



**O<sub>2</sub>MICRO INTERNATIONAL LIMITED**

**凹凸科技有限公司\***

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 457)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is a reproduction of the announcement in relation to the Company's sales and earnings for the first quarter. The enclosed overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*As at the date of this announcement, Mr. Sterling Du, Mr. Chuan Chiung "Perry" Kuo and Mr. James Elvin Keim are executive directors of O<sub>2</sub>Micro whereas Mr. Michael Austin, Mr. Geok Ling Goh, Mr. Lawrence Lai-Fu Lin, Mr. Keisuke Yawata, Mr. Xiaolang Yan and Mr. Ji Liu are independent non-executive directors.*

\* *For identification purposes only.*

# O<sub>2</sub>Micro<sup>®</sup> Reports First Quarter Financial Results

April 30, 2008. O<sub>2</sub>Micro<sup>®</sup> International Limited (NASDAQ<sup>®</sup>: OIIM; SEHK: 0457), a leading supplier of innovative power management, and security components and systems, reported its financial results today for the first quarter ended March 31, 2008.

Financial results for the first quarter ending 3/31/2008:

Net sales for the first quarter of fiscal 2008 were \$37.6 million. Q1 sales were up 7% from the first quarter of fiscal 2007. The increase in net sales reflects higher unit volumes and growth in underlying markets.

O<sub>2</sub>Micro recorded a gross margin of 58.5% in the first quarter of 2008. The gross margin compares favorably to the year-ago quarter when the company achieved a gross margin of 54.6%. The increase in gross margin compared to the year-ago period is due to product mix and the company's ongoing effort to drive cost reductions. In particular, the company's "Ocean One" initiative has seen good success and this has translated directly into recent gross margin increases.

Operating expenses were within expected target ranges for the first quarter. R&D expense was \$9.8 million, or 26% of net revenue, while SG&A expense was \$8.8 million, or 24% of net revenue. These dollar amounts include \$258,000 and \$415,000 of stock-based compensation, respectively. After tallying all of the net expenses, we delivered GAAP operating income of \$2.2 million. The GAAP operating margin was 5.8% in the first quarter of 2008, which compares favorably to a 1% operating loss in Q1 2007.

GAAP net income was \$2.3 million in Q1 2008. Net income per fully diluted ADS was \$0.06. Both of these compare favorably with Q1 2007 when the company reported GAAP net income of \$99,000 and break-even net income per ADS.

Supplementary data:

During the first quarter, the company spent \$4.5 million to repurchase 531,751 ADS units. This brought the balance of unrestricted cash and short-term investments to \$84.5 million, or \$2.21 per fully diluted ADS as of March 31, 2008. Net accounts receivable was \$24.9 million, and there were 59 days sales outstanding in accounts receivable at the end of Q1. At the same time, inventory was \$22.2 million and turned over 2.8 times in the quarter.

Sterling Du, Chairman and CEO, commented, "O<sub>2</sub>Micro is off to a good start in 2008. We are driving toward another year of record revenue in spite of the economic headwinds that have developed." Mr. Du continued, "O<sub>2</sub>Micro is a company that is built for the future. We are fortifying on our leading position in our core consumer and computer markets, while new growth areas, including DC/DC and battery management are continuing to expand."

Conference Call: O<sub>2</sub>Micro will hold its first quarter conference call today at 2:00 p.m. PDT, 5:00 p.m. EDT, and 5:00 a.m. (May 1, 2008) Hong Kong time. You may participate using the following dial-in information.

In the US and CANADA:	888-417-8526, pass code #8341358
In HONG KONG:	800-968-103, pass code #8341358
Other INTERNATIONAL participants:	719-325-2485, pass code #8341358

A replay of the call will be available by phone until May 7th using the following dial-in information.

In the US and CANADA:	888-203-1112, pass code #8341358
In HONG KONG:	800-901-108, pass code #8341358
Other INTERNATIONAL participants:	719-457-0820, pass code #8341358

A live simulcast will also be available on the company website at [www.O2Micro.com](http://www.O2Micro.com), and an online replay will be available on the website for one week.

