

RULES OF PROCEDURES FOR BOARD MEETINGS OF XINJIANG LA CHAPELLE FASHION CO., LTD.

Article 1 Objective

To regulate the discussion methods and voting procedures of the Board of Xinjiang La Chapelle Fashion Co., Ltd. (“the Company”), urge the directors and the Board to effectively perform their duties and ensure the regulated operation and scientific decision-making of the Board, these Rules of Procedure are formulated in accordance with the *Company Law of the People’s Republic of China* (“*Company Law*”), *Securities Law of the People’s Republic of China* (“*Securities Law*”), *Articles of Association of Xinjiang La Chapelle Fashion Co., Ltd.* (hereinafter referred to as “*Articles of Association*”) and other relevant provisions.

Article 2 Duties of the Board

The Board shall be accountable to the general meeting, and exercise the following functions and powers:

- (I) Convene general meetings and report on its work to the general meetings;
- (II) Execute resolutions of general meetings;
- (III) Resolve on the business plans and investment plans of the Company;
- (IV) Formulate the annual financial budgets and final accounts of the Company;
- (V) Formulate the profit distribution plan and loss recovery plan of the Company;
- (VI) Formulate the plan for increase or reduction of the Company’s registered capital, and the plan for the issuance of corporate bonds or other securities, and listing plans;
- (VII) Draft plans for important acquisition or acquisition of shares of the Company or the plans for merger, division, dissolution and change of the formation of the Company;
- (VIII) Decide on the internal management structure of the Company;
- (IX) Appoint or dismiss the Company’s president; appoint or dismiss the Company’s vice president and other senior executives (including chief financial officer) as nominated by the president; and determine their remunerations, reward and reprimand matters;
- (X) Set up the basic management system of the Company;
- (XI) Formulate the plan for any amendment to the *Articles of Association*;
- (XII) Manage the disclosure of information of the Company;
- (XIII) Propose to the general meeting to appoint or replace the accounting firm which conduct auditing for the Company;

- (XIV) Listen to the work report of the president of the Company and review the tasks managed by the president;
- (XV) Within the scope of authority as conferred by the general meeting, have the rights to decide on matters such as external investment, acquisition and sale of assets, pledge of assets, external guarantee, entrusted wealth management and connected transactions of the Company;
- (XVI) Exercise other functions and powers as specified in the *Articles of Association* or conferred by general meetings.

The Board may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XI), in which approval of more than two thirds of the directors is required.

The Board shall explain to the general meeting regarding auditor's report of a registered accountant in which there are non-standard opinions for financial reports of the Company.

The directors shall jointly and severally perform fiduciary duties as stipulated by the laws and regulations of the People's Republic of China and the *Articles of Association* and shall act with due skills, prudence and diligence. In performing the aforesaid duties, the directors shall:

- (I) Act with honesty and goodwill for the purpose of the whole interests of the listing company;¹
- (II) Act for appropriate purposes;
- (III) Be responsible for the listing company with regard to the use or abuse of the listing company's assets;
- (IV) Avoid conflict between actual and potential interests and their positions;²
- (V) Fully and impartially disclose their rights and interests in the contracts concluded with the listing company; and
- (VI) Perform duties with due skills, prudence and diligence for their positions.

¹ According to the Guidelines for Directors published by the Hong Kong Institute of Directors, "Honestly, For the Benefit of the Company" means that as the company's agents, directors must use their discretion, but whatever decision they take must be within the company's objects and be in the interests of the company and not for any collateral purpose, nor for a personal motive. The benefit of the company can be taken to mean the interests of its members, present and future (i.e. the interests of the company as a corporation). The directors may therefore legitimately balance a long-term view against short-term interests of present members.

² According to the Guidelines for Directors published by the Hong Kong Institute of Directors, avoidance of "Conflict of Interest" means that a director must not take personal advantage of the company's opportunities and allow their personal interests to conflict with those of the company nor misapply the company's assets.

Directors shall act with due skills, prudence and diligence. Directors may assign duties to others, but it does not mean that they can be exempted from their duties or obligation of acting with due skills, prudence and diligence. Any director who knows about the Company's affairs by attending formal meetings shall not be deemed as having met the abovementioned provisions. Directors shall at least actively pay attention to the Company's affairs, fully understand the Company's businesses and follow up any inappropriateness found.

Article 3 Board Office

The Company shall set a Secretary of the Board to be responsible for the preparations for general meetings and Board meetings, keeping of documentation and shareholders' data, handling of matters relating to information disclosure, etc.

