

SINOPEC SHANGHAI PETROCHEMICAL CO LTD

Form 6-K

October 31, 2006

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SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2006

Commission File Number: 1-12158

Sinopec Shanghai Petrochemical Company Limited

(Translation of registrant's name into English)

Jinshanwei, Shanghai

The People's Republic of China

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

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Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- Not Applicable

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SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

Date: October 31, 2006

By: /s/ Rong Guangdao
Name: Rong Guangdao
Title: Chairman

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(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 338)

2006 Third Quarterly Report

This announcement is published simultaneously in Shanghai pursuant to the Rules Governing Listing of Stocks on Shanghai Stock Exchange and in Hong Kong pursuant to the disclosure obligations under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1 IMPORTANT INFORMATION

- 1.1 The board of directors (the Board) and the directors of Sinopec Shanghai Petrochemical Company Limited (the Company) warrant that there are no false presentations or misleading statements contained in, or material omissions from, this report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2 All of the Company's directors attended the Board meeting which was convened on 26 October 2006 to consider and approve this report.
- 1.3 The financial statements of the Company's third quarterly report have not been audited.
- 1.4 Mr. Rong Guangdao, Chairman and President of the Company, Mr. Han Zhihao, Director and Chief Financial Officer overseeing the accounting operations and Mr. Hua Xin, Finance Manager (Accounting Chief) in charge of the Accounting Department make representations in respect of the truthfulness and completeness of the financial statements contained in this quarterly report.

2 CORPORATE INFORMATION

2.1 Corporate information

| | | | |
|--------------------|--|------------|---|
| Stock Abbreviation | S (A shares) | (H shares) | SHI (ADR) |
| Stock code | 600688 | 338 | - |
| Name | Company Secretary Zhang Jingming | | Securities Representative Tang Weizhong |
| Address | 48 Jinyi Road Jinshan District Shanghai, PRC | | Suite B, 28/F Huamin Empire Plaza 728 West Yan'an Road Shanghai, PRC |
| Telephone | 86-21-57943143/52377880 | | 86-21-52377880 |
| Fax | 86-21-57940050/52375091 | | 86-21-52375091 |
| E-mail | spc@spc.com.cn | | tom@spc.com.cn |

Table of Contents**2.2 Financial information**

2.2.1 Major Accounting Data and Financial Indicators

Currency: RMB

| | As at the end of the reporting period | As at the end of the previous year | Increase/ (decrease) as compared to the end of the previous year (%) |
|---|---------------------------------------|------------------------------------|--|
| Total assets (RMB 000) | 28,502,146 | 27,101,918 | 5.17 |
| Shareholders' equity (excluding minority interests) (RMB 000) | 18,491,727 | 19,166,908 | -3.52 |
| Net assets value per share (RMB) | 2.586 | 2.662 | -3.53 |
| Adjusted net assets value per share (RMB) | 2.567 | 2.660 | -3.50 |

| | The reporting period (July to September) | From the beginning of the year to the end of the reporting period (January to September) | Increase/ (decrease) as compared to the corresponding period of the previous year (%) |
|--|--|--|---|
| Net cash flow from operating activities (RMB 000) | 993,681 | 1,532,120 | -51.34 |
| Earnings per share (RMB) | -0.005 | -0.008 | -103.29 |
| Return on net assets (%) | -0.002 | -0.003 | Increase 0.514 percentage point |
| Return on net assets excluding non-recurring items (%) | 0.001 | -0.0001 | Increase 0.482 percentage point |

Non-recurring items

| | Amount (RMB 000) |
|---|------------------|
| Profit and loss on disposal of long-term equity investments, fixed assets, construction in progress, intangible assets and other long-term assets | 24,361 |
| Non-operating income and expenses excluding provision for impairment loss on fixed assets | -92,136 |
| Tax adjustments for the above items | 10,166 |
| Total | -57,609 |

