



O₂MICRO INTERNATIONAL LIMITED

凹凸科技有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 457)

OVERSEAS REGULATORY ANNOUNCEMENT

This 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.

O₂Micro International Limited (the “Company”) has released an announcement in relation to its second quarter financial results to the Nasdaq Stock Market, Inc., the full text of which is reproduced below.

Hong Kong, 31 July 2008

As at the date of this announcement the Board of directors of the Company comprises 9 directors, of which 3 are executive directors, namely Mr. Sterling Du, Mr. Chuan Chiung “Perry” Kuo and Mr. James Elvin Keim, and 6 are independent non-executive directors, namely Mr. Michael Austin, Mr. Teik Seng Tan, Mr. Lawrence Lai-Fu Lin, Mr. Keisuke Yawata, Mr. Xiaolang Yan and Mr. Ji Liu .

* *For identification purposes only.*

O₂Micro[®] Reports Second Quarter Financial Results

July 30, 2008. O₂Micro[®] International Limited (NASDAQ[®]: OIIM; SEHK: 0457), a leading supplier of innovative power management, and security components and systems, reported its financial results today for the second quarter of fiscal 2008 and six months ending June 30, 2008.

Financial results for the second quarter ending 6/30/2008:

Net sales for the second quarter of 2008 were \$40.8 million, an increase of 8.6% from the preceding quarter, and up 6.8% from the second quarter of the prior year. The GAAP gross margin on net sales was 58.2% in the second quarter, which was similar to 58.5% in the preceding quarter, and up from 56.7% from the second quarter of the prior year.

The Company recorded a GAAP operating margin of 11.1% in the second quarter. Research and Development (R&D) expenditures were \$9.5 million, or 23.2% of net sales including \$288,000 of stock-based compensation. SG&A expenses were \$9.7 million, or 23.9% of net sales, including \$433,000 of stock-based compensation.

GAAP Net Income for the second quarter of 2008 was \$4.4 million or 12 cents per American Depositary Share (ADS).

Financial results for the six months ending 6/30/2008:

Net sales for the six months ending June 30, 2008 were \$78.3 million, an increase of 7.0% from the prior year. The GAAP gross margin on net sales was 58.3% in the first half of fiscal 2008, up from 55.7% in the first half of fiscal 2007.

The Company recorded a GAAP operating margin of 8.6% for the first half of fiscal 2008. This compares with a GAAP operating margin of 7.1% in the first six months of fiscal 2007. For the first six months of fiscal 2008, R&D expenditures were \$19.2 million, or 24.5% of net sales, including \$546,000 of stock-based compensation; SG&A expenses were \$21.8 million for the same period, or 27.8% of net sales, including \$848,000 of stock-based compensation.

GAAP Net Income for the first half of fiscals 2007 and 2008 was \$5.8 million and \$6.6 million, respectively. GAAP Net Income per fully diluted ADS rose from 15 cents in the first six months of fiscal 2007 to 17 cents in the comparable period of fiscal 2008. GAAP Net Income increased by 13% during the first half of fiscal 2008 when compared with the first half of 2007 and GAAP Net Income per fully diluted ADS increased by 15% for the same periodic comparison.

Supplementary data:

As of June 30, 2008, O₂Micro had unrestricted cash and short-term investments of \$82.6 million, or \$2.19 per ADS. Net accounts receivable was \$26.8 million, and there were 57 days sales outstanding in accounts receivable at the end of the second quarter of 2008. Inventory was \$20.7 million and turned over 3.2 times in the same quarterly period.

As of June 30, 2008, O₂Micro's headcount consisted of 1,063 employees, including 608 people working in R&D. This headcount was approximately flat with 1,075 employees at the end of the first quarter of 2008.

Management Commentary:

Sterling Du, Chairman and CEO, commented, "During these challenging economic times, we are continuing to grow because O₂Micro is bringing great new products to the market." Mr. Du continued, "Our newest products are building momentum and we look forward to increasing contributions from our Security, DC/DC, and battery lines in the coming quarters."

