

IR Electronic Newspaper

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■ SG reports net revenue for May of NTD.86,8 millions

SG's net revenue of May is NTD.86,8 millions, representing a decrease of 20.74% on a year-over-year comparison basis. Nevertheless, the accumulated revenue is approximately the same as the previous year.

Items	Net Revenues (NTD.1,000)
May, 2006	86,785
May, 2005	109,490
Difference	(22,705)
YoY	(20.74%)
Accumulated Revenue of 2006	499,742
Accumulated Revenue of 2005	499,378
Difference	364
YoY	0.07%

■ Trading information of May

Monthly Trading Volume

High Price	Lowest Price	Weighted Ave. Price	Transaction	Transaction Trade Value (NTD.1,000)	Trade Volume (1,000 Shares)	Turnover Ratio
92.00	74.00	84.15	16,483	2,823,866	33,554	60.27%

Foreign & institutional Investors

Objects	Buy (1,000 Shares)	Sell (1,000 Shares)	Difference (1,000 Shares)
Foreign Investors	817	526	291
Securities Investment Trust Companies	1,035	474	561
Dealers	340	503	(163)
Total	2,192	1,503	689

Company Introduction

System General (SG) was founded in 1983 as a consulting company specializing in Device Programming and Power Management. In 1985, the company expanded its operations to include the design and manufacture of Device Programmers. Aiming to become the leader in its field of expertise, SG is committed to delivering products and services of the highest quality. It has earned an excellent reputation from customers all over the world. System General significantly expanded its business scope in 1999, after merging with the IC design company ESIC. Armed with a strong R&D team, SG successfully entered the business by delivering its first series of Power Management products. System General's innovative energy-saving power conversion designs were well received by the market.

With the corporate vision of "Innovation for a Better Tomorrow", SG's business goal has always been to provide original products that improve people's lives. SG operates through two strategic business units: Semiconductors and Programming Instruments. Both units have the backing of dedicated and highly skilled R&D, manufacturing, sales, logistics and technical support teams.

SG is headquartered in Taipei, Taiwan. It has branch offices in the USA, China, and Hsinchu Taiwan. System General also works with sales agencies throughout the world.

SG Website :
<http://www.sg.com.tw/>

Market Observation Post System Website :
<http://newmops.tse.com.tw/>

Monthly Margin Transactions

Objects	Beginning Remain (1,000 shares)	Ending Remain (1,000 shares)	Difference (1,000 shares)
Purchase on Margin	9,925	11,480	1,555
Short Sales	337	314	(23)

■ **Important information and stocks related release of May.**

1.Summary of important information. :

(1) Judge's initial determination of ITC investigation 337-TA-541

SG received the notice form ITC ALJ (Administrative Law Judge) regarding the ID (Initial Determination) of the ITC 337-TA-541 investigation. The ID is unfavorable to SG. The ALJ decided that the 6,351,398 patent and 6,538,908 patent of Power Integrations Inc. are infringed. For more update on the ITC case, please refer to "What's New" section of this newsletter.

(2) Important conclusions of 2006 annual general shareholders' meeting

2006 annual general shareholders' meeting of System General Corporation was held on 24th, May. The following important conclusions have been reached:

- A. Year 2005 Business Report and Financial Statements have been approved.
- B. Year 2005 profit distribution proposal has been approved.
- C. The new revision of Year 2004 cash capital increase plan has been approved.
- D. The proposal of year 2005 dividend capitalization and employee profit sharing has been approved.
- E. The modification proposal of the articles of incorporation has been approved.
- F. The changes on rules to govern the election of directors and supervisors have been approved.
- G. The changes on rules to govern the conduct of shareholders' meetings have been approved.

2.Stocks related release :

(1) Exercise of year 2003 employee stock option program during May of 2006: 0 share

(2) Exercise of year 2003 employee stock option program till May 31st, 2006: 787,500 shares

■ **What's new**

ITC 337-TA-541 Update

5/22/2006

➤ Pre-ID History

The complaint was filed by Power Integrations Inc. (PI) on May 9, 2005, and originally alleged that twenty of SG's products had infringed a total of thirty-four claims from four of PI's US patents. During the ITC investigation, however, PI withdrew its allegations with respect to most of the allegedly infringed claims of the four patents, leaving six claims from two patents—four claims of US Patent No 6,351,398 and two claims of US Patent No 6,538,908—in dispute; the products being disputed are essentially limited to six chips.

The Initial Determination (ID) made by Administrative Law Judge (ALJ) on May 15, 2006 stated that SG's power supply controller ICs infringed US Patent No 6,351,398 and US Patent No 6,538,908.

➤ ID Highlights

1. Products in Issue: In the ID, the ALJ specifically indicated that the complainant has accused SG's products SG6840, SG6841, SG6842, SG6843, SG6842J, and SG6841X3 and any other SG ICs containing infringing circuitry. Since SG's other power chips were specifically withdrawn from the investigation by PI and the ALJ or don't include the circuitry of the infringing claims, only the earlier mentioned six power chips are essentially in issue.
2. ALJ's Remedy Proposal : Exclusion Order. The ALJ recommended excluding the Accused ICs and certain "downstream products"—i.e., products incorporating the Accused ICs. Specifically, the ALJ recommended excluding LCD computer monitors, AC printer adapters, and sample/demonstration circuit boards containing the accused infringing SG chips.
3. Cease-and-Desist Order: The ALJ didn't recommend any Cease-and-Desist order in his ID.
4. ALJ's Bond Proposal: The ALJ also recommended requiring importers to pay a bond of USD\$0.38 per unit on each imported product incorporating an Accused IC during the Presidential Review period.

➤ Post-ID Procedures

The ID is preliminary in nature, and the full Commission will issue a Final Determination by mid-August of this year. If the Final Determination is unfavorable to SG, an exclusion order will issue, and may exclude any downstream products identified by the Commission, although importers will have an option to continue importing products for roughly 60 days after its issuance by paying a bond, which will be set by the Commission. However, a Final Determination by the Commission is still subject to Presidential Review and appeal to the United States Court of Appeals for the Federal Circuit.

➤ Actions could be Taken if FD Remains

1. The identified downstream products may still be imported to USA during the Presidential Review period.
2. SG may appeal to CAFC (United States Court of Appeals for the Federal Circuit).

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