

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended JUNE 30, 1995

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

COMMISSION FILE NUMBER: 1-5740

DIODES INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or
organization)

95-2039518
(I.R.S. Employer
Identification
No.)

3050 EAST HILLCREST DRIVE
WESTLAKE VILLAGE, CALIFORNIA
(Address of principal executive offices)

91362
(Zip Code)

Registrant's telephone number, including area code: (805) 446-4800

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

The number of shares of the registrant's Common Stock outstanding as of June
30, 1995, was 5,421,124 including 717,115 shares of treasury stock.

DIODES INCORPORATED

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PART I - FINANCIAL INFORMATION
ITEM 1 - CONSOLIDATED FINANCIAL INFORMATION

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	(UNAUDITED) JUNE 30, 1995	DECEMBER 31, 1994
	-----	-----
CURRENT ASSETS		
Cash	\$ 348,568	\$ 1,733,078
Accounts receivable		
Customers	9,312,866	6,020,277
Other	380,401	244,416
	-----	-----
	9,693,267	6,264,693
Less allowance for doubtful receivables	188,197	169,898
	-----	-----
	9,505,070	6,094,795
Inventories		
Finished Goods	9,807,948	6,435,332
Work-in-process	338,915	158,900
Raw materials	386,386	420,694
	-----	-----
	10,533,249	7,014,926
Deferred income taxes	815,052	815,052
Prepaid expenses and other	107,977	220,128
	-----	-----
Total current assets	21,309,916	15,877,979
PROPERTY, PLANT, AND EQUIPMENT - at cost, net	1,626,471	1,595,941
OTHER ASSETS	70,290	71,169
	-----	-----
TOTAL ASSETS	\$ 23,006,677	\$ 17,545,089
	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	(UNAUDITED) JUNE 30, 1995 -----	DECEMBER 31, 1994 -----
CURRENT LIABILITIES		
Notes payable	\$ 2,337,825	\$ 0
Trade accounts payable	4,488,805	3,543,496
Accrued liabilities	2,523,114	1,710,687
Income taxes payable	325,522	1,173,209
Current portion of long term debt	41,078	40,208
	-----	-----
Total current liabilities	9,716,344	6,467,600
LONG TERM OBLIGATION, less current maturities	277,840	293,526
DEFERRED COMPENSATION PAYABLE	--	13,710
STOCKHOLDERS' EQUITY		
Preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; 169,629 shares issued at December 31, 1994 and June 30, 1995.	169,629	169,629
Common stock - par value \$66 2/3 per share; 9,000,000 shares authorized; 5,343,124 and 5,421,124 shares issued at December 31, 1994 and June 30, 1995, respectively.	3,614,503	3,562,499
Additional paid-in capital	4,877,322	4,791,826
Retained earnings	6,133,272	4,028,532
	-----	-----
	14,794,726	12,552,486
Less:		
Treasury stock - 717,115 Common shares, at cost	1,782,233	1,782,233
	-----	-----
Total stockholders' equity	13,012,493	10,770,253
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 23,006,677	\$ 17,545,089
	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
NET SALES	\$14,539,476	\$9,445,106	\$28,778,054	\$18,225,285
Cost of goods sold	10,401,033	6,817,913	20,696,650	13,175,265
Gross profit	4,138,443	2,627,193	8,081,404	5,050,020
Selling, general and administrative expenses	2,442,365	1,825,300	4,879,591	3,519,240
Income from operations	1,696,078	801,893	3,201,813	1,530,780
Other income (expense)				
Interest income	8,284	9,015	18,992	16,304
Interest expense	(36,146)	(13,547)	(43,301)	(47,404)
Commissions and other	123,377	100,554	195,753	233,472
	95,515	96,022	171,444	202,372
INCOME BEFORE INCOME TAXES	1,791,593	897,915	3,373,257	1,733,152
Provision for income taxes	669,615	327,651	1,268,515	667,680
NET INCOME	\$ 1,121,978	\$ 570,264	\$ 2,104,742	\$ 1,065,472
EARNINGS PER SHARE				
PRIMARY	\$ 0.22	\$ 0.11	\$ 0.41	\$ 0.21
FULLY-DILUTED	\$ 0.21	\$ 0.11	\$ 0.40	\$ 0.21
Weighted average shares outstanding				
Primary	5,182,041	5,154,285	5,157,221	5,139,477
Fully-diluted	5,232,808	5,154,285	5,221,289	5,153,565

