

ITEQ CORPORATION

Rules of Procedures for Board of Directors Meetings

Article 1 (Basis for the adoption of these Rules)

To establish a strong governance system and sound supervisory capabilities for the Corporation's Board of Directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 26-3, paragraph 8 of the Securities and Exchange Act.

Article 2 (Scope of these Rules)

With respect to the Board of Directors meetings ("Board meetings") of the Corporation, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.

Article 3 (Convening and notice of Board meetings)

The Board of Directors shall meet at least quarterly. A notice of the reasons for convening a Board meeting shall be given to each director before 7 days before the meeting is convened. In emergency circumstances, however, a Board meeting may be called on shorter notice.

The notice to be given under the preceding paragraph may be effected by means of writing, email or facsimile.

All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a Board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.

Article 4 (Meeting notification and meeting materials)

For regular Board meetings, the Board of Directors or its authorized responsible unit shall consult with all directors in advance to plan and prepare the meeting agenda items and prepare sufficient meeting materials to deliver them together with the notice of the meeting according to the time specified in the preceding Article for directors' attend.

A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for Board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.

Article 5 (Preparation of attendance book and other documents; attendance by proxy)

When a Board meeting is held, an attendance book shall be provided for signing-in by attending directors. Those who attend by video conference will be deemed attendance in person but they should fax the sign-in card to sign-in on their behalf.

A director who appoints another director to attend a Board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in preceding paragraph may be the appointed proxy of only one person.

Article 6 (Principles for determining the place and time of a board meeting)

A Board meeting shall be held at the premises and during the business hours of the Corporation, or at a place and time convenient for all directors to attend and suitable for

holding Board meetings as needed.

Article 7 (Chair and acting chair of a Board meeting)

Board meetings shall be convened and chaired by the chairperson of the Board. However, with respect to the first meeting of each newly elected Board of Directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

Where a meeting of the Board of Directors is convened by a majority of directors on their own initiative in accordance with Article 203, paragraph 4 or Article 203-1, paragraph 3 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting.

When the chairperson of the Board is on leave or for any reason unable to exercise the powers of chairperson, the chairperson shall appoint one of the directors to act as chair. If no such designation is made by the chairperson, the directors shall select one person from among themselves to serve as chair.

Article 8 (Reference materials and non-voting participants)

When a Board meeting is held, the management or the designated unit responsible for the Board meetings shall furnish the attending directors with relevant materials for ready reference.

When holding a Board meeting, the Corporation may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants for reporting on the Corporation's current business operations and answer questions raised by the directors, in order to help the directors understand the current situation of the Corporation and make appropriate resolutions. When necessary, the Corporation may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements and provide expert opinions for the Board of Directors' reference, provided that they shall leave the meeting when deliberation or voting takes place.

Article 9 (Documentation of a Board meeting by audio or video)

Proceedings of a Board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a Board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a Board meeting is held by video conference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Corporation.

Article 10 (Holding Board meetings and agenda items)

The chairperson shall call the Board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance. If one-half of all the directors are not in attendance at the appointed meeting time, the chairperson may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chairperson shall reconvene the meeting in accordance with Article 3.

The number of “all directors,” as used in the preceding paragraph, shall be counted as the number of directors then actually in office.

Agenda items for regular Board meetings of the Corporation shall include at least the following:

1. Matters to be reported:
 - (1) Minutes of the last meeting and action taken.
 - (2) Important financial and business matters.
 - (3) Internal audit activities.
 - (4) Other important matters to be reported.
2. Matters for discussion:
 - (1) Items for continued discussion from the last meeting.
 - (2) Items for discussion at this meeting.
3. Extraordinary motions.

Article 11 (Discussion of proposals)

In general, a Board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the Board meeting.

The chairperson may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a Board meeting, the chairperson may consider the schedule and announce for a break or negotiation, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chairperson shall declare a suspension of the meeting, in which case Article 10 shall apply mutatis mutandis.