Table of Contents2.2.2 *Income Statements*

RMB 000 (Unaudited)

| Item | The Group | | The Company | |
|--|----------------------|---|--|---|
| | The reporting period | Corresponding period of the previous year | The reporting period (July to September) | Corresponding period of the previous year (July to September) |
| 1. Income from principal operations | 13,718,672 | 11,757,991 | 12,015,148 | 10,748,675 |
| Less: Cost of sales | 13,222,952 | 11,119,597 | 11,692,351 | 10,275,342 |
| Sales taxes and surcharges | 184,409 | 197,824 | 181,130 | 197,179 |
| 2. Profit from principal operations | 311,311 | 440,570 | 141,667 | 276,154 |
| Add: Profit from other operations | 58,147 | 15,161 | 41,331 | 4,386 |
| Less: Selling expenses | 130,729 | 128,097 | 104,027 | 98,332 |
| Administrative expenses | 342,374 | 310,571 | 283,176 | 255,856 |
| Financial expenses | 43,853 | 17,932 | 36,020 | 12,359 |
| 3. Income from operations | | | | |
| (- represents losses) | -147,498 | -869 | -240,225 | -86,007 |
| Add: Investment income | 193,494 | 114,498 | 228,323 | 160,624 |
| Non-operating income | 8,162 | 44,635 | 3,480 | 37,618 |
| Less: Non-operating expenses | 53,195 | 38,003 | 29,404 | 24,778 |
| 4. Total profit | | | | |
| (- represents losses) | 963 | 120,261 | -37,826 | 87,457 |
| Less: Income Tax | 11,356 | 2,825 | -5,112 | -10,985 |
| Minority interests | 22,321 | 18,994 | | |
| 5. Net profit | | | | |
| (- represents losses) | -32,714 | 98,442 | -32,714 | 98,442 |

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RMB 000 (Unaudited)

| Item | The Group | | The Company | |
|---|---|--|---|--|
| | The reporting period (January to September) | Corresponding period of the previous year (January to September) | The reporting period (January to September) | Corresponding period of the previous year (January to September) |
| 1. Income from principal operations | 37,141,952 | 33,644,463 | 33,251,517 | 31,199,327 |
| Less: Cost of sales | 35,558,036 | 29,482,173 | 32,136,481 | 27,494,360 |
| Sales taxes and surcharges | 500,413 | 575,959 | 492,983 | 572,284 |
| 2. Profit from principal operations | 1,083,503 | 3,586,331 | 622,053 | 3,132,683 |
| Add: Profit from other operations | 127,384 | 83,946 | 93,097 | 50,539 |
| Less: Selling expenses | 411,742 | 324,983 | 325,204 | 246,333 |
| Administrative expenses | 957,184 | 895,709 | 791,235 | 741,285 |
| Financial expenses | 169,184 | 147,272 | 140,595 | 124,546 |
| 3. Income from operations (- represents losses) | -327,223 | 2,302,313 | -541,884 | 2,071,058 |
| Add: Investment income (- represents losses) | 437,320 | -1,591 | 528,129 | 60,119 |
| Non-operating income | 23,211 | 55,401 | 4,512 | 40,352 |
| Less: Non-operating expenses | 115,294 | 193,226 | 69,738 | 119,990 |
| 4. Total profit (- represents losses) | 18,014 | 2,162,897 | -78,981 | 2,051,539 |
| Less: Income Tax | 20,351 | 360,555 | -18,707 | 302,577 |
| Minority interests | 57,937 | 53,380 | | |
| 5. Net profit (- represents losses) | -60,274 | 1,748,962 | -60,274 | 1,748,962 |

