

# IR Electronic Newspaper

Spokesperson : Yulin Chen ( Director, President Office )  
 Deputy spokesperson : Chilli Hsieh ( Manager ,President Office )  
 Investor mail box : [investor@sg.com.tw](mailto:investor@sg.com.tw)  
 TEL : +886-2-2917-3005  
 FAX : +886-2-2911-1283  
 Address : 8F,No.205-3,Sec3,Beishin Road, Shindian City, Taipei,  
 Taiwan, R.O.C.

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### ■ [SG's October net revenue reaches NTD 123 millions](#)

SG's net revenue of October is NTD 123 millions. It shows an increase of 22.56% on a year-over-year comparison basis and the accumulated revenue increases by 2.62% from the previous year.

Items	Net Revenues (NTD.1,000)
Otc., 2006	123,083
Otc., 2005	100,429
Difference	22,654
YoY	22.56%
Accumulated Revenue of 2006	1,018,548
Accumulated Revenue of 2005	992,530
Difference	26,018
YoY	2.62%

### ■ [Trading information of Otc.](#)

#### Monthly Trading Volume

High Price	Lowest Price	Weighted Ave. Price	Transaction	Transaction Trade Value (NTD.1,000)	Trade Volume (1,000 Shares)	Turnover Ratio
75.50	67.30	71.38	7,034	932,808	13,066	19.08%

#### Foreign & institutional Investors

Objects	Buy (1,000 Shares)	Sell (1,000 Shares)	Difference (1,000 Shares)
Foreign Investors	0	0	0
Securities Investment Trust Companies	0	71	(71)
Dealers	20	25	(5)
Total	20	96	(76)

## 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	13,905	13,977	72
Short Sales	1,144	715	(429)

■ **Important information and stocks related release in Otc.**

**1.Summary of important information :**

On the board director meeting dated Otc.11th, SG' s board has decided to increase 1,650 thousand US dollars to the capital of it's Chinese subsidiary.

**2.Stocks related release :**

- (1)Exercise of year 2003 employee stock option program during Otc. of 2006 : 142,500 shares
- (2)Exercise of year 2003 employee stock option program till Otc. 31<sup>th</sup>, 2006 : 1,301,100 shares

■ **What's new**

**System General reports after-tax EPS of \$2.12 for first three quarters**

Taipei, Taiwan, October 31, 2006 – System General Corporation (TAIEX:6280) today announced its audited financial statement for the first three quarters. Net revenue was NT\$895 million, gross profit NT\$442 million, operating profit NT\$148 million, after-tax net income NT\$144 million, and after-tax EPS of common stock NT\$2.12.

The International Trade Commission (ITC) reached a final determination in August for the patent infringement litigation (Investigation 337-541) between System General and Power Integrations. The ITC maintained its unfavorable initial verdict against System General, resulting in a net revenue of NT\$895 million for the first three quarters, which is just on par with the previous year. Fortunately, the successful introduction of new products has restored revenue to its normal level. In order to introduce new IC products to replace those that were involved in the patent infringement case, additional sales allowance was incurred to help customers achieve safety certification and pilot production. Increased market competition has also affected sales price. The combination of all three factors described above resulted in the decline of gross profit margin for the first three quarters to 49.4%, representing a 1.6% decrease when compared to the same period last year.

Consolidated operating profit for the first three quarters was NT\$148 million and operating profit margin was 16.5%, representing a narrowing of 8.8% when compared to the same period last year. This mainly results from increase on R&D expenditure. The introduction of new-generation products was fast forwarded because of the ITC investigation. In addition, to maintain a market-leading position, the company has put a higher investment on new products and new technologies development. Up to the end of September 2006, System General has received 76 patents worldwide including 56 US patents, 19 Taiwan patents, and 1 China patents.

In the first three quarters, while unfavorable verdict by the ITC has caused an increase in operating expense ratio and decline in gross profit margin, the process of changing from old products to new products was successfully completed. Thus, in the fourth quarter, with the aggressive launch of new products and expansion

in the existing product application market, a solid foundation is established for business growth in the coming year.