The Board shall set a Board Office or relevant functional department (hereinafter jointly referred to as "Board Office") for handling the daily affairs of the Board. The Board Office shall be led by the Secretary of the Board.

Article 4 Regular meetings

Board meetings include regular meetings and provisional meetings.

The Board shall meet regularly and Board meetings shall be held at least four times a year, and shall be convened by the chairman of the Board. A written notice shall be sent to all the directors 14 days before the meeting.

Article 5 Proposals for regular meetings

Before sending the notice of a regular Board meeting, the Board Office shall adequately consult with the directors, and shall accordingly formulate a preliminary proposal for meeting and submit the same to the chairman of the Board for consideration.

Before deciding a proposal, the chairman of the Board shall, where necessary, seek opinions of the president and other senior executives.

Article 6 Provisional meetings

In any of the following circumstances, the Board shall hold a provisional meeting:

- (I) Proposed by the shareholders representing more than one tenth of the voting rights;
- (II) Jointly proposed by more than one third of the directors;
- (III) Jointly proposed by more than half of independent non-executive directors;
- (IV) Proposed by the Supervisory Committee;
- (V) Considered by the chairman of the Board of Directors to be necessary;

- (VI) Proposed by the president;
- (VII) Required by the securities regulating authority;
- (VIII) If any other circumstance as specified in the *Articles of Association* occurs.

Article 7 Procedure for proposing provisional meetings

A proposal for convening a provisional Board meeting as specified in the preceding article shall be made in written form, affixed with the signature (seal) of the proposer, and submitted to the chairman directly or via the Board Office. A written proposal shall specify:

- (I) The name of the proposer;
- (II) The reasons or objective causes on which the proposal is based;
- (III) The time or time limit, venue and method as suggested for holding the meeting;
- (IV) The explicit and specific proposals;
- (V) The contact information of the proposer and the date of proposal, etc.

The contents of the proposal shall be directly related to the Company's operating activities, be within the power of the Board specified in the *Articles of Association*, and have definite topics and specific issues, and the documents relating to the proposal shall be submitted together with the proposal itself.

The Board Office shall transfer to the chairman of the Board the aforesaid written proposal and relevant documents upon receipt of the same. Where the chairman deems the proposal not explicit or specific or the relevant documents inadequate, the chairman may require the proposer to amend or supplement the proposal.

The chairman of the Board shall convene and preside over a Board meeting within 10 days after receipt of the proposal or requirement of the securities regulating authority.

Article 8 Convening and presiding of meetings

Board meetings shall be convened and presided over by the chairman; where the chairman cannot or does not fulfill the duty thereof, the vice chairman shall convene and preside; where no vice chairman is available or the vice chairman cannot or does not fulfill the duty thereof, the majority of the directors may elect a director to convene and preside.

Article 9 Meeting notice

Notice of meetings of the Board of Directors and extraordinary Board meetings shall be convened according to the following requirements:

- (I) No notice convening such meetings will be needed for regular meetings of the Board of Directors, of which the time and venue have been determined by the Board of Directors in advance.
- (II) For meetings of the Board of Directors of which the time and location have not been decided by the Board of Directors in advance, the Board of Directors shall notify the directors and supervisors of the time and venue of such meeting at least ten days in advance by telex, telegraph, facsimile, express delivery service, registered mail, other electronic means or in person.
- (III) In the event of any urgent matter that a Board meeting has to be convened, the Chairman shall appoint the secretary of the Board of Directors to notify all directors and supervisor of the time, venue and form of the extraordinary Board meeting by telegraph, telex, facsimile, express delivery service, registered mail, other electronic means or in person. The above notice shall be sent out at least five days but no more than ten days prior to the meeting of the Board of Directors.
- (IV) In the event of any urgent matter where an extraordinary Board meeting needs to be convened, the meeting notice may be sent by verbal means or telephone at any time, but the convener shall make explanations at the meeting.
- (V) The notice may be served in Chinese and an English version may also be attached if necessary, and in each case accompanied by a meeting agenda. A director may waive his/her rights to receive the notice of a Board meeting.

Article 10 Contents of the meeting notice

A written meeting notice shall include at least the following details:

- (I) Time and venue of the meeting;
- (II) Form of the meeting;
- (III) Matters (proposals) to be considered;
- (IV) Convener and presider of the meeting, proposer of and written proposal for the provisional meeting;
- (V) Documents needed for voting of directors;
- (VI) Requirements for the directors to attend the meeting in person or by proxy;
- (VII) Contact person and means of contact.

A verbal meeting notice shall at least include (I) and (II) above, and explanation for a provisional Board meeting in emergency.

