Luzhou Xinglu Water (Group) Co., Ltd.*

瀘州市興瀘水務(集團)股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2281)

Terms of Reference of the Nomination and Remuneration Committee

1 RESPONSIBILITIES

The Nomination and Remuneration Committee (the "**Committee**") of Luzhou Xinglu Water (Group) Co., Ltd. (the "**Company**") is established pursuant to a resolution passed by the board of directors of the Company (the "**Board**").

1.1 With regard to the affairs in relation to the nomination of the directors and senior management of the Company, the responsibilities of the Committee include:

1.1.1 to review the structure, size and composition (including the skills, knowledge and experience, and the Company shall appoint at least one director of a different gender to the Committee) of the Board, assist the Board in compiling a board skills matrix at least annually, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

1.1.2 to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

1.1.3 to assess the independence of independent non-executive directors of the Company; and

1.1.4 to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive;

1.1.5 to select and review candidates for senior management positions and their qualifications, and make recommendations to the Board regarding their appointment or dismissal;

1.1.6 to support the Company in conducting regular assessments of the Board's performance.

* *For identification purposes only*

1.2 With regard to the affairs in relation to the assessment and remuneration of the directors and senior management of the Company, the responsibilities of the Committee include:

1.2.1 to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive directors. The Committee should have access to independent professional advice if necessary;

1.2.2 to make recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

1.2.3 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

1.2.4 to make recommendations to the Board on the remuneration packages of individual executive directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

1.2.5 to make recommendations to the Board on the remuneration of non-executive directors;

1.2.6 to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Company and its subsidiaries (the "**Group**");

1.2.7 to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms (if any) and is otherwise fair and not excessive;

1.2.8 to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms (if any) and are otherwise reasonable and appropriate;

1.2.9 to ensure that no director or any of his associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as amended from time to time) is involved in deciding his own remuneration;

1.2.10 to review the performance of directors and senior management in fulfilling their duties and conduct annual performance appraisals;

1.2.11 to review matters relating to share schemes under Chapter 17 of the Listing Rules (including but not limited to formulating or amending share-based incentive schemes, employee share ownership schemes, the achievement of targets for incentive recipients or authorised benefits, conditions for exercising rights, and directors and/or senior management arranging shareholding schemes in subsidiaries proposed for spinning off); and

1.2.12 in respect of any service agreement to be entered into between any members of the Group and its director or proposed director, to review and provide recommendation to the shareholders of the Company (other than shareholder(s) who is/are director(s) with a material interest in the relevant service agreements and their respective associates) as to whether the terms of the service agreements are fair and reasonable and whether such service agreements are in the interests of the Company and the shareholders as whole, and to advise shareholders on how to vote.

2 MEMBERSHIP

2.1 Members of the Committee shall consist of not less than three members, and shall be appointed by the Board from amongst the directors of the Company (including at least one director of a different gender), and a majority of whom shall be independent non-executive directors.

2.2 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.

2.3 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

2.4 The secretary of the Company shall act as the secretary of the Committee.

2.5 The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

3 FREQUENCY AND PROCEEDINGS OF MEETINGS

3.1 The Committee should meet at least once per year. The chairman of the Committee may convene additional meetings at his discretion.

3.2 Notice of Meeting

3.2.1 Unless otherwise agreed by all the Committee members, a meeting shall be convened by at least fourteen (14) days' notice.

3.2.2 A Committee member may at any time summon a Committee meeting.

3.2.3 Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the secretary of the Company by such Committee member or in such other manner as the Committee members may from time to time determine.

3.2.4 Any notice given orally shall be followed by confirmation in writing before the meeting.

3.2.5 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.

3.3 The quorum of the Committee meeting shall be 2/3 or more of the members of the Committee. The resolutions of the Committee shall be passed by the majority.

3.4 Other Board members shall also have the right of attendance but have no right to vote.

4 ALTERNATE COMMITTEE MEMBERS

A Committee member may not appoint any alternate.

5 AUTHORITIES OF THE COMMITTEE

5.1 The Committee has the authority delegated to it from the Board to deal with the matters set out in clause 1.1 above.

5.2 The Committee shall be provided with sufficient resources to perform all of its duties. Where necessary, the Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

6 MINUTES OF MEETINGS

Full minutes of Committee meeting shall be kept by the secretary of the Company and should be open for inspection at any reasonable time on reasonable notice by any director of the Company. The secretary of the Company shall circulate the draft and final version of minutes of Committee meetings to all the Committee members for their comments and records within a reasonable time after the meeting.

7 WRITTEN RESOLUTIONS

Written resolutions may be passed by all Committee members in writing. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

8 REPORTING PROCEDURES

The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

9 CONTINUING APPLICATION OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The articles of association of the Company regulating the meetings and proceedings of the directors of the Company so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10 POWERS OF THE BOARD

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including Appendix C1 Corporate Governance Code to the Listing Rules), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

11 LANGUAGE

If there is any inconsistency between the English and Chinese versions of these terms of reference, the Chinese version shall prevail.