Conference Call: O₂Micro will hold its second quarter conference call today at 2:00 p.m. PDT, 5:00 p.m. EDT, and 5:00 a.m. (July 31, 2008) Hong Kong time. You may participate using the following dial-in information.

| | |
|-----------------------------------|----------------------------------|
| In the US and CANADA: | 866-316-1372, pass code #9146108 |
| In HONG KONG: | 800-965-503, pass code #9146108 |
| Other INTERNATIONAL participants: | 913-312-1272, pass code #9146108 |

A replay of the call will be available by phone until August 6th using the following dial-in information.

| | |
|-----------------------------------|----------------------------------|
| In the US and CANADA: | 888-203-1112, pass code #9146108 |
| In HONG KONG: | 800-901-108, pass code #9146108 |
| Other INTERNATIONAL participants: | 719-457-0820, pass code #9146108 |

A live simulcast will also be available on the company website at www.o2micro.com, and an online replay will be available on the website for one week.

O₂Micro International Limited and Subsidiaries
Consolidated Statements of Operations
and Comprehensive Income (Unaudited)
(In Thousand U.S. Dollars, Except Per Share Amounts)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|----------|-------------------------|----------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| NET SALES | \$40,790 | \$38,191 | \$78,346 | \$73,228 |
| COST OF SALES | 17,061 | 16,518 | 32,657 | 32,440 |
| GROSS PROFIT | 23,729 | 21,673 | 45,689 | 40,788 |
| OPERATING EXPENSES (INCOME) | | | | |
| Research and development ⁽¹⁾ | 9,457 | 8,219 | 19,213 | 16,173 |
| Selling, general and administrative ⁽¹⁾ | 9,740 | 11,425 | 21,761 | 22,808 |
| Litigation income | — | (3,364) | (2,000) | (3,364) |
| Total Operating Expenses | 19,197 | 16,280 | 38,974 | 35,617 |
| INCOME FROM OPERATIONS | 4,532 | 5,393 | 6,715 | 5,171 |
| NON-OPERATING INCOME | | | | |
| Interest income | 493 | 814 | 1,163 | 1,628 |
| Foreign exchange income (loss) | (315) | 108 | (429) | (148) |
| Other — net | (4) | 5 | 9 | 7 |
| Total Non-operating Income | 174 | 927 | 743 | 1,487 |
| INCOME BEFORE INCOME TAX | 4,706 | 6,320 | 7,458 | 6,658 |
| INCOME TAX EXPENSE | 344 | 578 | 836 | 817 |
| NET INCOME | 4,362 | 5,742 | 6,622 | 5,841 |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| OTHER COMPREHENSIVE INCOME | | | | |
| (LOSS) | | | | |
| Foreign currency translation adjustments | 607 | 335 | 2,617 | 324 |
| Unrealized gain (loss) on available-for-sale securities | (228) | 3,090 | (3,092) | 3,797 |
| Total Other Comprehensive Income (Loss) | 379 | 3,425 | (475) | 4,121 |
| COMPREHENSIVE INCOME | <u>\$4,741</u> | <u>\$9,167</u> | <u>\$6,147</u> | <u>\$9,962</u> |
| EARNINGS PER SHARE: | | | | |
| Basic | <u>\$ 0.0023</u> | <u>\$0.0030</u> | <u>\$ 0.0035</u> | <u>\$0.0031</u> |
| Diluted | <u>\$ 0.0023</u> | <u>\$0.0030</u> | <u>\$ 0.0035</u> | <u>\$0.0030</u> |
| EARNINGS PER ADS | | | | |
| Basic | <u>\$0.12</u> | <u>\$0.15</u> | <u>\$0.18</u> | <u>\$0.15</u> |
| Diluted | <u>\$0.12</u> | <u>\$0.15</u> | <u>\$0.17</u> | <u>\$0.15</u> |
| SHARES USED IN EARNINGS PER SHARE CALCULATION: | | | | |
| Basic (in thousands) | <u>1,879,216</u> | <u>1,904,024</u> | <u>1,886,775</u> | <u>1,905,620</u> |
| Diluted (in thousands) | <u>1,889,751</u> | <u>1,920,974</u> | <u>1,896,828</u> | <u>1,917,668</u> |
| ADS UNITS USED IN EARNINGS PER ADS CALCULATION: | | | | |
| Basic (in thousands) | <u>37,584</u> | <u>38,080</u> | <u>37,735</u> | <u>38,112</u> |
| Diluted (in thousands) | <u>37,795</u> | <u>38,419</u> | <u>37,937</u> | <u>38,353</u> |
| (1) INCLUDES STOCK-BASED COMPENSATION CHARGE AS FOLLOWS: | | | | |
| Research and development | \$288 | \$278 | \$546 | \$530 |
| Selling, general and administrative | 433 | 354 | 848 | 704 |
| | <u>\$721</u> | <u>\$632</u> | <u>\$1,394</u> | <u>\$1,234</u> |

