

KBS Fashion Group Limited

CORPORATE GOVERNANCE GUIDELINES

A. PURPOSE, BOARD COMPOSITION AND COMPENSATION

1. Introduction and Purpose

- 1.1 The primary objective of the Board of Directors (“**Board**”) of KBS Fashion Group Limited (the “**Company**”) is to build long-term shareholder value with due regard to other stakeholder interests. It does this by setting strategic direction and context, such as the Company’s mission, vision and values, and focusing on issues critical for its successful execution such as staffing, performance and risk management.
- 1.2 The Board is also responsible for overseeing the Company’s corporate governance framework.
- 1.3 The purpose of these guidelines is to promote high standards of corporate governance and to clarify the role and responsibilities of the Board.

2. Board Size and Composition

- 2.1 The number of directors shall be set up according to the Company’s Articles of Incorporation and/or Bylaws. The Board will periodically review the appropriate size of the Board.
- 2.2 The Board should be free to choose its Chairman of the Board in any way that it deems best for the Company at a given point in time. As a result, the Board does not have a policy on whether or not the roles of Chief Executive Officer and Chairman should be separate and, if they are to be separate, whether the Chairman should be selected from the non-employee directors or be an employee.
- 2.3 It is the policy of the Board that a majority of the directors will not be current employees of the Company and will otherwise meet appropriate standards of independence. Each director designated as an independent director shall be independent in accordance with the applicable rules of The Nasdaq Stock Market and the Securities and Exchange Commission, subject to the exceptions under such rules. Because it is not possible to anticipate or explicitly provide for all potential conflicts of interest that may affect independence, the Board is also responsible to affirmatively determine as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board will review information provided by the directors and the Company with regard to each director’s business and personal activities as they may relate to the Company and the Company’s management.

3. Identification and Evaluation of Nominees

- 3.1 The Board will be responsible for the selection of nominees for election or appointment to the Board. The Governance and Nominating Committee shall recommend candidates for election to the Board. The Governance and Nominating Committee considers nominees recommended by directors, officers, employees, shareholders and others using the same criteria to evaluate all candidates. The Governance and Nominating Committee reviews each candidate’s qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board. Evaluations of candidates generally involve a review of background materials, internal

discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Governance and Nominating Committee would recommend the candidate for consideration by the full Board. The Governance and Nominating Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees.

- 3.2 To recommend a prospective nominee for the Governance and Nominating Committee's consideration, submit the candidate's name and qualifications to the Company's Secretary in writing to the following address: Xin Fengge Building, Yupu Industrial Park, Shishi City, Fujian Province 362700, China, Attn: Corporate Secretary.

4. Board Membership Criteria

- 4.1 The Governance and Nominating Committee is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. The Governance and Nominating Committee should consider the following in connection with its evaluation of director candidates:

- The current size, composition and organization of the Board and the needs of the Board and respective committees of the Board;
- Such factors as character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest and other commitments; and
- Other factors as the Governance and Nominating Committee may consider appropriate.

- 4.2 The minimum qualifications and skills that each director should possess include (i) strong professional and personal ethics and values, (ii) broad experience at the policy-making level in business, government, education, technology or public interest and (iii) the ability to assist and make significant contributions to the Company's success.

- 4.3 The Governance and Nominating Committee evaluates the foregoing factors, among others, and does not assign any particular weighting or priority to any of these factors.

5. Directors Who Change Their Present Job Responsibility

The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. The Board may, via the Governance and Nominating Committee, review the continued appropriateness of Board membership under these circumstances.

6. Service on Other Boards

Directors are encouraged to evaluate carefully the time required to serve on other boards of directors, taking into account the effect of their service on such other boards on their attendance, preparation, participation and effectiveness on the Company's Board. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all duties as a director of the Company.

7. Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole.

8. Board Compensation Review

The form and amount of director compensation will be determined by the Board after recommendation from the Compensation Committee. The Compensation Committee will periodically review director compensation.

B. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. Management of the Company's Business and Affairs.