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	SIX MONTHS ENDED	
	JUNE 30,	
	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,105,000	\$ 1,065,000
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	141,000	96,000
Increase in allowance for doubtful accounts	18,000	12,000
Equity in Joint Venture earnings	--	(71,000)
(Gain) on sale of property, plant and equipment, net	(73,000)	(1,000)
(Increase) decrease in operating assets:		
Accounts receivable	(3,428,000)	(1,466,000)
Inventories	(3,518,000)	1,817,000
Prepaid expenses and other	112,000	168,000
Other	1,000	(74,000)
(Decrease) increase in operating liabilities:		
Trade accounts payable	946,000	688,000
Accrued liabilities	(34,000)	634,000
Deferred compensation payable	(14,000)	(21,000)
	-----	-----
Net cash provided (used) by operations	(3,744,000)	2,847,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(247,000)	(342,000)
Proceeds from sale of equipment	147,000	1,000
	-----	-----
Net cash (used) by investing activities	(100,000)	(341,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (payments) on line of credit, net	2,338,000	(2,000,000)
Proceeds from issuance of stock	138,000	81,000
Repayments of long-term obligations	(16,000)	(73,000)
	-----	-----
Net cash provided (used) by financing activities	2,460,000	(1,992,000)
	-----	-----
INCREASE (DECREASE) IN CASH	(1,384,000)	\$ 514,000
CASH AT BEGINNING OF PERIOD	\$ 1,733,000	\$ 802,000
	-----	-----
CASH AT END OF PERIOD	\$ 349,000	\$ 1,316,000
	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE A - Basis of Presentation

The accompanying unaudited consolidated, condensed financial statements have been prepared in accordance with the instruction to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report in Form 10-K for the calendar year ended December 31, 1994.

NOTE B - Income Taxes

Effective January 1, 1993, the Company adopted Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This pronouncement requires that taxes be provided based upon the tax rate at which the items of income and expense are expected to be settled in the Company's tax return.

SFAS No. 109 requires the recognition of deferred tax assets and liabilities for both the expected future tax impact of differences between the financial statement and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss carryforwards. SFAS No. 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

Accordingly, the Company has recorded a net deferred tax asset resulting from net deductible temporary differences in the amount of \$815,052. This deferred tax asset results primarily from inventory reserves and expense accruals which are not currently deductible for federal income tax purposes.

PART I - FINANCIAL INFORMATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Net sales for the three months and six months ended June 30, 1995 were, respectively, \$5.1 million or 53.9% and \$10.6 million or 57.9% higher than during the comparable periods in 1994. These increases can be attributed in large part to a restructured sales force with a more pro-active selling philosophy, the Company's marketing agreement with INTERMETALL Halbleiterwerk der Deutscher ITT Industries GmbH ("ITT"), whereby (with the exception of one value-added reseller) the Company is the exclusive marketing channel for ITT's discrete semiconductors in North America, and strong industry demand. Also important in the growth of net sales were the introduction of a new product offering in late 1994, and the Company's ongoing program to build customer loyalty through superior customer service. Essential to the Company's recent growth has been the ability to procure ever increasing numbers of high-quality components at competitive prices; in addition to working closely with its existing suppliers, the Company has continued its program of aggressively seeking new sourcing opportunities.

Gross margins for the three months and six months ended June 30, 1995 were, respectively, 28.5% and 28.1%, versus 27.8% and 27.7% in the comparable periods in 1994. This improvement in margins is reflective of the continued rise in demand for the Company's products. In addition, selling, general and administrative expenses ("SG&A") decreased as a percentage of net sales. When compared to the respective three month and six month periods ended June 30, 1994; (i) income from operations in 1995 increased 111.5% and 109.2%; (ii) other income decreased 0.5% and 15.3%; (iii) pre-tax income increased 99.5% and 94.6%; and (iv) net income increased 96.7% and 97.5%. The Company maintained adequate working capital to support its continued growth in net sales.

Reliance on Foreign Sources. For the past several years, nearly all of the Company's net sales (like those of most other companies in the industry) have been derived from products purchased from overseas suppliers or from U.S. companies whose products are manufactured overseas. The Company anticipates that this dependence on foreign sources of its products will continue for the foreseeable future.