Table of Contents**2.3 Number of shareholders at the end of the reporting period and shareholding of the top ten holders of circulating shares (share segregation reform not yet completed)***Unit: share*

| | |
|---|----------------|
| Total number of shareholders at the end of the reporting period (unit) | 113,392 |
| Top ten holders of circulating shares | |

| Name of Shareholder (in full) | Number of circulating shares held at end of the reporting period | Type of shares |
|--|--|---------------------------------|
| HKSCC (Nominees) Ltd. | 1,924,359,401 | Overseas listed foreign shares |
| Hong Kong & Shanghai Banking Corporation (Nominees) Limited | 356,564,000 | Overseas listed foreign shares |
| Ximeng Asset Holdings Company Limited () | 25,157,990 | RMB-denominated ordinary shares |
| Beijing Ximeng Real Estate Development Co., Ltd. () | 11,270,000 | RMB-denominated ordinary shares |
| Hong Kong & Shanghai Banking Corporation (Nominees) Limited | 10,402,000 | Overseas listed foreign shares |
| Huatai Securities Co., Ltd () | 7,338,707 | RMB-denominated ordinary shares |
| Commercial Bank of China - Shang Zheng 50 Jiao Yi Xing Kai Fang Shi Index Securities Investment Fund () | 7,123,615 | RMB-denominated ordinary shares |
| 106 National Social Security Fund () | 7,000,000 | RMB-denominated ordinary shares |
| Commercial Bank of China - UBS SDIC Core Companies Equity Fund () | 6,500,000 | RMB-denominated ordinary shares |
| Commercial Bank of China - Jing Shun Chang Cheng Xin Xing Cheng Zhang Securities Investment Fund () | 5,965,093 | RMB-denominated ordinary shares |

Table of Contents**3 MANAGEMENT DISCUSSION AND ANALYSIS****3.1 Overview and brief analysis of the Group's operating activities during the reporting period**

During January to September 2006, international crude oil prices remained at a high level, thereby significantly increasing the production costs of the Group. As the prices of petroleum products are controlled by the State, there was limited room for prices of petroleum products to increase. As such, the gap between the domestic and international prices of refined oil products was rapidly enlarged. Consequently, the Group's refinery business suffered a serious loss. During January to September 2006, the Group made a provision for finished goods amounting to RMB67.482 million, which directly led to a loss recorded by the Group for the period of January to September.

During January to September of 2006, the Group's income from principal operations totaled RMB37,142 million, an increase of 10.40% as compared to the corresponding period of the previous year. Sales of synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products amounted to RMB3,547 million, RMB11,736 million, RMB4,865 million and RMB15,022 million, respectively. The Group's net loss for the period amounted to RMB60.274 million.

During January to September of 2006, the Group processed 6,759,500 tons of crude oil (of which 90,100 tons were sub-contracted processed crude oil), representing a decrease of 5.07% as compared to the corresponding period of the previous year. The Group's unit cost of crude oil processed amounted to RMB3,844.98 per ton, an increase of 24.57% as compared to the corresponding period of the previous year. The weighted average selling prices of the Group's synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products increased by 2.70%, 7.33%, 0.69% and 16.94%, respectively.

3.1.1 Principal operations and products accounting for 10% or more of income from principal operations or gross profit from principal operations

RMB '000 (Unaudited)

| Segment | Income from principal operations | Cost of sales | Gross profit margin (%) |
|-----------------------------------|----------------------------------|---------------|-------------------------|
| Synthetic fibres | 3,547,280 | 3,270,633 | 7.80 |
| Resins and plastics | 11,736,244 | 10,234,099 | 12.80 |
| Intermediate petrochemicals | 4,864,769 | 4,051,952 | 16.71 |
| Petroleum products | 15,022,504 | 16,229,642 | -8.04 |
| Trading and others | 1,971,155 | 1,717,710 | 10.12 |
| Including: connected transactions | 14,693,090 | 15,153,785 | -3.14 |

Price-setting principles of connected transactions

The directors of the Company (including independent non-executive directors) believe that the above connected transactions were conducted on normal commercial terms which were no less favorable than those offered to or by any third party and were conducted in an ordinary course of business. This was confirmed by the independent non-executive directors of the Company.

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3.2 Reason for the projection of possible losses in the accumulated net profit for the period from the beginning of the year to the end of the next reporting period or warning for possible significant changes as compared to the same period last year

Due to the fact that international crude oil prices remained at a high level while the prices of refined oil products are controlled by the State, the refinery business suffered a serious loss during January to September 2006. The Board estimates that the net profit of the Group for the 12 months ended 31 December 2006 will drop substantially when compared to the net profit for the 12 months ended 31 December 2005.

