

## ADDITIONAL FINANCIAL INFORMATION

### Five year Financial Summary

#### O<sub>2</sub>MICRO INTERNATIONAL LIMITED AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS (In Thousand U.S. Dollars, Except Per Share Amounts)

ASSETS	Years Ended December 31,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$108,936	\$69,334	\$66,489	\$ 56,320	\$ 46,375
Restricted cash	1,159	2,019	1,892	1,887	5,605
Short-term investments	10,014	42,675	53,923	63,768	55,653
Accounts receivable, net	3,700	7,595	9,794	9,431	11,460
Inventories	5,361	6,967	9,613	11,231	15,943
Prepaid expenses and other current assets	<u>1,808</u>	<u>2,891</u>	<u>3,365</u>	<u>4,491</u>	<u>6,665</u>
Total current assets	<u>130,978</u>	<u>131,481</u>	<u>145,076</u>	<u>147,128</u>	<u>141,701</u>
LONG-TERM INVESTMENTS	<u>1,250</u>	<u>7,735</u>	<u>7,865</u>	<u>11,781</u>	<u>16,898</u>
LAND, PROPERTY AND EQUIPMENT, NET	<u>3,213</u>	<u>5,611</u>	<u>4,880</u>	<u>10,758</u>	<u>23,319</u>
RESTRICTED ASSETS	<u>-</u>	<u>-</u>	<u>10,044</u>	<u>13,873</u>	<u>14,492</u>
OTHER ASSETS	<u>978</u>	<u>1,009</u>	<u>1,428</u>	<u>1,656</u>	<u>3,245</u>
<b>TOTAL</b>	<u>\$136,419</u>	<u>\$145,836</u>	<u>\$169,293</u>	<u>\$185,196</u>	<u>\$199,655</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Notes and accounts payable	\$3,570	\$5,202	\$6,334	\$ 3,635	\$ 5,760
Income tax payable	1,220	1,957	2,852	3,751	3,907
Accrued expenses and other current liabilities	<u>3,198</u>	<u>3,529</u>	<u>5,380</u>	<u>7,029</u>	<u>14,092</u>
Total current liabilities	<u>7,988</u>	<u>10,688</u>	<u>14,566</u>	<u>14,415</u>	<u>23,759</u>
OBLIGATIONS UNDER CAPITAL LEASE – NET OF CURRENT PORTION	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
COMMITMENTS AND CONTINGENCIES					
Total liabilities	<u>7,995</u>	<u>10,688</u>	<u>14,566</u>	<u>14,415</u>	<u>23,759</u>
<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 - 1,906,725,550 shares, 1,942,854,700 shares, 1,951,630,800 shares, 1,959,403,100 shares and 1,967,824,350 shares as of December 31, 2001, 2002, 2003, 2004 and 2005, respectively	38	39	39	39	39
Treasury stock	-	(6,823)	-	-	(3,296)
Additional paid-in capital	130,248	133,016	137,076	139,581	141,532
Accumulated other comprehensive loss	(741)	(692)	(521)	(110)	(1,118)
Retained earnings (Accumulated deficit)	<u>(1,121)</u>	<u>9,608</u>	<u>18,133</u>	<u>31,271</u>	<u>38,739</u>
Total shareholders' equity	<u>128,424</u>	<u>135,148</u>	<u>154,727</u>	<u>170,781</u>	<u>175,896</u>
<b>TOTAL</b>	<u>\$136,419</u>	<u>\$145,836</u>	<u>\$169,293</u>	<u>\$185,196</u>	<u>\$199,655</u>

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

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(In Thousands of U.S. Dollars, Except Per Share Amounts)**