Foreign sourcing exposes the Company to certain risks common to companies doing business overseas: these risks include the difficulty and expense of maintaining foreign sourcing channels, cultural and institutional barriers to trade, fluctuations in currency exchange rates, political instability, transportation delays, expropriation, tariffs, import and export controls (including export licenses and changes in the allocation of quotas), and other U.S. and foreign regulations that may apply to the export and import of the Company's products, and which could have a material adverse effect on the Company. The Company attempts to reduce the risk of doing

business in foreign countries by, among other things, contracting in U.S. dollars, and when possible, maintaining multiple sourcing of product groups from several countries.

Volatility of Demand, Availability of Parts and Relationship with Suppliers. The main consumers of discrete semiconductor parts are the computer, subassembly, telecommunication, and consumer electronic industries, which are characterized by volatile customer demand. In recent years, competition within these industries, rapid technological advances, frequent introduction of new products and product enhancements (including smaller and more portable electronic products), and high consumer demand have been principally responsible for a significant increase in the demand of discrete semiconductor parts. As a result, there has been and continues to be significant competition for the world wide availability of discrete semiconductor parts.

The Company attempts to meet the volatility of demand for discrete semiconductor parts by (i) aggressively identifying new sources of products, (ii) forming joint ventures and alliances with manufacturers and distributors, and (iii) having a geographically diverse mix of manufacturers and suppliers, located in Taiwan, China, Germany, Japan, France, the Philippines, India, Thailand and the United States. Within the last two years, the Company has observed that the demand for semiconductor parts has been stronger than the supply and, therefore, has had to decline some orders because of the limited availability of these products.

The Company purchases products from over 20 suppliers. Some of the Company's major suppliers are ITT, Lite On Power Semiconductor Corporation ("LPSC"), and Shen Jiang Corporation. For the first six months of 1995, products purchased from these suppliers accounted for approximately 40.9%, 18.5%, and 5.2%, respectively, of the Company's net sales.

The Company has several supply agreements, some short-term, others long-term, but believes that its success depends, in large part, on maintaining its established working relationships, as well as on developing new relationships with suppliers for its existing and future product lines. Further, although the Company believes that there exist alternative sources for the products of any of its suppliers, the loss of any one of its principal suppliers or the loss of several suppliers in a short period of time could have a materially adverse effect on the Company. The Company understands that ITT is having discussions with various parties to sell ITT's semiconductor and discrete division, either as an entire group, or as separate divisions. Currently, it cannot be determined whether such a sale will occur or what the effect of such a sale might be. In any event, the Company will continue its efforts to develop long term relations with current suppliers as well as aggressively search for new sourcing opportunities to reduce reliance on a limited number of suppliers and to support growing customer demand.

In June 1995, the Company entered into product sourcing/compensation trade agreements with Shanghai Kai Hong Electronics Co., Ltd. (Kai Hong), a Shanghai, China company, to secure various discrete semiconductor products. The Company agreed to provide Kai Hong with up to \$2.85 million in assistance toward the production of various discrete semiconductor products in Shanghai, China, with some production lines expected to commence production in the latter half

of 1995. The Company expects additional products from such production lines to be available in the second half of 1996.

In another June 1995 agreement, the Company further strengthened its marketing agreement with LPSC: the Company is now the exclusive reseller, with the exception of a few house accounts, for LPSC in North America. LPSC, a manufacturer of discrete components, has since 1991 been a major shareholder of the Company's common stock, and it is currently the Company's second largest supplier.

In both the Kai Hong and LPSC agreements, the Company has sought to enhance its ability to procure - in a timely fashion and at reasonable cost - the products its customers need. The Company believes that these agreements will significantly enhance its competitiveness, strengthen its product sourcing, and contribute to its long-term growth. Copies of the Kai Hong and LPSC agreements have been filed as exhibits to the Quarterly Report on Form 10-Q. See "Item 6. Exhibits and Reports on Form 8-K."

The following discussion explains in greater detail the consolidated operating results and financial condition of the Company. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 1995 AND 1994

	1995 ----	1994 ----
Net Sales - -----	\$ 14,539,476	\$ 9,445,106

The Company's 1995 comparative increase in net sales of approximately \$5.1 million, or 53.9%, was primarily a result of a restructured sales force with a more pro-active selling philosophy, the Company's ongoing marketing agreement with ITT Germany, the introduction of the new product line of small signal transistors, and increased demand for discrete semiconductors, as well as improved customer service and the addition of established relationships with major users of discrete components.