O₂Micro International Limited and Subsidiaries
Consolidated Balance Sheets

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

| | June 30, 2008 | December 31, 2007 |
|--|--------------------------|-------------------------|
| | (Unaudited) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$34,859 | \$52,597 |
| Restricted cash | 1,165 | 6,830 |
| Short-term investments | 47,744 | 28,650 |
| Accounts receivable — net | 26,821 | 24,600 |
| Inventories | 20,670 | 22,127 |
| Prepaid expenses and other current assets | 8,104 | 7,476 |
| Assets held for sale | 7,439 | — |
| | <hr/> | <hr/> |
| Total Current Assets | 146,802 | 142,280 |
| | <hr/> | <hr/> |
| LONG-TERM INVESTMENTS | 22,317 | 26,715 |
| | <hr/> | <hr/> |
| PROPERTY AND EQUIPMENT — NET | 35,743 | 43,148 |
| | <hr/> | <hr/> |
| OTHER ASSETS | | |
| Restricted assets — net | 10,853 | 12,393 |
| | <hr/> | <hr/> |
| Other Assets | 12,301 | 3,876 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$228,016</u> | <u>\$228,412</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Notes and accounts payable | \$8,511 | \$10,841 |
| Income tax payable | 958 | 1,065 |
| Accrued expenses and other current liabilities | 11,763 | 11,597 |
| Liabilities associated with assets held for sale | 729 | — |
| | <hr/> | <hr/> |
| Total Current Liabilities | 21,961 | 23,503 |
| | <hr/> | <hr/> |

OTHER LONG-TERM LIABILITIES

| | | |
|-----------------------------|---------------|--------|
| Accrued pension liabilities | 559 | 520 |
| FIN 48 tax liabilities | 225 | 210 |
| Other liabilities | 24 | — |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | 808 | 730 |
| | <hr/> | <hr/> |
| Total Liabilities | 22,769 | 24,233 |
| | <hr/> | <hr/> |

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

| | | |
|---|-------------------------|-------------------------|
| 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 — 1,887,935,450 and 1,911,868,150 shares | | |
| as of June 30, 2008 and December 31, 2007, respectively | 38 | 38 |
| Additional paid-in capital | 144,533 | 144,944 |
| Retained earnings | 60,011 | 56,847 |
| Accumulated other comprehensive income | 3,171 | 3,646 |
| Treasury stock — 14,607,650 and 5,000,000 shares as of June 30, 2008 and December 31, 2007, respectively | (2,506) | (1,296) |
| | <hr/> | <hr/> |
| Total Shareholders' Equity | 205,247 | 204,179 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$228,016</u> | <u>\$228,412</u> |

By order of the Board
Sterling Du
Executive Director

30th July, 2008