	Years Ended December 31,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
NET SALES	\$45,819	\$70,187	\$88,599	\$92,196	\$105,552
COST OF SALES	<u>16,465</u>	<u>28,143</u>	<u>38,314</u>	<u>37,403</u>	<u>40,741</u>
GROSS PROFIT	<u>29,354</u>	<u>42,044</u>	<u>50,285</u>	<u>54,793</u>	<u>64,811</u>
OPERATING EXPENSES					
Research and development	14,320	18,935	19,219	20,260	25,421
Selling, general and administrative	9,909	11,790	13,522	16,348	20,279
Patent litigation	-	535	3,954	5,334	10,174
Stock – based compensation	<u>166</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>24,395</u>	<u>31,304</u>	<u>36,695</u>	<u>41,942</u>	<u>55,874</u>
INCOME FROM OPERATIONS	<u>4,959</u>	<u>10,740</u>	<u>13,590</u>	<u>12,851</u>	<u>8,937</u>
NON-OPERATING INCOME (EXPENSES)					
Interest income	1,814	1,802	1,283	1,455	2,824
Impairment loss on long-term investments	-	(483)	(17)	-	-
Gain on sale of long-term investments	-	-	-	340	-
Foreign exchange gain (loss), net	59	4	287	648	(443)
Hong Kong Stock Exchange listing expenses	-	-	-	-	(2,460)
Other, net	<u>(46)</u>	<u>339</u>	<u>(116)</u>	<u>262</u>	<u>323</u>
Total non-operating income	<u>1,827</u>	<u>1,662</u>	<u>1,437</u>	<u>2,705</u>	<u>244</u>
INCOME BEFORE INCOME TAX	6,786	12,402	15,027	15,556	9,181
INCOME TAX EXPENSE	<u>1,152</u>	<u>1,673</u>	<u>1,826</u>	<u>1,472</u>	<u>1,034</u>
NET INCOME	<u>5,634</u>	<u>10,729</u>	<u>13,201</u>	<u>14,084</u>	<u>8,147</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Translation adjustments on subsidiaries	(489)	132	(90)	714	(238)
Unrealized gain (loss) on available for-sale securities	<u>15</u>	<u>(127)</u>	<u>261</u>	<u>(303)</u>	<u>(770)</u>
Total other comprehensive income (loss)	<u>(474)</u>	<u>5</u>	<u>171</u>	<u>411</u>	<u>(1,008)</u>
COMPREHENSIVE INCOME	<u>\$5,160</u>	<u>\$10,734</u>	<u>\$13,372</u>	<u>\$14,495</u>	<u>\$ 7,139</u>
EARNINGS PER SHARE:					
Basic	<u>\$0.0033</u>	<u>\$0.0056</u>	<u>\$0.0069</u>	<u>\$0.0072</u>	<u>\$ 0.0042</u>
Diluted	<u>\$0.0032</u>	<u>\$0.0054</u>	<u>\$0.0066</u>	<u>\$0.0070</u>	<u>\$ 0.0041</u>
SHARES USED IN EARNINGS PER SHARE CALCULATION:					
Basic (in thousands)	<u>1,701,000</u>	<u>1,915,000</u>	<u>1,918,700</u>	<u>1,957,800</u>	<u>1,961,168</u>
Diluted (in thousands)	<u>1,778,800</u>	<u>1,979,550</u>	<u>1,986,800</u>	<u>2,005,100</u>	<u>1,997,459</u>

## Directors' remuneration and five highest paid individuals

### (a) Directors

Details of compensation paid by the Company to the directors of the Company during the two year periods ended December 31, 2005 are as follows:

	Year ended December 31,	
	2004	2005
	<b>(In Thousands)</b>	
Fees	113	139
Salaries and other benefits	495	487
Total compensation	608	626

	Year ended December 31,	
	2004	2005
	<b>Number of directors</b>	<b>Number of directors</b>
The compensation of the directors were within the following bands:		
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	2	2

### (b) Five highest paid individuals' compensation

Total compensation payable to these five individuals are as follows:

	Year ended December 31,	
	2004	2005
	<b>(In Thousands)</b>	
Salaries and other benefits	738	800
Bonus	883	796
Total compensation	1,621	1,596

None of the directors was the five highest paid individuals of the Company.

