

**WINNER MEDICAL GROUP INC.  
INSIDER TRADING POLICY**

**1. General**

In order to assure that officers, directors, and employees of Winner Medical Group Inc. and its subsidiaries comply with applicable federal and state insider trading laws and regulations, this policy has been established.

The purchase or sale of securities in Winner Medical Group Inc. (referred to herein as "Winner" or the "Company") by directors, officers, employees and consultants of the Company while aware of "Material Nonpublic Information" (see Section 3), or the disclosure of Material Nonpublic Information to others who then trade in Winner securities are prohibited by the federal securities laws. The Company takes seriously our obligation, to prevent insider trading violations. In light of the severity of the possible sanctions, both to you individually and to us as a company, we have established this Insider Trading Policy to assist all of us in complying with our obligations. Insider Trading is illegal and the penalties are severe; the consequences may include a civil penalty of up to three times the profit gained or loss avoided along with significant criminal fines and jail terms. In addition, any violation of this or any other Company policy could subject you to disciplinary action, up to and including termination.

**2. Statement of Policy**

This Insider Trading Policy is applicable to all directors, officers and employees of the Company and prohibits trading and tipping others who may trade, when any director, officer or employee has possession of material, nonpublic information. This policy also applies to any agent, consultant or independent contractor of the Company who is provided with or obtains material, nonpublic information concerning the Company. This extends so far as to include friends, family or other people where material, nonpublic information may be divulged. The individuals described in this paragraph are hereinafter referred to as "Insider".

- No Insider may buy or sell securities of the Company at any time when they have Material Nonpublic Information relating to the Company.
- No Insider may disclose Material Nonpublic Information to any other person (including family members), and no Insider may make recommendations or express opinions on the basis of Material Nonpublic Information with regard to trading in securities.
- No Insider may comment on stock price movement or corporate developments that are of possible significance to the investing public unless it is part of your job (such as Investor Relations) or you have been specifically authorized by the CEO or CFO in each instance.
- No Insider may buy or sell securities of another company at any time when they have Material Nonpublic Information about that company, including, without limitation, any company which we

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follow in the ordinary course of our business, and any of our customers, vendors or suppliers, when that information is obtained in the course of services performed on our behalf.

- No Insider may buy or sell securities of the Company during any of the four “Black-out Periods” that occur each fiscal year (see Section 4).
- If Insider comment on stock price movement or rumors, or disclose Material Nonpublic Information to a third party, you should contact promptly the Investor Relations or Legal Consultant of the Company.
- All Insiders must obtain pre-clearance prior to trading in the Company’s securities outside of a blackout period. The pre-clearance must be obtained from the Company’s CFO, which may be granted or denied by the CFO in his/her sole discretion. After receiving any pre-clearance, the recipient must trade within 48 hours of receipt of such waiver, or make a new request.

Note - Even if an individual has been pre-cleared, that individual may not trade in securities of the Company if such individual is in, or prior to the trading comes into, possession of Material Nonpublic Information concerning the Company.

### **3. Material Nonpublic Information**

Material Information: The U.S. Supreme Court defined materiality as information that, in the judgment of a reasonable investor, would alter the "total mix of information" that an investor would consider when making an investment decision. The SEC addressed materiality in Staff Accounting Bulletin No. 99, stating that materiality required both a quantitative as well as qualitative analysis; that is, just because an item might cause a 3% change in operating or net income may or may not be material, depending on the impact of qualitative criteria. Qualitative criteria are broadly defined, but may include judgments as to whether or not the item, among other things (i) changed a loss to a profit, (ii) allowed management to reach its incentive compensation goals, (iii) allowed the company to meet earnings estimates, or (iv) enabled the company to exceed the consensus earnings estimate. Generally, a fact is material if there is a substantial likelihood that a reasonable investor would consider it important in his or her investment decision (i.e., whether to buy, sell, or hold the Corporation's securities; or how to vote).

Some examples of information that ordinarily would be regarded as material include, but are not limited to:

- Projections of future earnings or losses, or other earnings guidance;
- Earnings that are inconsistent with the consensus expectations of the investment community;
- The potential or actual gain or loss of a significant customer, supplier, or purchase order;
- Joint ventures and distribution agreements;
- A pending or proposed merger, acquisition or tender offer;
- Company restructuring;
- A pending or proposed acquisition or disposition of a significant asset;

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- Borrowing activities (other than in the ordinary course);
  - A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
  - Litigation, whether pending or threatened;
  - A change in senior management; and
  - Impending bankruptcy or the existence of severe liquidity problems.

Either positive or negative information may be material.

Nonpublic Information: "nonpublic" information is information that has not been disclosed to the general public and is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement of material information, a reasonable period of time must elapse in order for the market to react to the information. In order to assure adequate dissemination of public information, Insider shall not engage in transactions in the Company's securities until the third business day after public release of material information of the Company.