Article 12 (Matters requiring discussion at a Board meeting)

The matters listed below as they relate to the Corporation shall be raised for discussion at a Board meeting:

1. The Corporation’s business plan.
2. Annual financial reports signed or sealed by the chairman, a manager and an accounting chief, and semi-annual financial reports audited and attested by a certified public accountant (CPA).
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. If the Board of Directors does not have managing directors, the election or discharge of the chairman of the Board of Directors.
7. The appointment or discharge of a financial, accounting, or internal audit officer.
8. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following Board of Directors meeting for retroactive recognition.
9. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders’ meeting or Board meeting, or any material matter as may be prescribed by the competent

authority.

The term “related party” in subparagraph 8 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-related party” means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term “within a 1-year period” in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current Board of Directors meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

At least one independent director of the Corporation shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a Board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. If the Corporation has an independent director or directors, where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the Board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the Board meeting minutes.

Article 13 (Voting-I)

When the chairperson at a Board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a Board meeting, if no attending director voices an objection following an inquiry by the chairperson, the proposal will be deemed approved. One voting method for proposals at a Board meeting shall be selected by the chairperson from among those below, provided that when an attending director has an objection, the chairperson shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.
4. A vote by a method selected at this Corporation’s discretion.

“Attending directors,” as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 15.

Article 14 (Voting-II and methods for vote monitoring and counting)

Except where otherwise provided by the Company Act and the Article of Incorporation, the passage of a proposal at a Board meeting shall require the approval of a majority of the directors in attendance at a Board of Directors meeting.

When there is an amendment or alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chairperson shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing. If matters put to a resolution at a Board meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange) regulations, the Corporation shall upload the content of such resolution to the Market Observation Post System (MOPS) within the prescribed time period.

Article 15 (Recusal system for directors)

Directors or a juristic person represented by a director shall recuse themselves from the matters discussed at the meeting when the following matters are considered, and shall state the important aspects of the interested party relationship at the respective meeting. The director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

1. When the relationship is likely to prejudice the interests of the Corporation.
2. Directors voluntarily recuse themselves.
3. Those who should be recused by resolution of the Board of Directors.

Where the spouse or a blood relative within the second degree of kinship of a director, or a Corporation which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.

Article 16 (Meeting minutes and sign-in matters)

Discussions at a Board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chairperson.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Discussion items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.
8. Extraordinary motions: the name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to the preceding Article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

If any objection or expression of reservations by an independent director expresses of which there is a record or written statement with respect to a resolution passed at a Board meeting, in addition to being stated in the meeting minutes, it shall be publicly announced and filed on the website of the MOPS designated by the Financial Supervisory

Commission, within 2 days from the date of the meeting.

The minutes of a Board meeting shall bear the signature or seal of both the chairperson and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting.

The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Corporation.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 17 (Principles with respect to the delegation of powers by the Board)

With the exception of matters required to be discussed at a Board meeting under Article 12, paragraph 1, the board of directors shall specify the levels, contents and other matters authorized to be implemented in accordance with the applicable laws and regulations or the Corporation's Articles of Incorporation. The contents or matters authorized are as follows:

1. Checking the Corporation's accounting system, financial status and financial reporting procedures.
2. Reviewing the procedures for major financial business activities such as acquisition or disposal of assets, loans of funds to others, and endorsements or guarantees for others etc.
3. Communicating with the Corporation's CPA.
4. Assessing of internal auditors and their work.
5. Assessing of the Corporation's internal controls.
6. Evaluating, inspecting, and supervising various existing or potential risks of the Corporation.
7. Checking the Corporation's compliance with legal regulations.
8. Reviewing transactions involving conflicts of interest for directors who should avoid the exercise of voting rights, especially transactions with significantly related parties, acquisition or disposal of assets, loans of funds to others, and endorsements or guarantees for others, and the establishment of investment companies for the purpose of investment.
9. Evaluating the qualifications of CPA and nominating qualified candidates.

Article 18 (Supplementary provisions)

These Rules, and any amendments to it, shall enter into force after it has been adopted by the Board of Directors.