2006Q1-Q3 Profit and Loss of SG :

Amount : NT\$ thousand

Operating Result	2006Q1-Q3	2005Q1-Q3	YoY Change
Net sales	895,465	892,101	0.38%
Gross profit	442,289	454,426	-2.67%
Operating income	147,549	225,513	-34.57%
Income before income tax	144,801	206,452	-29.86%
Income after income tax	144,001	188,202	-23.49%
EPS	2.12	2.81	

Remark : EPS calculation by weighted average number of shares outstanding during the year

### System General Wins US 80 PLUS Certification

System General Corporation, the leader in Desktop PC power supply controlling ICs – today announced that its forward ATX reference design has passed US 80 PLUS certification for energy efficiency. This reference design of 300W power solution adopts System General's innovative IC products, including PFC/PWM combo control chip, flyback PWM control chip, and supervisor IC. With extremely simple circuit structure and low BOM cost, this solution achieves a power factor of over 0.98, average power conversion efficiency of 82.51 percent, and standby energy consumption lower than 1W. It ideally meets the 80 PLUS and International Low Standby Power Consumption standard.

To speed up the development of energy saving technology, the USA and European Union have established regulations and standards sequentially for the requirements of power efficiency. The 80 PLUS Project is administered by the U.S. 's Ecos Consulting to encourage manufacturers of high-output desktop and server power supplies to achieve a minimum of 80 percent efficiency at 20 percent, 50 percent and 100 percent loading points for improved energy utilization by incorporating the system's internal power.

“It's the future trend to produce a power system meeting international energy saving regulations. However, it's hard for power supply manufacturers to fulfill the requirements of high-quality and low-cost operation simultaneously,” said Tom Yang , the CEO of System General. “Through the integration of multiple innovative patent technologies, SG successfully developed the power solution that passed the rigorous 80 PLUS testing. We provide full technical support and optimal pricing to help customers develop new products with advanced marketing competitiveness.”

System General is one of the rare IC design companies that can provide complete forward power solutions in the industry. The forward ATX power reference design solution uses SG's self-developed &

patented Switched Charge Multiplier-Divider (US6,812,769), Power Supply having Multi-Vector Error Amplifier for Power Factor Correction (US6,900,623), and PWM controller having modulator for saving power and reducing acoustic noise (US6,781,356), to enhance its total performance dramatically and make it more competitive. This solution also features an advantage of high integration that includes single chip integrating PFC & FWM and multiple built-in protection functions. Amazingly, customers only need to trade an extra cost of USD\$3.0 from the original design and introduce their 80 PLUS verified models quickly, making it the ideal solution featuring the optimal price-to-performance ratio available in today's market. In the future, SG will release more revolutionary power solutions continuously, with excellent R&D capability.

Introduction of SG Power ICs in this Solution:

SG6931/2 – The highly-integrated PFC/PWM combo-IC for forward topology of a power supply/adaptor is designed to provide current transfer operations in Continuous Conduction Mode (CCM) for high output power systems rated above 150W. Its main features include: built-in green-mode function, highly integrated Over Temperature Protection (OTP), Over Voltage Protection (OVP), Under Voltage Protection (UVP), Over Power Protection (OPP), Short Circuit Protection (SCP) and Brown-Out protection. Its patent amplifier technology also improves output dynamic response. In addition, SG6931/2 allow maximum PWM cycle adjustment.

SG6858 – The low-watt fly-back PWM IC, its patent Green Mode technology, which realizes super-low standby power and built-in synchronized slope compensation, greatly improves system stability. In addition, it also features constant power output limits, programmable PWM frequency, Cycle-by-cycle Current limiting, and many other features.

SG6516 – The highly-integrated supervisor IC has overall supervising and protecting functions that can provide complete protection for power systems. The SG6516 provides two 12V Over Voltage Protection (OVP), Under Voltage Protection (UVP), and Over Current Protection (OCP) functions. Furthermore, it also features highly precise VRI & VPGL, built-in 20mS OCP timing delay protection, 300mS power good signal protection, and PSON controlling switch signals.

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