,802.0	24,002.6	32,400.6
Trading of petrochemical products	11,157.6	14,791.0	13,718.2	20,585.4	23,697.3
Others	1,006.0	902.6	864.6	867.8	826.5
Profit/(loss) from operations	2,192.3	(587.9)	3,908.9	6,777.9	6,401.9
Earnings/(loss) before income tax	2,444.7	(889.9)	4,237.2	7,778.3	7,852.9
Net income/(loss) attributable to owners of the Company	2,055.3	(692.2)	3,274.3	5,968.5	6,143.2
Net income attributable to non-controlling interests	10.2	16.5	36.1	13.0	11.0
Basic earnings/(loss) per share(RMB) (a) (b)	0.19	(0.064)	0.303	0.553	0.569
Basic earnings/(loss) per ADS(RMB) (c)	19.03	(6.41)	30.32	55.26	56.86

(a) After the implementation of share capital increase from the capital reserve under the domestic share reform in December 2013, total number of shares increased from 7,200,000,000 to 10,800,000,000. See [Item 4. Information on the Company - A. History and Development of the Company - Domestic Share Reform](#). The calculation of earnings per share is retrospectively restated based on the weighted average number of shares outstanding of 10,800,000,000 in 2013 as if these shares were in issue since January 1, 2013.

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- (b) The Company exercised its Share Option Incentive Scheme for the first time in August 2017 and the total number of shares of the Company increased by 14,176, 600 shares upon exercise. See ITEM 6. Directors, Senior Management and Employees E. Share Ownership Share Option Incentive Scheme. Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.
- (c) Earnings per ADS are calculated on the basis that one ADS is equivalent to 100 H Shares.

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	Year Ended December 31,				
	2013 (RMB million)	2014 (RMB million)	2015 (RMB million)	2016 (RMB million)	2017 (RMB million)
CONSOLIDATED STATEMENTS OF CASH FLOWS DATA					
Net cash generated from operating activities	5,098.5	3,662.4	4,932.8	7,181.8	7,060.8
Net cash used in investing activities	(629.2)	(910.1)	(439.0)	(189.9)	(2,400.7)
Net cash used in financing activities	(4,496.9)	(2,606.5)	(3,695.7)	(2,637.2)	(2,589.8)
Capital expenditure	(1,323.1)	(1,089.3)	(695.3)	(901.5)	(1,197.1)
Proceeds from borrowings	55,037.6	51,385.3	31,999.8	2,589.4	2,119.1
Repayments of borrowings	(59,155.9)	(53,444.5)	(35,684.7)	(4,113.0)	(2,059.4)
	As of December 31,				
	2013 (RMB million)	2014 (RMB million)	2015 (RMB million)	2016 (RMB million)	2017 (RMB million)
CONSOLIDATED BALANCE SHEETS DATA					
Current assets	14,486.0	9,510.4	8,144.0	14,875.9	19,866.1
Property, plant and equipment	16,669.5	15,541.6	14,383.3	13,474.3	12,866.4
Total assets	36,636.8	30,905.6	27,820.6	33,945.6	39,443.5
Short term borrowings (a)	7,094.0	4,078.2	2,070.0	546.4	606.2
Current liabilities	18,017.5	12,484.8	7,726.3	8,942.4	10,922.2
Long term borrowings (excluding current portion)	627.8	1,632.7			