The business and affairs of the Company shall be managed by or under the direction of the Board. The Board selects the Chief Executive Officer of the Company, designates which officers are executive officers for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, and oversees management. The Board also oversees the Company's strategic and business planning process and oversees management's identification and assessment of risks facing the Company and management's approach to managing such risks. The Board's detailed responsibilities include, but not limited to:

- Selecting, regularly evaluating the performance of, and approving the compensation of the Chief Executive Officer and other executive officers;
- Reviewing, monitoring and, where appropriate, approving the Company's major financial and business strategies and major corporate actions;
- Overseeing the conduct of the Company's business and assessing the company's business risks to evaluate whether the business is being properly managed; and
- Ensuring processes are in place for maintaining the integrity of the Company - the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders.

The Board of Directors has delegated to the Chief Executive Officer, working with the other executive officers of the Company, the authority and responsibility for managing the business of the Company in a manner consistent with the standards and practices of the Company, and in accordance with any specific plans, instructions or directions of the Board. The Chief Executive Officer and management are responsible to seek the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the company.

2. Preparation and Participation.

The Company's directors are expected to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Accordingly, directors are expected to attend at least 75% of the Board meetings and meetings of committees on which they serve, and to review before each meeting the materials distributed in advance of such meetings. A director who is unable to

attend a meeting is expected to notify the Chairman of the Board or the chairman of the appropriate committee in advance of such meeting.

3. The Board's Duty to the Company and its Stockholders.

The Board's fundamental role is to exercise business judgment to act in what the Board members reasonably believe to be the best interests of the Company and its stockholders. In fulfilling its role, the directors should be able to rely on the honesty and integrity of the Company's senior management and expert legal, accounting, financial and other advisors. The directors should have the benefit of directors' and officers' insurance, paid by the Company, indemnification to the fullest extent allowed under the applicable Marshall Islands law as provided by the Company's Articles of Incorporation and Bylaws, and the indemnification agreements entered into between the Company and its directors.

C. BOARD MEETINGS, ORIENTATION AND EDUCATION

1. Scheduling and Selection of Agenda Items for Board Meetings

Regular Board meetings are scheduled in advance and typically held four (4) times per year. In addition to regularly scheduled meetings, additional Board meetings may be called upon appropriate notice at any time to address specific needs of the Company. The Board may also take action from time to time by unanimous written consent.

The Chairman of the Board (if this position is not held by the Chief Executive Officer), the Chief Executive Officer and the Corporate Secretary, in consultation with the other members of the Board, shall draft the agenda for each meeting and distribute it in advance to the Board. Each director may propose the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

2. Board Material Distributed in Advance

Information and data that is important to the Board's understanding of the business of the Company should, to the extent practicable, be distributed to the Board in writing or electronically before the Board meets. Supplemental written materials will be provided to the Board on a periodic basis and at any time upon request of Board members.

As a general rule, materials on specific subjects should, to the extent practicable, be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. Sensitive subject matters may be discussed at the meeting without written or electronic materials being distributed in advance or at the meeting.

3. Board Presentations and Access to Employees and Advisors

The Board has complete access to any employee of the Company, or any of its subsidiaries, and as appropriate, to the Company's outside advisors. Any meeting or contact that a director wishes to initiate may be arranged through the Chief Executive Officer or other Company officer. The Board encourages management to schedule managers to present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, or should otherwise be given exposure to the Board.

4. Independent Directors Discussions.

It is the policy of the Board that the independent members of the Board meet separately without management directors at least once per year to discuss such matters as the independent directors consider appropriate. The Company's independent auditors, finance staff and other employees may be invited to attend these meetings.

5. Director Orientation and Continuing Education

Following election or appointment of a new director, the Company shall make available to the new director a director orientation program. The orientation program should be designed to familiarize new directors with the Company's business, strategies, challenges, compliance programs, conflicts policies, code of business conduct and corporate governance guidelines. Continuing education programs for Board members may include a mix of in-house and third-party presentations and programs.

