

IR Electronic Newspaper

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■ **SG reports August net revenue of NTD 108 millions**

SG's net revenue of August reaches NTD 108 millions. It shows an increase of 22.13% on a year-over-year comparison basis and the accumulated revenue slightly decreases by 0.37% from the previous year.

Items	Net Revenues (NTD.1,000)
Aug., 2006	108,002
Aug., 2005	88,431
Difference	19,571
YoY	22.13%
Accumulated Revenue of 2006	792,306
Accumulated Revenue of 2005	795,268
Difference	(2,962)
YoY	(0.37%)

■ **Trading information of Aug.**

Monthly Trading Volume

High Price	Lowest Price	Weighted Ave. Price	Transaction	Transaction Trade Value (NTD.1,000)	Trade Volume (1,000 Shares)	Turnover Ratio
71.20	54.60	64.87	16,373	2,209,114	34,051	49.85%

Foreign & institutional Investors

Objects	Buy (1,000 Shares)	Sell (1,000 Shares)	Difference (1,000 Shares)
Foreign Investors	1,061	470	591
Securities Investment Trust Companies	1,505	50	1,455
Dealers	569	466	103
Total	3,135	986	2,149

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	10,944	12,384	1,440
Short Sales	885	619	(266)

■ Important information and stocks related release in Aug.

1. Summary of important information :

(1) **SG Changed it's Financial Officer**

—Due to organizational adjustment, the former financial officer, Mr. Tony Yen was appointed as Special Assistant to President. The position was then taken by Ms. Yulin Chen. Ms. Chen was the director of President's Office.

(2) **Judge's FD (final determination) of ITC investigation 337-TA-541**

—SG received the notice and limited exclusion order (LEO) from ITC of the ITC 337-TA-541 investigation in mid-August. The final determination was still unfavorable to SG and preserves the result of ID (initial determination). Followings are some highlights from the LEO.

a. Power Chips and Downstream Products Exclusion being excluded:

- (a) SG's six power chips of SG6840, SG6841, SG6842, SG6843, SG6842J, and SG6841X3
- (b) Two downstream products containing the accused power chips, including LCD computer monitors and AC printer adapters.
- (c) Specially, the LEO stated that most of SG's power chips have been excluded from the investigation, pursuant to Order No. 13 issued by the Administrative Law Judge (ALJ) of the United States International Trade Commission (USITC) on December 21, 2005. Consequently, the marketing for the aforementioned products will not be adversely affected despite the unfavorable outcome.

b. Bond : During the Presidential Review period (which will expire by mid-October), if an importer continues to import the covered power chips and downstream products into USA market, he/she should post a bond with the Customs in an amount determined by the Commission (which is USD0.38 per imported unit).

2. Stocks related release :

- (1) Capital increase started to trade on Aug. 8th, 2006.
- (2) Exercise of year 2003 employee stock option program during Aug. of 2006 : 33,600 shares
- (3) Exercise of year 2003 employee stock option program till Aug. 31st, 2006 : 1,158,600 shares

■ What's new :

System General Reports After-tax EPS of NT\$ 1.63 for First Half of 2006

Taipei, Taiwan, August 25, 2006 – System General Corp. (Stock code 6280) announced it's audited semi-annual financial statement ending June 30, 2006. Net revenue was NT\$594 millions, gross profit was NT\$303 millions, after-tax net income was NT\$91 millions, and the after-tax EPS of common stock reached NT\$1.63.

In January, since System General had a hearing for the ITC patent infringement litigation between System General and Power Integrations (PI) (ITC-337-TA-541), the actual legal expense in that period was higher than before. The total lawsuit expense in the first and second quarters of 2006 was in the region of NT\$45 millions. In order to offset this, safeguard customer's rights and pursue future business growth, System General invested heavily in R&D to develop new products.

The progress of new product development is on schedule and will realize profits gradually in the foreseeable future. By combining lawsuit expense and R&D expenditure, the operating expense ratio in the first 6 months of 2006 reached 33.6%.

Moving toward the end of the year, the prognosis is more optimistic. The lead up to the fourth quarter will be a transitional period, with gross margin hit by the accreditation and pilot test production, expense derived from assisting customers to convert to new products, and the revision of some sales products portfolios. The reduction in price of some IC products will also have an impact. This short-term transition will be eclipsed by the introduction of new products, and the evolution and promotion of new product applications. In the fourth quarter, new products will be exempt from the negative impact of the ITC patent investigation case.

2006H1 Profit and Loss of SG

Amount : NT\$ thousand

Operating Result	2006H1	2005H1	YoY Change
Net sales	593,787	606,554	-2.10%
Gross profit	303,244	304,151	-0.30%
Operating income	103,781	151,309	-31.41%
Income before income tax	91,926	133,943	-31.37%
Income after income tax	90,526	122,093	-25.85%
EPS	1.63	2.22	-26.58%

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

System General Unveils New High-Performance Forward ATX Power Total Solution

Taipei, Taiwan, September 04, 2006 – System General Corporation – the leader in Desktop PC power supply controlling ICs – today announced a complete forward power solution for desktop power supplies and PC servers. The major circuit of this solution consists of System General products, including a PFC/PWM combo control chip, a flyback PWM control chip, and a four channel supervisor IC. Its simple design structure significantly improves the conversion efficiency of power systems and reduces power system cost. This excellent product combination once again demonstrates SG' s predominance in R&D capability.

In consideration of the perpetual evolution of computer CPUs, graphic cards, and other peripheral functions, power supplies are trending toward high-wattage design. The strict harmonics standards of the European Union and the rising cost of raw materials have led to forward powers system structures incorporating active PFC components that take advantage of high efficiency and are gradually becoming the optimal development choice for medium-high power voltage supply design. With a record of experience and strength, dominating over 40% of the global market in Half-bridge ATX-Power, System General holds to the innovative business philosophy and focus on power saving that inspired the forward power solution, which integrated internal power systems to achieve over 80% conversion efficiency under various load conditions. This solution has perfectly satisfied the needs of power supply system designers in their development concepts for

environmentally friendly power supplies.

“System General has long devoted itself to developing innovative power technology with low power-consumption and high efficiency.” said Gary Lin, the senior Vice President of System General. “To help customers develop new products and meet the future market trends, we provide the ideal power solution that simplify power system design circuits and reduce external component costs, as well as enhance the price-to-performance ratio of power supplies”

This leading solution highly integrates various protection functions and high technology patents; its optimal performance including complies with the EU harmonic wave directive, has a power factor of over 98%, provides a high power conversion efficiency of over 80%, and low standby power consumption (under 1W). With the above amazing performance, System General is predicted to hold its leading position in the Desktop PC power supply market.

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 & VPGI, built-in 20mS OCP timing delay protection, 300mS power good signal protection, and PSON controlling switch signals.

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