Therefore, if an announcement is made before the commencement of trading on a Monday, an Insider may trade in Company Securities starting on Wednesday of that week, because two full trading days would have elapsed by then (all of Monday and Tuesday). If the announcement is made on Monday after trading begins, Insider may not trade in Company Securities until Thursday. If the announcement is made on Friday after trading begins, Insider may not trade in Company Securities until Wednesday of the following week.

If you have any question as to whether information is material nonpublic, please err on the side of caution and direct an inquiry to the Legal Consultant of the Company.

#### **4. Black-out Period**

The period beginning at the close of market on the last day of the second calendar month of each fiscal quarter and ending at the beginning of the second trading day following the date of public disclosure of the financial results for that quarter is a particularly sensitive period of time for transactions in the Company's stock from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that Insider will, during that period, often possess Material Nonpublic Information about the expected financial results for the quarter during that period. Accordingly, this period of time is referred to as a "black-out" period.

All Insiders identified by the Company from time to time and who have been notified that they have been so identified are prohibited from trading during such period. In addition, from time to time Material Nonpublic Information regarding the Company may be pending. While such information is pending, the Company may impose a special black-out period during which the same prohibitions and recommendations shall apply. These restrictions on trading do not apply to transactions made under

an approved Equity Incentive Plan.

## **5. Potential Liability and Disciplinary Action**

Each Insider is individually responsible for complying with the securities laws and this policy, regardless of whether we have prohibited trading by that person or any other Insiders. Trading in securities outside the Blackout Periods or suspension periods should not be considered a “safe harbor”.

The matters set forth in this policy are guidelines only, and appropriate judgment should be exercised in accordance with related securities laws.

**Liability for Insider Trading.** Insiders may be subject to penalties of up to three times the profit gained or loss avoided along with significant criminal fines and jail terms while trading in securities when they have Material Nonpublic Information.

**Liability for Tipping.** Insiders may also be liable for improper transactions by any person (commonly referred to as a “tippee”) to whom they have disclosed Material Nonpublic Information, or to whom they have made recommendations or expressed opinions on the basis of such information about trading securities. The Securities and Exchange Commission (the “SEC”) has imposed large penalties even when the disclosing person did not profit from the trading.

**Possible Disciplinary Actions.** Insiders who violate this policy will be subject to disciplinary action, which may include ineligibility for future participation in our equity incentive plans or termination of employment.

## **6. Notification / Report of Violation**

In any event, prior to dealing in the Company's securities or associated products:

- Directors, the Company's principal executive officer and the principal financial officer must discuss the matter with the Chairman of the audit committee, if one be created, and in the absence of an audit committee, to the chairman of the board of directors of the Company;
- Executives must discuss the matter with the principal executive officer and the principal financial officer, who in turn may discuss the matter with the Chairman of the audit committee; and
- Other staff exposed to price sensitive non-public information must discuss the matter with their immediate manager, who in turn may discuss the matter with the principal executive officer and the principal financial officer.

Confirmation that the relevant dealing has occurred should also be made to the same person.

## **7. Additional Information – For Section 16 Individuals**

Securities Exchange Act Section 16 Individuals includes every director and officer of the Corporation

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and to every beneficial owner of more than ten percent of the Company's out-standing registered equity securities.

Section 16 Individuals must also comply with the reporting obligations and limitations on "short-swing" transactions set forth in the federal securities laws. The practical effect of these provisions is that Section 16 Individuals who both purchase and sell the Company's securities within a six-month period must refund all profits from the sale to the Company, whether or not they had knowledge of any Material Nonpublic Information. Transactions are paired to match the lowest purchase price with the highest sale price within any six-month period, thus finding the maximum spread to calculate the profit. Under these provisions, and so long as certain other criteria are met, the receipt and exercise of options or purchase of shares under the Company's Equity Incentive Plan, are not subject to these restrictions; however, the sale of any such shares is subject to this 6-month rule. Additionally, Section 16 Individuals may never make a "short sale" of the Company's stock. "Short sale" includes any sales of securities which the seller does not own at the time or, if owned, securities that will not be delivered for a period longer than 20 days after the sale.

The Company has provided, or will provide, separate memoranda and other appropriate materials to its Section 16 Individuals regarding compliance with these rules.

#### **8. Disclaimer**

This document states a policy of the Company and is not intended to be regarded as rendering legal advice. All Insiders should consult with the Legal Consultant of the Company prior to engaging in the trade of any securities.

#### **9. Reservation of Authority**

Amendments or exceptions to this policy may be made by the CEO of the Company.

Any questions concerning the applicability of the foregoing requirements or interpretation of this policy, including whether particular information is material or has been publicly disclosed, should be referred to the CFO or Legal Consultant of the Company prior to trading in securities of the Company.

**ACKNOWLEDGMENT CONCERNING INSIDER TRADING POLICY**

By my signature below, I acknowledge that I have read and understand Winner's Insider Trading Policy and that I agree to abide by its provisions. Further, I understand that my failure to comply in all respects with such policy may be a basis for discipline, including, inter alia, the termination of my employment or association with Winner.

Signature: \_\_\_\_\_

Name (printed): \_\_\_\_\_

Date: \_\_\_\_\_