**O<sub>2</sub>Micro International Limited and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income (Unaudited)**  
*(In Thousand U.S. Dollars, Except Per Share Amounts)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
NET SALES	\$ 37,556	\$ 35,037
COST OF SALES	15,596	15,922
GROSS PROFIT	21,960	19,115
OPERATING EXPENSES (INCOME)		
Research and development (1)	9,756	7,954
Selling, general and administrative (1)	8,847	8,128
Patent related litigation	3,174	3,255
Litigation income	(2,000)	—
Total Operating Expenses	19,777	19,337
INCOME (LOSS) FROM OPERATIONS	2,183	(222)
NON-OPERATING INCOME		
Interest income	670	814
Foreign exchange loss	(114)	(256)
Other — net	13	2
Total Non-operating Income	569	560
INCOME BEFORE INCOME TAX	2,752	338
INCOME TAX EXPENSE	492	239
NET INCOME	2,260	99
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustments	2,010	(11)
Unrealized gain (loss) on available-for-sale securities	(2,864)	707
Total Other Comprehensive Income (Loss)	(854)	696
COMPREHENSIVE INCOME	\$ 1,406	\$ 795

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>EARNINGS PER SHARE:</b>		
Basic	\$ 0.0012	\$ 0.0001
Diluted	\$ 0.0012	\$ 0.0001
<b>EARNINGS PER ADS</b>		
Basic	\$ 0.06	\$ —
Diluted	\$ 0.06	\$ —
<b>SHARES USED IN EARNINGS PER SHARE CALCULATION:</b>		
Basic (in thousands)	1,894,334	1,907,216
Diluted (in thousands)	1,903,655	1,914,363
<b>ADS UNITS USED IN EARNINGS PER ADS CALCULATION:</b>		
Basic (in thousands)	37,887	38,144
Diluted (in thousands)	38,073	38,287
<b>(1) INCLUDES STOCK-BASED COMPENSATION CHARGE AS FOLLOWS:</b>		
Research and development	\$ 258	\$ 252
Selling, general and administrative	415	350
	\$ 673	\$ 602

# O<sub>2</sub>Micro International Limited and Subsidiaries

## Consolidated Balance Sheets

(In Thousand U.S. Dollars, Except Share Amounts)

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<u>(Unaudited)</u>	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 41,050	\$ 52,597
Restricted cash	1,165	6,830
Short-term investments	43,407	28,650
Accounts receivable — net	24,855	24,600
Inventories	22,187	22,127
Prepaid expenses and other current assets	8,799	7,476
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Total Current Assets	141,463	142,280
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LONG-TERM INVESTMENTS	23,961	26,715
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PROPERTY AND EQUIPMENT — NET	42,552	43,148
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OTHER ASSETS		
Restricted assets — net	10,837	12,393
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Other Assets	4,257	3,876
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TOTAL ASSETS	<u>\$ 223,070</u>	<u>\$ 228,412</u>

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	(Unaudited)	
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Notes and accounts payable	\$ 7,579	\$ 10,841
Income tax payable	1,262	1,065
Accrued expenses and other current liabilities	11,409	11,597
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Total Current Liabilities	20,250	23,503
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<b>OTHER LONG-TERM LIABILITIES</b>		
Accrued pension liabilities	552	520
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FIN 48 tax liabilities	210	210
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Total Liabilities	21,012	24,233
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<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Preference shares at \$0.00002 par value per share		
Authorized — 250,000,000 shares	—	—
Ordinary shares at \$0.00002 par value per share		
Authorized — 4,750,000,000 shares		
Issued — 1,914,266,850 and 1,911,868,150 shares		
as of March 31, 2008 and December 31, 2007, respectively	38	38
Additional paid-in capital	145,882	144,944
Retained earnings	59,107	56,847
Accumulated other comprehensive income	2,792	3,646
Treasury stock — 31,587,550 shares and 5,000,000		
as of March 31, 2008 and December 31, 2007, respectively	(5,761)	(1,296)
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Total Shareholders' Equity	202,058	204,179
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<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 223,070</b>	<b>\$ 228,412</b>
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By order of the Board  
**Sterling Du**  
*Executive Director*

30th April, 2008