D. BOARD COMMITTEES

1. Number of Committees

The three regular committees of the Board are the Audit, Compensation and Governance and Nominating Committees. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee depending upon the circumstances. In addition, the Board has the authority to form *ad hoc* committees from time to time and to determine the composition and areas of competence of such committees.

2. Assignment and Term of Service of Committee Members

The Governance and Nominating Committee shall make recommendations to the Board with respect to the assignment of Board members to committees. After reviewing the recommendations of the Governance and Nominating Committee, the Board shall be responsible for the appointment of committee members and committee chairpersons. Alternatively the Board may direct that the members of the committee elect the chairman. Committee assignments shall be reviewed annually, and committee assignments may rotate from time to time among the Board members.

3. Frequency and Length of Committee Meetings and Committee Agenda

The chairman of each committee shall approve the agenda, frequency and length of committee meetings. Materials related to agenda items shall be given to committee members sufficiently in advance to allow the members to prepare for discussing the items at the meeting. The agendas and meeting minutes of the committees, will be shared with the full Board on its request, and other Board members are welcome to attend committee meetings.

E. MANAGEMENT AND BOARD REVIEW AND RESPONSIBILITY

1. Formal Evaluation of Executive Officers

The Board shall regularly review the performance of the Chief Executive Officer. The Compensation Committee also assesses the Chief Executive Officer's performance annually in

connection with the determination of the salary and executive bonus of all Section 16 officers (including the Chief Executive Officer).

2. Succession Planning and Management Development

The Chief Executive Officer shall review succession planning and management development with the Board on an annual basis. The Board's goal is to have a long-term and continuing program for effective senior leadership development and succession.

3. Review of Board Performance

Performance of the Board is to be reviewed annually by the Governance and Nominating Committee. A review of each director's performance will be undertaken by the Governance and Nominating Committee prior to the director standing for re-election.

F. POLICIES AND GUIDELINES

1. Corporate Business Principles

Members of the Board shall act at all times in accordance with the requirements of the Company's Code of Conduct and Business Ethics, which shall be applicable to each director in connection with his or her activities relating to the Company. This obligation shall at all times include, without limitation, adherence to the Company's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in business dealings and respect for and compliance with applicable law. Any waiver of the requirements of the Code of Conduct and Business Ethics with respect to any individual director shall be reported to, and be subject to the approval of, the Board of Directors or a committee thereof.

2. Board Communication

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.

3. Stockholder Communication with Directors

The Board believes that stockholders should have an opportunity to send communications to the Board. Any communication from a stockholder to the Board generally or to a particular director should be in writing and should be delivered to the Corporate Secretary at the principal executive offices of the Company. Each such communication should set forth (i) the name and address of such stockholder, as they appear on the Company's books, and if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (ii) the class and number of shares of the Company's stock that are owned of record by such record holder and beneficially by such beneficial owner. The Company's Corporate Secretary will monitor these communications. The Corporate Secretary shall, in consultation with appropriate directors as necessary, generally screen out communications from stockholders to identify communications that (i) are solicitations for products and services, (ii) matters of a personal nature not relevant for stockholders or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board and the Company. Summaries of appropriate communications will be provided to the Board of Directors at each regularly scheduled meeting of the Board of Directors. Where the nature of a communication

warrants, the Corporate Secretary may determine, in his or her judgment, to obtain the more immediate attention of the appropriate committee of the Board or individual director and may consult independent advisors of the Company or management regarding the communication. The Corporate Secretary may decide in the exercise of his or her judgment whether a response to any stockholder communication is necessary.

4. Attendance at Shareholder Meetings

The Board encourages directors to attend the annual meeting of the Company's stockholders.

5. Amendment and Waivers

The Governance and Nominating Committee shall review these Corporate Governance Guidelines on at least an annual basis and report to the Board with any recommendations it may have in connection therewith. The Board may amend, waive, suspend or repeal any of these Guidelines at any time, with or without public notice, as it determines necessary or appropriate, in the exercise of the Board's judgment or fiduciary duties.