3.3 As at the date of this quarterly report, the schedule of share segregation reform for the company which share segregation reform not yet completed

The Company published an announcement on 9 October 2006: that the share segregation reform of the Company formally commenced and trading in the Company's shares was temporarily suspended due to the commencement of the share segregation reform. The Company disclosed its share reform proposal as well as a notice of the relevant A shareholder meeting on the website of Shanghai Stock Exchange and in China Securities Journal and Shanghai Securities News on 16 October 2006. On 23 October 2006, the Company published an announcement in respect of the result of the communication among shareholders. As of now, the share reform proposal is pending upon approvals by the relevant A shareholder meeting to be held on 8 November 2006 and by the relevant authorities of the State.

Table of Contents**4 Appendix
Balance Sheet****30 September 2006***RMB 000 (Unaudited)*

| Item | The Group | | The Company | |
|---|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | At the end of the period | At the Beginning of the year | At the end of the period | At the Beginning of the year |
| Current assets | | | | |
| Cash at bank and in hand | 1,215,129 | 1,347,237 | 841,167 | 821,564 |
| Bills receivable | 751,875 | 739,794 | 598,635 | 517,954 |
| Trade debtors | 913,722 | 544,055 | 593,034 | 390,440 |
| Other debtors | 465,633 | 567,231 | 435,352 | 673,354 |
| Advance payments | 214,643 | 148,886 | 191,070 | 111,903 |
| Inventories | 4,910,577 | 4,114,978 | 4,441,312 | 3,537,671 |
| Total current assets | 8,471,579 | 7,462,181 | 7,100,570 | 6,052,886 |
| Long-term investments | | | | |
| Long-term equity investments | 3,270,644 | 2,794,466 | 5,076,266 | 4,563,906 |
| Fixed assets | | | | |
| Fixed assets, at cost | 34,019,203 | 33,877,575 | 30,035,984 | 29,965,689 |
| Less: Accumulated depreciation | 18,913,640 | 17,756,756 | 16,744,236 | 15,775,762 |
| Fixed assets net book value | 15,105,563 | 16,120,819 | 13,291,748 | 14,189,927 |
| Less: Provision for impairment loss on fixed assets | 58,945 | 58,945 | 58,945 | 58,945 |
| Net book value | 15,046,618 | 16,061,874 | 13,232,803 | 14,130,982 |
| Construction in progress | 1,681,272 | 754,192 | 1,637,871 | 710,268 |
| Total fixed assets | 16,727,890 | 16,816,066 | 14,870,674 | 14,841,250 |
| Intangible assets | | 8,967 | | 8,967 |
| Deferred tax assets | 32,033 | 20,238 | 32,033 | 20,238 |
| Total assets | 28,502,146 | 27,101,918 | 27,079,543 | 25,487,247 |