	1995 ----	1994 ----
Gross Profit - -----	\$ 4,138,443	\$ 2,627,193
Gross Margin Percentage - -----	28.5%	27.8%

The Company's gross profit for the three months ended June 30, 1995, increased approximately \$1.5 million or 57.5%, primarily due to the 53.9% increase in net sales. The gross margin percentage increased 2.3%, resulting from increased product demand and improvements in service to its customers.

	1995 ----	1994 ----
SG&A - ----	\$ 2,442,365	\$ 1,825,300

The Company's SG&A for the three months ended June 30, 1995, increased approximately 33.8%, while net sales increased 53.9% compared to the same period last year. This \$617,000 increase was primarily attributable to increased commissions paid to outside sales representatives and distributors, an increase in overall wages and benefits, and consulting and programming fees associated with the implementation of a new management information computer system. The total SG&A as a percentage of net sales actually decreased from 19.3% in 1994, to 16.8% in 1995, a 13.1% decrease.

	1995 ----	1994 ----
Income from Operations - -----	\$ 1,696,078	\$ 801,893

The Company's fiscal 1995 comparative increase in operating profit of approximately \$894,000, or 111.5%, is primarily the net result of the Company's significant increase in net sales and gross profit, as well as continued efforts to control SG&A, which resulted in a decrease in SG&A as a percentage of net sales.

	1995 ----	1994 ----
Interest Income - -----	\$ 8,284	\$ 9,015
Interest Expense - -----	\$ 36,146	\$ 13,547

The Company's interest income for the three months ended June 30, 1995, decreased 8.1% compared to the same period last year as the Company maintained adequate working cash.

The Company's interest expense for the three months ended June 30, 1995 increased approximately \$23,000, primarily as a result of an increase in the Company's usage of its revolving line of credit to \$2.3 million.

	1995 ----	1994 ----
Other Income - -----	\$ 123,377	\$ 100,554

The Company's other income for the three months ended June 30, 1995, increased approximately \$23,000, or 22.7% compared to other income for the same period in 1994. This increase in other income is primarily attributed to increased sales commissions paid.

	1995 ----	1994 ----
Pre-tax Income - -----	\$ 1,791,593	\$ 897,915

The Company's pre-tax income for the three months ended June 30, 1995, increased approximately \$894,000 or 99.5%, primarily due to the 53.9% increase in net sales, combined with a 13.1% decrease in SG&A as a percentage of net sales.

	1995 ----	1994 ----
Provision for income taxes - -----	\$ 669,615	\$ 327,651

The Company's provision for income taxes for the three months ended June 30, 1995, amounts to 37.4% of income before taxes, as compared to 36.5% for the three months ended June 30, 1994. The provision includes an estimate of income tax in the United States, Taiwan, and California.

	1995 ----	1994 ----
Net Income - -----	\$1,121,978	\$570,264
Primary Earnings Per Share - -----	\$ 0.22	\$ 0.11

The Company's net income for the three months ended June 30, 1995, increased 96.7% or approximately \$552,000 compared to the same period in 1994. Primary earnings per share increased 100% for the three months ended June 30, 1995, compared to the three months ended June 30, 1994. Increases in both net income and primary earnings per share are primarily attributable to a 53.9% increase in net sales, and a 2.3% increase in gross margin, combined with an 13.1% decrease in SG&A as a percentage of net sales.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1995 AND 1994.

	1995 ----	1994 ----
Net Sales - -----	\$ 28,778,054	\$ 18,225,285

The Company's 1995 comparative increase in net sales of approximately \$10.6 million, or 57.9%, was primarily a result of a restructured sales force with a more pro-active selling philosophy, the Company's ongoing marketing agreement with ITT Germany, the introduction of the new product line of small signal transistors, and increased demand for discrete semiconductors, as well as improved customer service and the addition of established relationships with major users of discrete components.

	1995 ----	1994 ----
Gross Profit -----	\$ 8,081,404	\$ 5,050,020
Gross Margin Percentage -----	28.1%	27.7%

The Company's gross profit for the six months ended June 30, 1995, increased approximately \$3.0 million or 60%, primarily due to the 57.9% increase in net sales. The gross margin percentage increased 1.3%, resulting from increased product demand and improvements in service to its customers.