The Board Office shall provide adequate information before the meeting, including background information relating to the topics for discussion and information and data helping the directors learn about the business development of the Company.

The directors shall examine the information served by the Board and prepare opinions. Where more than half of the independent non-executive directors are of the opinion that the information provided is insufficient or unclear, they may make a joint written proposal to the Board to postpone the holding of the Board meeting or postpone consideration of the issues, and the Board shall adopt such a proposal.

Article 11 Change of the meeting notice

If, after the written notice of a regular Board meeting is sent, it is necessary to change the time, venue, etc. of the meeting or add, change or cancel proposals to the meeting, a written notice of change shall be sent 3 days before the original designated date for convening the meeting, to explain why and provide contents and documents relating to the new proposals. Where the notice of change is sent in less than 3 days in advance, the date of meeting shall be postponed accordingly or the meeting shall be held as scheduled on the postponed date upon approval by all the attending directors in writing.

If, after the notice of a provisional Board meeting is sent, it is necessary to change the time, venue, etc. of the meeting or add, change or cancel proposal for the meeting, then it shall be necessary to seek the prior consent of all the attending directors and make relevant records.

Article 12 Convening of meetings

A Board meeting shall be attended by more than half of the directors. Where any relevant director refuses or fails to attend the meeting so that the number of attendants falls short of the quorum required for convening the meeting, the chairman and the Secretary of the Board shall responsively report to the regulatory authority.

Supervisors may attend Board meetings without voting rights; the president and the Secretary of the Board shall attend Board meetings without voting rights. The chairman of the meeting may, where he deems necessary, notify other relevant persons to attend Board meetings without voting rights.

Article 13 Attendance in person or by proxy

In principle, the directors shall attend Board meetings in person. Where a director is unable to attend a meeting for any reason, he shall peruse the meeting documents in advance, form definite opinions, and appoint another director in writing to attend the meeting on his behalf.

The power of attorney shall specify:

- (I) The names and ID No. of the principal and proxy;
- (II) Reasons for the principal's failure to attend the meeting;

- (III) Outline opinions of the principal on respective proposals;
- (IV) The principal's scope of authorization and instructions about voting intent in relation to respective proposals;
- (V) Signature of the principal and proxy, date, etc.

Where any director signs the regular reports by proxy, the said director shall specify such authorization in the power of attorney.

The proxy director shall present the written power of attorney to the chairman of the meeting, and explain proxy attendance in the attendance book.

Article 14 Restriction on proxy attendance

Proxy attendance at Board meetings shall follow the principles below:

- (I) Where related transactions are considered, a non-related director shall not appoint a related director to attend the meeting on his behalf, and a related director shall also not accept the appointment of a non-related director;
- (II) An independent non-executive director shall not appoint a non-independent non-executive director to attend the meeting on his behalf, and a non-independent non-executive director shall also not accept the appointment of an independent non-executive director;
- (III) A director shall not give any other director carte blanche to attend the meeting and vote on his behalf without providing his own opinions on the proposals and voting intent, and the relevant director shall also not accept the carte blanche or any appointment not well defined.
- (IV) One director shall not accept appointment by more than two directors, and a director shall also not appoint any other director who has been appointed by two other directors to attend the meeting and vote on his behalf.

Article 15 Convening methods of the meetings

Board meetings shall generally be held onsite. Whenever it is necessary, the Board meetings may be convened through video, telephone, fax or email after agreement of the convener (the presider) and proposer provided that the directors can fully give their opinions. The Board meetings may also be held on site and off site simultaneously.

Where a Board meeting is held off site, the number of the directors present is calculated according to the directors present in the video, the directors expressing opinions in the teleconference, the number of valid votes including faxes or emails received within the specified period, or the written confirmations submitted by the directors after the meetings.

Where a Board meeting is held in the form of video conference or teleconference, it shall ensure that the directors attending the meeting are able to hear clearly the statements made by the other directors and communicate in a normal way.

Article 16 Procedure of the meeting deliberation

The presider of the meeting shall ask the attending directors to provide definite opinions on respective proposals. For any proposal requiring prior acknowledgements of independent non-executive directors, the presider of the meeting shall, before discussing the relevant proposal, appoint one independent non-executive director to read out the written acknowledgements of independent non-executive directors. The Board meeting shall not vote on any proposal not included in the notice of the meeting unless with the unanimous consent of the attending directors.

A proxy director shall not vote on any proposal not included in the notice of the meeting. If the attending directors require a reply or relevant explanations after making a speech on the proposal, the presider of the meeting may reply in person, or appoint relevant persons or attending professionals to do that, and the speaking time shall not exceed 15 minutes.