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| Item | The Group | | The Company | |
|---|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | At the end of the period | At the Beginning of the year | At the end of the period | At the Beginning of the year |
| Current liabilities | | | | |
| Short-term loans | 2,516,544 | 2,553,537 | 2,222,044 | 2,295,195 |
| Bills payable | 1,090,893 | 68,302 | 1,051,335 | 12,428 |
| Trade creditors | 1,583,823 | 988,196 | 1,102,433 | 596,782 |
| Receipt in advances | 503,668 | 408,245 | 461,558 | 336,105 |
| Wages payable | 10,827 | 11,077 | 5,113 | 5,113 |
| Staff welfare payable | 80,948 | 87,755 | 39,540 | 44,670 |
| Dividend payable | 14,211 | | 14,211 | |
| Taxes payable | 10,037 | 183,320 | -12,033 | 138,176 |
| Other creditors | 16,421 | 25,234 | 13,393 | 18,344 |
| Other payables | 471,882 | 359,173 | 649,857 | 351,072 |
| Accrued expenses | 26,270 | 29,219 | 20,880 | 29,219 |
| Short-term bonds payable | 997,560 | | 997,560 | |
| Current portion of long-term loans | 398,215 | 1,373,205 | 398,215 | 1,340,000 |
| Total current liabilities | 7,721,299 | 6,087,263 | 6,964,106 | 5,167,104 |
| Long-term liabilities | | | | |
| Long-term loans | 1,947,736 | 1,477,261 | 1,623,710 | 1,153,235 |
| Other long-term liabilities | 14,395 | 23,033 | | |
| Total long-term liabilities | 1,962,131 | 1,500,294 | 1,623,710 | 1,153,235 |
| Total liabilities | 9,683,430 | 7,587,557 | 8,587,816 | 6,320,339 |
| Minority interests | 326,989 | 347,453 | | |
| Shareholder s equity | | | | |
| Share capital | 7,200,000 | 7,200,000 | 7,200,000 | 7,200,000 |
| Capital reserves | 2,961,371 | 2,856,278 | 2,961,371 | 2,856,278 |
| Surplus reserves | 4,537,022 | 4,537,022 | 4,537,022 | 4,537,022 |
| Undistributed profit | 3,793,334 | 4,573,608 | 3,793,334 | 4,573,608 |
| Total shareholder s equity | 18,491,727 | 19,166,908 | 18,491,727 | 19,166,908 |
| Total liabilities and shareholder s equity | 28,502,146 | 27,101,918 | 27,079,543 | 25,487,247 |

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RMB 000 (Unaudited)

| Item | The Group | The Company |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from sale of goods and rendering of service | 44,346,327 | 39,069,728 |
| Refund of taxes and levies | 62,189 | 52,285 |
| Other cash received relating to operating activities | 9,705 | 4,367 |
| Sub-total of cash inflows | 44,418,221 | 39,126,380 |
| Cash paid for goods and services | (40,661,678) | (36,031,577) |
| Cash paid to and on behalf of employees | (1,269,487) | (858,689) |
| Income tax paid | (46,826) | |
| Taxed paid other than income tax | (622,924) | (583,460) |
| Other cash paid relating to operating activities | (285,186) | (233,579) |
| Sub-total of cash inflows | (42,886,101) | (37,707,305) |
| Net cash flows from operating activities | 1,532,120 | 1,419,075 |
| Cash flows from investing activities | | |
| Cash received from disposal of investments | 185,184 | 86,258 |
| Cash received from investment income | 71,588 | 189,713 |
| Cash received from disposal of fixed assets, intangible assets and other long-term fixed assets | 210,286 | 126,590 |
| Other cash received relating to investing activities | 34,664 | 28,897 |
| Sub-total of cash inflows | 501,722 | 431,458 |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term fixed assets | (1,546,563) | (1,392,602) |
| Cash paid for purchase of investments | (77,638) | |
| Sub-total of cash inflows | (1,624,201) | (1,392,602) |
| Net cash flows from investing activities | (1,122,479) | (961,144) |
| Cash flows from financing activities | | |
| Proceeds from bonds issue (excluding issue expenses) | 977,800 | 977,800 |
| Proceeds from borrowings | 11,437,281 | 11,078,954 |
| Sub-total of cash inflows | 12,415,081 | 12,056,754 |
| Repayment of borrowings | (11,917,765) | (11,566,533) |
| Cash paid for dividends, profits distribution and interest | (799,734) | (719,028) |
| Repayment of cash for interest | (239,213) | (209,507) |
| Sub-total of cash inflows | (12,956,712) | (12,495,068) |
| Net cash flows from financing activities | (541,631) | (438,314) |
| Effect of foreign exchange rate changes | (118) | (14) |
| Net (decrease)/increase in cash and cash equivalents | (132,108) | 19,603 |