	1995 ----	1994 ----
SG&A -----	\$ 4,879,591	\$ 3,519,240

The Company's SG&A for the six months ended June 30, 1995, increased approximately 38.7%, while net sales increased 57.9% compared to the same period last year. This \$1.4 million increase was primarily attributable to increased commissions paid to outside sales representatives and distributors, an increase in overall wages and benefits, and consulting and programming fees associated with the implementation of a new management information computer system. The total SG&A as a percentage of net sales actually decreased from 19.3% in 1994, to 17.0% in 1995, a 12.2% decrease.

	1995 ----	1994 ----
Income from Operations -----	\$ 3,201,813	\$ 1,530,780

The Company's fiscal 1995 comparative increase in operating profit of approximately \$1.7 million, or 109.2%, is primarily the net result of the Company's significant increase in net sales and gross profit, as well as continued efforts to control SG&A, which resulted in a decrease in SG&A as a percentage of net sales.

	1995 ----	1994 ----
Interest Income -----	\$ 18,992	\$ 16,304
Interest Expense -----	\$ 43,301	\$ 47,404

The Company's interest income for the six months ended June 30, 1995, increased 16.5% compared to the same period last year as the Company maintained adequate working cash.

The Company's interest expense for the six months ended June 30, 1995 decreased approximately 8.7%, primarily as a result of a decline in the Company's usage of its revolving line of credit.

	1995 ----	1994 ----
Other Income -----	\$ 195,753	\$ 233,472

The Company's other income for the six months ended June 30, 1995, decreased approximately \$38,000, or 16.2% compared to other income for the same period in 1994. This decrease in other income is primarily attributed to 1994 having a \$47,000 gain from the recovery of a loss incurred in 1993 on a joint venture that was subsequently terminated in 1994. For more information on the "Seefull" joint venture, see the Company's 1994 Form 8-K, filed with the Securities and Exchange Commission on July 1, 1994.

	1995 ----	1994 ----
Pre-tax Income -----	\$ 3,373,257	\$ 1,733,152

The Company's pre-tax income for the six months ended June 30, 1995, increased approximately \$1.6 million or 94.6%, primarily due to the 57.9% increase in net sales, combined with a 12.2% decrease in SG&A as a percentage of net sales.

	1995 ----	1994 ----
Provision for income taxes -----	\$ 1,268,515	\$ 667,680

The Company's provision for income taxes for the six months ended June 30, 1995, amounts to 37.6% of income before taxes, as compared to 38.5% for the six months ended June 30, 1994. The provision includes an estimate of income tax in the United States, Taiwan, and California.

	1995 ----	1994 ----
Net Income -----	\$ 2,104,742	\$ 1,065,472
Primary Earnings Per Share -----	\$ 0.41	\$ 0.21

The Company's net income for the six months ended June 30, 1995, increased 97.5% or approximately \$1.0 million compared to the same period in 1994. Primary earnings per share increased 95.2% for the six months ended June 30, 1995, compared to the six months ended June 30, 1994. Increases in both net income and primary earnings per share are primarily attributable to a 57.9% increase in net sales, and a 1.3% increase in gross margin, combined with a 12.2% decrease in SG&A as a percentage of net sales.

LIQUIDITY AND CAPITAL RESOURCES

The ratio of the Company's current assets to current liabilities on June 30, 1995, was 2.19 to 1 compared to a ratio of 2.46 to 1 as of December 31, 1994. The Company anticipates it will continue to utilize its line of credit to support an increase in net sales over 1994. The Company

maintains a \$4.0 million line of credit, of which it has utilized \$288,000 at June 30, 1995. The Company believes that the availability of this credit line, together with internally generated funds, will be sufficient to meet the Company's currently foreseeable operating cash requirements. The Company believes that such strong cash position will be sufficient for anticipated growth, however, the Company continues to evaluate its cash position and may seek to increase its line of credit. The Company's total working capital increased to \$11.6 million as of June 30, 1995, from \$9.4 million as of December 31, 1994, primarily as a result of the 57.9% increase in net sales and related positive cash flow in 1995. Notes payable increased to \$2.3 million to fund a 50.2% increase in inventories, supporting the 57.9% increase in net sales. Accounts receivable also increased 56% as a result of the net sales increase.