The chairman of the Board or presider of the meeting shall adequately listen to the opinions of the attending directors, control the progress of the meeting, and improve the efficiency of deliberation and rationality of decisions. Where any director makes repeated speeches on the same proposal or speaks beyond the proposal, thereby affecting the speech of other directors or hindering the normal process of the meeting, the presider of the meeting shall immediately stop that. The Board meetings shall resolve on all proposals included in the agenda separately.

Article 17 Expression of opinions

The directors shall carefully read documents relating to the meeting and shall express well-informed, independent and discreet opinions.

The directors may, before the meeting, learn and inquire about information needed for decision making from relevant persons or institutions such as the Board Office, the convener of the meeting, the president and other senior executives, special committees, the accounting firm and the law firm, or may, while the meeting is underway, suggest to the presider that the aforesaid persons or institutions appear at the meeting to make relevant explanations.

Supervisors shall be present at the Board meeting to supervise whether the Board makes decisions pursuant to the *Articles of Association* and the legal procedure, and shall listen to the deliberation of the Board meeting, but shall not participate in the deliberation of the Board meeting. Where the supervisors object to the resolutions of the Board, the supervisors shall send written opinions to the Board through the Supervisory Committee after the meeting.

The non-voting attendants at the meeting shall not interfere in deliberation of the Board meeting or affect the process of and voting or decision making at the meeting.

Article 18 Voting at meeting

After adequate discussion of each proposal, the presider shall ask the attending directors to vote on the proposals separately at an appropriate time.

Each attendant shall cast one vote, by open ballot or in writing.

The voting intent of a director may be pro, con or abstention. Every attending director shall choose one out of the aforesaid intents. Where any director does not make any option or makes two or more options, the preside of the meeting shall require the said director to make an option again, otherwise the said director shall be deemed as having abstained from voting; any director who has left the meeting midway without coming back and has not made any option shall be deemed as having abstained from voting.

The presider of the meeting may, according to actual conditions, decide to ask the attending directors to vote on the said proposals once after discussion of several or all proposals. However, such a decision shall be made known to the attending directors when the meeting commences and subject to consent of the attending directors.

Article 19 Statistics of voting results

After voting of the attending directors, the securities affairs representative and relevant staff of the Board Office shall responsively collect ballots cast by the directors, which ballots shall be counted by the Secretary of the Board under supervision of a supervisor or independent non-executive director.

Where the meeting is held onsite, the presider shall announce the statistics onsite; in other circumstances, the presider shall require the Secretary of the Board to announce the voting result within a workday after the prescribed voting deadline.

The ballots cast by directors after the presider announces the voting result or after the prescribed voting deadline shall not be counted.

Article 20 Forming of resolutions

Saved as specified in Article 21 of these Rules, adoption of or resolution on any proposal shall be subject to approval of more than half of all the directors of the Company. Where the relevant laws, administrative regulations and *Articles of Association* have any provisions on approval by more directors, such provisions shall apply.

If different resolutions conflict with each other in contents and meanings, the resolutions formed later in time shall prevail.

Article 21 Abstention from voting

In any of the following circumstances, the directors shall abstain from voting on relevant proposals:

- (I) Relevant laws and regulations provide for abstention of the directors from voting;
- (II) The directors themselves think they should abstain from voting;
- (III) The directors are related with the enterprises involved by the proposals and shall therefore abstain from voting pursuant to the *Articles of Association*.

Where any director abstains from voting, the Board meeting may be held when more than half of the non-related directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-related directors. If the number of non-related attending directors is smaller than 3, the relevant proposal shall not be voted on but shall be submitted to the general meeting for deliberation.

Article 22 Not acting beyond authority

The directors shall act as authorized by the general meetings and the *Articles of Association*, and shall not make any resolution beyond authority.

Article 23 Special provision on profit distribution

Where the issues relating to profit distribution need to be resolved at the Board meeting, the profit distribution proposal to be submitted to the Board may first be submitted to the certified public accountants, who shall be required to produce a draft audit report (all financial data except those involving profit distribution have been determined).

Article 24 Processing of proposals not passed

Where any proposal is not passed, any Board meeting shall not deliberate any proposal with the same contents within one month if relevant conditions and factors have not changed significantly.

Article 25 Suspension of voting

Where more than half of the attending directors or more than two independent non-executive directors think they cannot make judgments on relevant issues because the relevant proposal is not clear or specific or the meeting documents are inadequate, the presider shall require the meeting to suspend voting on the said proposal.