Table of Contents**Supplementary Information****1. Reconciliation of net losses to cash flow from operating activities**

| | | |
|---|------------------|------------------|
| Net loss | (60,274) | (60,274) |
| Minority interests | 57,937 | |
| Depreciation | 1,426,773 | 1,185,999 |
| Amortization of intangible assets | 8,967 | 8,967 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: income) | (53) | 1,804 |
| Accounts receivable and other provision for bad debts | 3,089 | (135) |
| Financial expenses | 160,336 | 135,149 |
| Losses from investments (Less: income) | (437,320) | (528,129) |
| Provision for inventories | 67,482 | 67,482 |
| Deferred tax credit (Less: loan) | (11,795) | (11,795) |
| Decrease in inventories (Less: increase) | (863,081) | (971,123) |
| Decrease in operating receivables (Less: increase) | (405,754) | (173,064) |
| Increase in operating payables (Less: decrease) | 1,585,813 | 1,764,194 |
| Net cash flows from operating activities | 1,532,120 | 1,419,075 |

2. Net (decrease)/increase in cash and cash equivalents

| | | |
|--|------------------|---------------|
| Cash and cash equivalents at the end of the period | 1,215,129 | 841,167 |
| Less: cash and cash equivalents at the beginning of the period | 1,347,237 | 821,564 |
| Net (decrease)/increase in cash and cash equivalents | (132,108) | 19,603 |

By order of the Board

Rong Guangdao*Chairman*

Shanghai, PRC, 26 October 2006

As at the date of this announcement, the executive directors of the Company are Rong Guangdao, Du Chongjun, Han Zhihao, Shi Wei, Li Honggen and Dai Jinbao; the non-executive directors of the Company are Lei Dianwu and Xiang Hanyin, and the independent non-executive directors of the Company are Chen Xinyuan, Sun Chiping, Jiang Zhiquan and Zhou Yunnong.

Table of Contents*(A joint stock limited company incorporated in the People's Republic of China)**(Stock Code: 338)*

**Resolutions of the Fifteenth Meeting of
the Fifth Session of the Board of Directors**

The Company and all members of the board of directors warrant that the information contained in this announcement is true, accurate and complete, and jointly accept full responsibility for any false presentations or misleading statements contained in, or material omissions from, this announcement.

The directors were informed on the convening of the fifteenth meeting of the fifth session of the board of directors of Sinopec Shanghai Petrochemical Company Limited (the Company) (the Meeting) via facsimile and mail on 12 October 2006. The Meeting was held on 26 October 2006 by means of correspondence. Of the 12 directors entitled to attend the Meeting, 12 of them attended the Meeting. The Meeting complied with the requirements of the PRC Company Law and the articles of association of the Company. Mr. Rong Guangdao, Chairman of the Company, presided over the Meeting. At the Meeting, the following resolution was considered and approved:

Resolution The 2006 third quarterly report; the authorization given to the secretary to the board of directors (the Board) to submit the report to The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange and the New York Stock Exchange in accordance with the listing requirements; and the announcement of the third quarterly report after 4:15 p.m. on 26 October 2006 and the publication of the report in designated newspapers of Hong Kong and Shanghai on 27 October 2006 were considered and approved (with 12 votes in favor, 0 vote against, 0 abstention);

In view of high international crude oil prices and that adjustments in the prices of petroleum products had not reflected the rising prices of international crude oil during the first nine months of 2006, the Board estimated that net profit of the Group for the year ended 31 December 2006 will drop substantially as compared to the year ended 31 December 2005 (see below table).

| | Under the PRC Accounting Rules and Regulations RMB 000 | Under the IFRS RMB 000 |
|---|---|-----------------------------------|
| Net profit of 2005 | 1,704,627 | 1,850,499 |
| Sinopec Shanghai Petrochemical Company Limited | | |

Shanghai, PRC, 26 October 2006

As at the date of this announcement, the executive directors of the Company are Rong Guangdao, Du Chongjun, Han Zhihao, Shi Wei, Li Honggen and Dai Jinbao; the non-executive directors of the Company are Lei Dianwu and Xiang Hanyin, and the independent non-executive directors of the Company are Chen Xinyuan, Sun Chiping, Jiang Zhiquan and Zhou Yunnong.