To ensure that the Company can secure reliable and cost effective sourcing to support and better position itself for growth, the Company is continuously evaluating additional sources of products. The Company believes its financial position will provide sufficient funds should an appropriate investment opportunity arise. This will also help the Company improve customer satisfaction and increase product market penetration. The Company's debt to equity ratio decreased to 0.77 at June 30, 1995, from 0.63 at December 31, 1994. The Company anticipates this ratio may increase as the Company continues to use its line of credit to support forecasted sales growth.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no matters to be reported under this heading.

ITEM 2. CHANGES IN SECURITIES

There are no matters to be reported under this heading.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no matters to be reported under this heading.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company submitted to a vote of its security holders at an annual meeting of shareholders on June 30, 1995 for the election of members of the Board of Directors. The directors were each elected to serve until the 1996 annual meeting or until their successors are elected and have qualified. The results of the tabulation for each nominee for director of the Company is as follows:

Michael R. Giordano, Director	For:	4,388,417
	Withheld:	5,030
David Lin, Director	For:	4,388,417
	Withheld:	5,030
M.K. Lu, Director	For:	4,372,817
	Withheld:	20,630
Shing Mao, Director	For:	4,375,917
	Withheld:	17,530
Michael A. Rosenberg, Director	For:	4,372,817
	Withheld:	20,630
Leonard M. Silverman, Director	For:	4,386,017
	Withheld:	7,430

continued on next page

continued from previous page

Raymond Soong,
Director

For: 4,388,417
Withheld: 5,030

ITEM 5. OTHER INFORMATION

There are no matters to be reported under this heading.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 10.1 - Computation of Earnings Per Share

Exhibit 10.2 - Kai Hong Compensation Trade Agreement
for SOT-23 Product

Exhibit 10.3 - Kai Hong Compensation Trade Agreement
for MELF Product

Exhibit 10.4 - Lite On Power Semiconductor
Corporation Distributorship Agreement

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIODES INCORPORATED (Registrant)

/s/ Joseph Liu

JOSEPH LIU
Vice President, Secretary
and Chief Financial Officer
(Principal Financial and Accounting Officer)

July 26, 1995

INDEX TO EXHIBITS

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DIODES INCORPORATED AND SUBSIDIARIES

EXHIBIT - 10.1

COMPUTATION OF EARNINGS PER SHARE

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
PRIMARY				
Weighted average number of common shares outstanding	4,649,174	4,552,730	4,637,655	4,540,786
Weighted average number of preferred shares outstanding	169,629	169,629	169,629	169,629
Assumed exercise of stock options	363,238	431,926	349,937	429,062
	5,182,041	5,154,285	5,157,221	5,139,477
	-----	-----	-----	-----
Net income	\$ 1,121,978	\$ 570,264	\$ 2,104,742	\$ 1,065,472
	=====	=====	=====	=====
Primary earnings per share	\$ 0.22	\$ 0.11	\$ 0.41	\$ 0.21
	=====	=====	=====	=====
FULLY-DILUTED				
Weighted average number of common shares outstanding	4,649,174	4,552,730	4,637,655	4,540,786
Weighted average number of preferred shares outstanding	169,629	169,629	169,629	169,629
Assumed exercise of stock options	414,005	431,926	414,005	443,150
	5,232,808	5,154,285	5,221,289	5,153,565
	-----	-----	-----	-----
Net income	\$ 1,121,978	\$ 570,264	\$ 2,104,742	\$ 1,065,472
	=====	=====	=====	=====
Fully diluted earnings per share	\$ 0.21	\$ 0.11	\$ 0.40	\$ 0.21
	=====	=====	=====	=====

EXHIBIT 10.2

COMPENSATION TRADE AGREEMENT FOR SOT-23 PRODUCT
(TRANSLATED FROM CHINESE)

This Agreement is made between Diodes Incorporated (hereafter referred to as Diodes), located at 3050 East Hillcrest Drive, Westlake Village, California 91361-3154, U.S.A. and Shanghai Kai Hong Electronics Co., Ltd. (hereafter referred to as Kai Hong), located at No. 61 Xinnan Road, Xinqiao Town, Songjian, Shanghai, China 201612. Owing to the market demand, the parties hereby agree to cooperate in the production of SOT-23 products (1) (hereafter referred to as Products) under the terms and conditions below:

I. Way of Cooperation:

1. The parties agree to set up a SOT-23 Products production line in Shanghai. (2)
2. Diodes shall invest capital for acquisition of equipment and Kai Hong shall invest capital for the acquisition of equipment, for the construction of a factory building, for technical training and for working capital. (Total investment by Diodes shall not exceed US\$2.5 million.) (3)
3. Kai Hong is responsible for start up and will take charge of management and production. The capital invested by Diodes will be repaid by means of Products exported on compensation trade basis.