**Year ended December 31,**

	<b>2004</b>	<b>2005</b>
	<b>Number of individuals</b>	<b>Number of individuals</b>
Their compensation were within the following bands:		
HK\$1,000,001 to HK\$1,500,000	3	—
HK\$1,500,001 to HK\$2,000,000	—	4
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$4,500,001 to HK\$5,000,000	—	—
HK\$5,500,001 to HK\$6,000,000	—	1
HK\$6,000,001 to HK\$6,500,000	1	—

During the two years ended December 31, 2005, no compensation were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office as a director of any member of the Company or in connection with the management of the affairs of any members of the Company. None of the directors waived any compensation during the two years ended December 31, 2005.

## Information on our subsidiaries

Below are brief particulars of all of our subsidiaries:

### 1. O<sub>2</sub>Micro, Inc.

Date of incorporation:	March 29, 1995
Place of incorporation:	U.S.
Nature:	Corporation
Authorised number of shares:	17,000,000 shares of common stock 7,335,189 shares of preferred stock
Paid-up capital:	US\$20,000
Scope of business:	Marketing support and design service

### 2. O<sub>2</sub>Micro Electronics, Inc.

Date of incorporation:	March 22, 1999
Place of incorporation:	Taiwan
Nature:	Company limited by shares
Paid-in capital:	NT\$100,000,000
Registered capital:	NT\$340,000,000
Scope of business:	Operations and sales support services

### 3. O<sub>2</sub>Micro International Japan Limited

Date of incorporation:	August 18, 1999
Place of incorporation:	Japan
Nature:	Corporation
Authorized capital:	JPY3,000,000
Paid-up capital:	JPY3,000,000
Scope of business:	Sales support service

### 4. O<sub>2</sub>Micro Pte Ltd.

Date of incorporation:	September 3, 1999
Place of incorporation:	Singapore
Nature:	Private limited company
Authorised capital:	S\$1,000,000
Paid-up capital:	S\$1,000,000
Scope of business:	Design support service

### 5. Aotu Micro (Wuhan) Co. Ltd.<sup>(1)</sup>

Date of incorporation:	January 18, 2001
Place of incorporation:	PRC
Nature:	Wholly foreign-owned enterprise
Term:	January 18, 2001 to January 18, 2016
Total investment:	US\$420,000
Registered capital:	US\$300,000
Scope of business:	Design support service

### 6. O<sub>2</sub>Micro Romania S.R.L.

Date of incorporation:	January 19, 2001
Place of incorporation:	Romania
Nature:	Wholly foreign-owned company
Total investment:	359,056 RON
Registered capital:	19,695 RON
Scope of business:	Design support service

- 7. O<sub>2</sub>Micro (Beijing) Co., Ltd.<sup>(1)</sup>**
- Date of incorporation: February 19, 2001  
Place of incorporation: PRC  
Nature: Wholly foreign-owned enterprise  
Term: February 19, 2001 to February 18, 2021  
Total investment: US\$300,000  
Registered capital: US\$300,000  
Scope of business: Design support service
- 8. O<sub>2</sub>Micro (China) Co., Ltd**
- Date of incorporation: April 11, 2001  
Place of incorporation: PRC  
Nature: Wholly foreign-owned enterprise  
Term: April 11, 2001 to April 10, 2051  
Total investment: US\$8,300,000  
Registered capital: US\$8,300,000<sup>(2)</sup>  
Scope of business: Design support service
- 9. O<sub>2</sub>Micro (Chengdu) Co., Ltd.<sup>(1)</sup>**
- Date of incorporation: July 6, 2004  
Place of incorporation: PRC  
Nature: Wholly foreign-owned enterprise  
Term: July 6, 2004 to July 5, 2019  
Total investment: US\$420,000  
Registered capital: US\$300,000  
Scope of business: Design support service
- 10. O<sub>2</sub>Micro Korea, Limited**
- Date of incorporation: March 3, 2003  
Place of incorporation: Korea  
Nature: Corporation  
Authorized capital: KRW200,000,000  
Paid-up capital: KRW50,000,000  
Scope of business: Sales support service
- 11. Chengdu Heart 1 Technology Co., Ltd**
- Date of incorporation: January 31, 2005  
Place of incorporation: PRC  
Nature: Wholly foreign-owned enterprise  
Term: January 31, 2005 to January 30, 2020  
Total investment: US\$420,000  
Registered capital: US\$300,000  
Scope of business: Design service
- 12. International Asset Holding Company**
- Date of incorporation: April 16, 2004  
Place of incorporation: Cayman Islands  
Nature: Company limited by shares  
Authorized capital: US\$50,000  
Paid-up capital: US\$1.00  
Scope of business: Property holding