The director proposing suspension of voting shall provide definite requirements for the conditions to be met for resubmitting the said proposal for deliberation.

Article 26 Recordings of meetings

Board meetings held onsite or via video or telephone may be recorded where necessary.

Article 27 Meeting minutes

The Secretary of the Board shall arrange a clerk of the Board Office to record the minutes of the Board meeting. The meeting minutes shall include the following information:

- (I) Session and time, venue and form of convening;
- (II) Delivery of meeting notice;
- (III) Convener and presider of the meeting;
- (IV) Attendance and proxy attendance of directors;
- (V) Procedure and process of the meeting;
- (VI) Proposals for consideration at the meeting, main points and opinions of each director on relevant matters and intents of voting on proposals;
- (VII) The voting method and result for each proposal (the voting result shall set out the respective numbers of pros, cons and abstentions);
- (VIII) Other issues that the attending directors think should be included into the minutes.

Article 28 Summary of meeting and minutes of resolutions

Besides the meeting minutes, the Secretary of the Board may where necessary arrange a clerk of the Board Office to make a summary of the meeting, and make separate minutes of resolutions according to the voting results.

Article 29 Signatures of directors

The attending directors shall sign the meeting minutes, meeting summaries and minutes of resolutions in person or on behalf of the directors appointing them to attend the meeting, and shall be responsible for the resolutions passed at Board meetings. The directors attending the meeting by proxy shall first sign their names and then specify “on behalf of director XX”. Where the directors disagree over the meeting minutes, meeting summaries or minutes of regulations, they may attach written remarks when signing the same. Where necessary, they shall responsively report to the regulatory authority or announce public statements.

Where any director neither signs as per the preceding paragraph nor provides his different opinions in writing, reports to the regulatory authority or announces public statement, the said director shall be deemed as agreeing with the meeting minutes, meeting summaries or minutes of resolutions.

If any resolution of the Board runs counter to the laws, administrative regulations, resolutions of the general meeting, or the *Articles of Association*, thereby incurring any loss to the Company, the directors adopting the said resolution shall be liable for compensating the Company. A director who has been proved as having expressed dissenting opinions on the resolution and such opinions are recorded in the minutes of the meeting may be exempt from liability.

Article 30 Announcement of resolutions

Resolutions made by the Board shall be announced by the Secretary of the Board pursuant to relevant laws and regulations. Before announcement of the resolutions, the attending directors, other attendants, and the recording and service staff shall fulfill the confidentiality obligation.

The Board shall, according to relevant laws and regulations, announce the Board resolutions that should be disclosed, which should cover the following information:

- (I) The time and form of delivery of the meeting notice;
- (II) The time, venue and form of convening of the meeting, and an explanation on compliance with laws, administrative regulations, departmental rules, normative documents and *Articles of Association*;
- (III) Numbers and names of the directors appointing proxies and those absent, and the reasons for absence and the names of directors appointed as proxies;
- (IV) Numbers of votes for and against each proposal and the number of abstentions, and the reasons for directors' objections or abstentions;
- (V) Where a resolution relates to a related party transaction, providing the name of any director who must withdraw from voting as well as the reason for the withdrawal and withdrawal particulars;
- (VI) Where a prior approval or an independent opinion is required from independent directors, providing particulars of the prior approval or the opinion issued;
- (VII) Details of the matters considered and the resolutions adopted at the meeting.

Article 31 Implementation of resolutions

The chairman of the Board shall urge relevant personnel to execute the resolutions of the Board, supervise such execution, and report at future Board meetings how the resolutions are executed.

Article 32 Keeping of meeting archives

Archives of Board meetings include meeting notices, meeting documents, attendance book, powers of attorney for proxy directors, meeting recordings, votes, meeting minutes signed by the attending directors, meeting summaries, minutes of resolutions, announcements of resolutions, etc., which shall be kept by the Secretary of the Board.

Archives of Board meetings shall be kept for 15 years.

Article 33 Supplementary provisions

In these Rules, the phrases “more than” and “within” are inclusive while “exceeding” is exclusive.

As an appendix to the Articles of Association, the amendments to these Rules shall be drafted by the Board and come into effect after deliberation and approval by the general meeting.

Matters not covered by these rules shall be implemented in accordance with the relevant laws, administrative regulations and Articles of Association of the Company; if there is any conflict between these rules and laws, administrative regulations or the Articles of Association of the Company, with the relevant laws, administrative regulations or the Articles of Association of the Company shall prevail.

These Rules shall be subject to the interpretation of the Board.

The original *Rules of Procedure for the Board of Directors* of the Company shall become null and void automatically on the date when these Rules come into effect.