

An Interview With The President



1. WHAT IS THE PROGRESS, IN RESPECT OF CONSOLIDATING THE LEADING POSITION OF THE COMPANY, IN THE PUBLIC UTILITIES INDUSTRY IN SHENYANG?

After the listing of Shenyang Public Utility, in view of the adjustment in our operation strategies and the search for expanding our scope of business, the leading position of the Company in the urban water supply business was further consolidated through the acquisitions of No. 8 Water Plant and Shifosi Water Source project (Phase I). On the other hand, the Company is also actively looking for investment opportunities including real estate development, in order to increase our market share.

2. WHAT TYPES OF DEVELOPMENT OPPORTUNITIES WILL BE BROUGHT ABOUT TO THE COMPANY AFTER THE PRC'S ENTRY INTO THE WORLD TRADE ORGANISATION (WTO)?

The PRC's entry into the WTO marks the integration and unity of the PRC economy with the world economy. In view of an urban public utility enterprise, it will greatly speed up the progress in the market transformation of urban public utilities in the PRC, and will provide the Company with broader room and more opportunities for investment. In addition, our internal corporate mechanism, operation style and investment principles, will be more in line with worldwide practices, thus creating better external conditions for our corporation. I believe that the PRC's entry into the WTO will act as an impetus to the Company, which has already integrated with the international capital market.



- 3. WHAT ARE THE EFFECTS ON THE IMPLEMENTATION OF AN INTERNATIONAL SCALE OF OPERATION, AFTER THE INTRODUCTION OF STRATEGIC INVESTORS TO THE COMPANY DURING THE PREVIOUS YEAR? WILL ANY DIFFICULTIES BE ENCOUNTERED IN THE COURSE OF INTEGRATING WITH THE WORLD?**

It is obvious that our introduction of strategic investors in the previous year was successful and effective. This can be described in the following manner:

- (i) There has been a fundamental change in the way of management in the Group's existing State-owned system, with significant influence on the establishment of management structure, the mode of financial operation, change in operation principles and reinforcement of market concepts;
- (ii) The production technology, quality standard and equipment renovation for the Group's principal activity of urban water supply, were improved significantly. As a result, the quality standard of drinking water for residents in Shenyang was upgraded and there was also wider use of technology in corporate management.
- (iii) It helped the Group to set up a strict and efficient control mechanism in the production management process, resulting in a highly efficient and standardised operation as a whole.

If there is any difficulty encountered in the process of integrating with the world, it would be the difficulties heightened during the course of transformation from old ideas to new ideas, outdated systems to innovative systems and old methods to new methods. We consider that the occurrence of these difficulties was a normal and temporary phenomenon, and they will not affect our determination to become an international company.

4. WHAT ARE THE FOCUSES AND STRATEGIES FOR THE DEVELOPMENT OF THE COMPANY IN 2001?

In 2001, the Company will continue to modify and expand its public utility business and continue to conduct research and evaluation in respect of the issuing of the new A shares.