**13. Pan Pacific Holding Company**

Date of incorporation:	May 19, 2004
Place of incorporation:	Cayman Islands
Nature:	Company limited by shares
Authorized capital:	US\$50,000
Paid-up capital:	US\$100
Scope of business:	Investment holding

**14. OceanOne Semiconductor Limited**

Date of incorporation:	May 17, 2005
Place of incorporation:	Cayman Islands
Nature:	Company limited by shares
Authorized capital:	US\$50,000
Paid-up capital:	US\$1.00
Scope of business:	Investment holding

**15. OceanOne Semiconductor (Ningbo) Limited**

Date of incorporation:	August 9, 2005
Place of incorporation:	PRC
Nature:	Wholly foreign-owned enterprise
Term:	August 9, 2005 to August 8, 2025
Total Investment:	US\$57,000,000
Registered capital:	US\$19,000,000 <sup>(3)</sup>
Scope of business:	Testing service

**16. O<sub>2</sub>Micro International Limited, Taiwan Branch<sup>(4)</sup>**

Date of establishment:	August 20, 1997
Place of establishment:	Taipei, Taiwan
Nature:	Branch office
Scope of business:	n/a

*Notes:*

- The Company is in the process of consolidating its operations in China under O<sub>2</sub>Micro (China) Co., Ltd. O<sub>2</sub>Micro (China) Co., Ltd. has applied to the relevant regulatory authorities to approve its establishment of branches in Beijing, Chengdu and Wuhan. Once the branches are established, the Company will, in accordance with relevant regulations and procedures and subject to the receipt of relevant approvals, merge O<sub>2</sub>Micro (Beijing) Co., Ltd., Aotu Micro (Wuhan) Co., Ltd. and O<sub>2</sub>Micro (Chengdu) Co., Ltd. into the relevant branches of O<sub>2</sub>Micro (China) Co., Ltd and dissolve each of these subsidiaries. At present, the Company is unable to estimate when the consolidation of its operations in China would be completed.*
- In May 2005, the registered capital of O<sub>2</sub>Micro (China) Co., Ltd (formerly O<sub>2</sub>Micro (Shanghai) Co. Ltd) was increased from US\$300,000 to US\$8,300,000 pursuant to an amendment to its articles of association, which was approved by the applicable PRC authorities. Pursuant to the amendment, the increase in registered capital of US\$8,000,000 is payable in two installments of US\$4,000,000 each: the first installment by August 30, 2005, which has been fully paid within that timeframe, and the second installment by May 30, 2006. O<sub>2</sub>Micro (China) Co., Ltd. was originally registered under the name of O<sub>2</sub>Micro (Shanghai) Co., Ltd. and has been registered under its current corporate name since November 17, 2005.*
- The registered capital comprises 40% in cash, 40% in equipment and 20% in technology. US\$6,000,000 has been paid up in cash. The remaining registered capital will be contributed by August 8, 2008.*
- The Taiwan Branch of the Company is currently in the process of being dissolved. The Taiwan Branch was established to engage in marketing and customer support related services. Due to the duplication of functions between the Taiwan Branch and O<sub>2</sub>Micro Electronics, Inc., the Board determined to dissolve the Taiwan Branch on October 31, 2002 and the Taiwan Branch ceased its operations on that*

*date. Under Taiwanese law, completion of the dissolution process requires approval from a jurisdictional court. In general, the court will approve a dissolution after the Taiwan Tax Authorities have completed the examination of the income tax returns of the relevant company. Currently, the Taiwan Tax Authorities are examining the Taiwan Branch's income tax filings for 2001 and 2002. As of the Latest Practicable Date, the Taiwan Tax Authorities have not indicated when they expect to complete their tax examination and accordingly, the Company is not able to estimate when the dissolution process for the Taiwan Branch would be completed.*