

Kunming Dianchi Water Treatment Co., Ltd.

Implementation Rules of the Nomination Committee of the Board

Chapter I General Provisions

- Article 1** In order to regulate the procedures for appointment of the management personnel of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”), optimize the composition of the Board and improve the corporate governance structure, the Company established the Nomination Committee (the “**Nomination Committee**”) of the Board in accordance with in accordance with the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies, the Articles of Association of the Company, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and other relevant provisions.
- Article 2** The Nomination Committee is a special working committee established by the Board, mainly responsible for the selection of Directors and senior management of the Company based on selection criteria and procedures and making recommendations on that.

Chapter II Composition

- Article 3** The Nomination Committee shall comprise of three board members, the majority of whom shall be independent Directors.
- Article 4** Members of the Nomination Committee shall be nominated by chairman of the Board, more than one half of the independent Directors or more than one-third of all the Directors, and shall be elected by the Board.
- Article 5** The Nomination Committee shall have one chairman, who shall be an independent Director and shall preside over the work of the Nomination Committee. The chairman of the Nomination Committee shall be elected from the members and be submitted to the Board for approval.
- Article 6** Members of the Nomination Committee shall have a term of office consistent with that of the Board. The term of office of a member is renewable upon re-election. If a member no longer assumes the position of Director in the Company, he/she shall automatically lose the qualification as a member and shall be replaced by other members being appointed by the Committee in accordance with Articles 3 to 5 above.

Chapter III Terms of Reference

Article 7 The major terms of reference of the Nomination Committee are:

- (1) to review the size, structure, member numbers and composition (including the skills, knowledge and experience) of the Board, with reference to the operations, assets scale and equity structure of the Company, and make recommendations to the Board on any proposed changes concerning the Board in line with the implementation of the Company's corporate strategy;
- (2) to study the selection criteria and procedures of the Directors and senior management and make recommendations to the Board thereon;
- (3) to search extensively for the qualified candidates of the Directors and senior management; and to nominate relevant persons to act as Directors or make recommendations to the Board thereon;
- (4) to review and make recommendations to the Board on the candidates of the Directors and the managers;
- (5) to assess the independence of the independent Directors;
- (6) to review and make recommendations to the Board on other senior management which has to be submitted to the Board for appointment;
- (7) to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular the chairman;
- (8) other matters conferred by the Board.

Article 8 The Nomination Committee shall be responsible to the Board. The proposals of the Nomination Committee shall be submitted to the Board for consideration and decision. Without adequate reasons or reliable evidence, the controlling shareholder shall fully respect the proposals made by the Nomination Committee, and shall not propose substitute candidates for Directors and managers.

Article 9 The Nomination Committee has the right to investigate the human resource management and implementation of relevant policies of the Company in such manners including but not limited to sitting in on or observing relevant meetings of the Company and investigating inside the Company, requiring senior management or relevant responsible persons of the Company to make an oral or written work report to the Committee within the specified period.

Chapter IV Decision-making Procedures

Article 10 Subject to the actual situation of the Company, the Nomination Committee shall review the criteria, procedures for selection and term of office for the Director and senior management in accordance with the requirements of relevant PRC laws, regulations, Hong Kong Listing Rules and the Articles of Association of the Company. Any resolution made in this regard shall be filed and submitted to the Board for approval and shall be implemented accordingly.

Article 11 Selection procedures for Directors and senior management:

- (1) the Nomination Committee shall actively communicate with relative departments of the Company, and research the demand of new Directors, senior management and to produce the written materials;
- (2) the Nomination Committee shall seek for the right candidates for the position of Directors and manager in the Company itself, controlling (investee) enterprises of the Company and the talent market;
- (3) the Nomination Committee shall collect information about the candidates including their occupation, academic background, title, working experience in detail and all the part-time jobs to produce written materials;
- (4) the Nomination Committee shall obtain consent of the nominees, otherwise the nominees shall not become candidates for Directors and manager;
- (5) the Nomination Committee shall convene its meeting, reviewing the candidates for Directors and manager according to the Directors and manager qualification;
- (6) the Nomination Committee shall make recommendations and submit relevant materials to the Board concerning the candidates for Directors and manager one to two months before election of new Directors and senior management;
- (7) the Nomination Committee shall conduct other follow-up work after decisions and feedback of the Board.

Chapter V Rules of Procedure

- Article 12** The Nomination Committee shall convene at least two meetings annually, and notice shall be given to all members 7 days in advance. The meeting shall be presided over by chairman of the Nomination Committee. In case that the chairman is unable to attend the meeting, he/she shall authorize another member, who shall be an independent director, to preside over the meeting. In case of emergency where an interim meeting of Audit Committee needs to be convened as soon as practicable, the notice of meeting may be given through phone, fax or e-mail at any time, provided that explanations shall be made by the convener at the meeting.
- Article 13** The meeting of the Nomination Committee shall not be held unless over two-thirds of the members attend the meeting. Each member shall have one vote and resolutions made by the meeting must be approved by the affirmative votes of over half of all members. The meeting of the Nomination Committee is convened on the principle of site-meeting. If necessary, the meeting can be convened via video, phone, fax or e-mail so long as the members can be guaranteed to fully express their views. The Nomination Committee meeting may also be held both on-site and via other means.
- Article 14** Voting at the meeting of the Nomination Committee shall be taken by a show of hands or by voting; and a meeting may also be convened in the form of communication in case of emergency.
- Article 15** The Directors, supervisors and other senior management of the Company may be invited to attend meetings of the Nomination Committee when necessary.
- Article 16** The Nomination Committee may retain an independent intermediary institution to provide professional advice on its decision when necessary. The expenses incurred shall be borne by the Company.
- Article 17** The convening procedures and voting methods of meetings of the Nomination Committee as well as the resolutions passed at the meetings shall comply with relevant laws, regulations, Hong Kong Listing Rules, the Articles of Association and Implementation Rules.
- Article 18** The Nomination Committee shall keep minutes of its meetings. The minutes shall be signed by committee members attending the meeting and shall be kept by the secretary to the Board.
- Article 19** The resolutions passed at and voting results of a meeting of the Nomination Committee shall be submitted to the Board in writing.

Article 20 All members of the committee present at meetings of the Nomination Committee shall keep confidential all matters discussed at the meeting and shall not disclose without approval.

Chapter VI Supplementary Provisions

Article 21 The Implementation Rules shall be effective from the date of listing of our overseas listed foreign shares (H shares) on the Stock Exchange of Hong Kong Limited upon approval at a general meeting.

Article 22 For any matters not covered by the Implementation Rules, they shall be executed in accordance with the relevant PRC laws and regulations, the Hong Kong Listing Rules and the Articles of Association. In the event that the Implementation Rules contravene any future PRC laws and regulations to be promulgated or the Articles of Association amended through valid procedure or the Hong Kong Listing Rules, then the relevant PRC laws and regulations, the Hong Kong Listing Rules, and the Articles of Association shall prevail and the Implementation Rules shall be revised immediately and then reported to the Board for consideration and approval.

Article 23 The right to interpret these Rules shall reside in the Board.