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To: Business Editor

[For Immediate Release]

Shanghai Petrochemical Announces 2006 First Three Quarter Results

(Hong Kong, October 26, 2006) Sinopec Shanghai Petrochemical Company Limited (Shanghai Petrochemical or the Company) (HKEx:338; SSE: 600688; NYSE: SHI) announced today the unaudited operating results of the Company and its subsidiaries (the Group) for the nine-month periods ended September 30, 2006 (the Period). In accordance with PRC Accounting Standards, during the Period, the Group s income from principal operations amounted to RMB37,142 million, an increase of 10.40% as compared to the corresponding period of the previous year. Net loss amounted to RMB60.27 million (2005: Net profit RMB1,749 million).

Mr. Rong Guangdao, Chairman of Shanghai Petrochemical, said, During January to September 2006, although the Group s income from principal operations increased as compare to the corresponding period of the previous year, due to continued upsurge of international crude oil prices, the Group s production costs also increased significantly. In addition, there was limited room for increasing product selling prices, in particular for refined oil products, as prices were controlled by the State, there was a great discrepancy of selling prices between the domestic and the international markets. As a result, the Group s refinery business suffered a serious loss. However, following the two-times increase in prices on petroleum products, the loss situation for July to September of the Group has been improved.

During the Period, the Group s sales of synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products amounted to RMB3,547 million, RMB11,736 million, RMB4,865 million and RMB15,022 million, respectively. The consolidated average selling prices of the above-mentioned products increased by 2.70%, 7.33%, 0.69% and 16.94%, respectively.

During the Period, the Group processed 6,759,500 tons of crude oil (of which 90,100 tons were on sub-contracted basis). With the effect of increased crude oil prices, the Group s unit cost of crude oil processed also increased by 24.57% to RMB3,844.98 per ton.

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Looking ahead, Mr. Rong said, Although the loss situation of the Group has been improved, the Group still faces a difficult external environment. The Group will adjust its developing approach in line with such economic changes, focus on optimization and adjustment, improve upon the management philosophy, expedite meticulous management, improve the application of the appropriated methodology, and accelerate the pace of reform programs so as to maintain steady development of the Group.

Shanghai Petrochemical is one of the largest petrochemical companies in PRC and was one of the first Chinese companies to make a global securities offering. Located in Jinshan District in the southwest of Shanghai, it is a highly integrated petrochemical complex which processes crude oil into a broad range of products in synthetic fibres, resins and 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 terminology 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 related to: the risk that the PRC economy may not grow at the same rate in future periods as it has in the last several years, or at all, including as a result of the PRC government's macro-economic control measures to curb over-heating; 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; not be able to raise its prices accordingly which would adversely affect the Company's profitability; the risk that new marketing and 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 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 management; 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 this forward-looking information, except as required under applicable law.

End

Encl: Consolidated Income Statement (Unaudited)

For further information, please contact:

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Shanghai Petrochemical Announces 2006 First Three Quarter Results

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(Prepared under PRC Accounting Rules and Regulations)

| | For the nine-month periods | |
|---|-----------------------------------|----------------|
| | ended 30 September | |
| | 2006 | 2005 |
| | RMB 000 | RMB 000 |
| Income from principal operations | 37,141,952 | 33,644,463 |
| Less: Cost of sales | 35,558,036 | 29,482,173 |
| Sales taxes and surcharges | 500,413 | 575,959 |
| Profit from principal operations | 1,083,503 | 3,586,331 |
| Add: Profit from other operations | 127,384 | 83,946 |
| Less: Selling expenses | 411,742 | 324,983 |
| Administrative expenses | 957,184 | 895,709 |
| Financial expenses | 169,184 | 147,272 |
| (Loss) / profit from operations | (327,223) | 2,302,313 |
| Add: Investment income / (losses) | 437,320 | (1,591) |
| Non-operating income | 23,211 | 55,401 |
| Less: Non-operating expenses | 115,294 | 193,226 |
| Total profit | 18,014 | 2,162,897 |
| Less: Income tax | 20,351 | 360,555 |
| Minority interests | 57,937 | 53,380 |
| Net (loss) / profit | (60,274) | 1,748,962 |

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