II. Contents of Compensation Trade:

1. Diodes shall assist in securing qualified chip suppliers and provide product specifications to entrust Kai Hong to produce SOT-23 Products to export to Diodes. For the payment of production to Kai Hong, Diodes shall deduct a portion to repay Diodes' investment. (5)
2. Kai Hong guarantees to sell its monthly production of Products to Diodes. Any excess Products shall be handled subject to mutual negotiation, which may include domestic sale and export. (4)
3. The fall-off and scrap parts shall be kept in good custody. The quantity shall be confirmed by both parties before disposal.
4. Kai Hong shall adopt rigid production management. Except for reasonable production consumption if there is a loss of finished Products and Work-In-Progress Products, Kai Hong agrees to make up the monthly capacity under the agreement. If there is a cost variable due to such a loss, it shall not be included when reviewing the cost structure. Kai Hong shall agree to take effective action to prevent such a loss within three months of learning of it.

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

II. Quality Standard:

1. The chips provided by suppliers recommended by Diodes shall comply with requirements of Kai Hong quality and production requirements.
2. Kai Hong shall carry out the production upon the request of Diodes. The yield for initial production will be mutually agreed upon and a review shall be conducted once each half year for adjustment subject to actual condition. (6)
3. The finished Products delivered to Diodes shall comply with the quality standard and product specifications defined by Diodes.

IV. Supply, Production, Product Packaging and Delivery Terms:

1. SUPPLY: The purchase of chips shall be of good quality and reasonable cost under mutual agreement. During the initial period of production, Kai Hong shall purchase chips from qualified suppliers that have been recommended by Diodes for smooth production. Unless supplies are interrupted due to force majeure, Diodes shall be responsible for the compensation of loss caused to Kai Hong during the period of production interrupted for the labor and depreciation cost. During the first year, Kai Hong and Diodes should jointly develop more qualified chip suppliers. After one year of formal production, Kai Hong shall be responsible for the purchase of chips while Diodes may continue to help Kai Hong secure the chips sourcing necessary for monthly production. Mutual consent is required of both parties for a change or increase of chip suppliers. (7)
2. PRODUCTION: Upon receipt of chips, Kai Hong shall commence production immediately, and the production cycle shall be about 30 days.
3. PACKAGING: 3000 pieces/reel, 5 reels/box, 12 boxes/carton

V. Means of Investment and Final Account of Production Compensation:

1. Upon the execution of this agreement, the purchase of equipment shall be commenced based on the suppliers and specifications confirmed between both parties. The purchase of equipment necessary for the company shall be handled by Kai Hong. Diodes shall remit its investment to Kai Hong's bank account to maintain timely payment according to the equipment payment schedule.
2. SOT-23 produced by Kai Hong shall be priced competitively for export to Diodes (based on MMBT 3094/3906) of which a portion is compensation expense (as reimbursement on loan and interest) and actual remaining payment shall be made by Diodes to Kai Hong within 30 days by T/T in US\$. Actual export price shall be reviewed once ever half year by both parties. (5)
3. The feasibility study of this item shall be acknowledged by the parties with their signature affixed. The offset price shall be adjusted when key material price has a major change (defined as +/- 3%).

- 4. The interest on the capital to be invested by Diodes shall be calculated based on the actual interest rate charged by Diodes' bank. Interest will start from the date Kai Hong received the remittance. The quantity of product by compensation trade will be made over 58 months. (8)
- 5. The freight charges from the shipment of chips to Kai Hong will be charged to Kai Hong's account and the freight charge occurring from the shipment of Product to Diodes from Kai Hong will be charged to Diodes.
- 6. When there is significant change to the specification of SOT-23 Products and/or related Products, the export price and compensation expense will be changed by to mutual agreement.
- 7. All Product will meet Diodes quality requirements and standards as shown on Appendix.
- 8. Should Kai Hong liquidate or be closed due to other cause(s) prior to Diodes' loan and interest being fully repaid, Diodes shall have the ownership of the equipment equivalent to the sum not repaid and have the highest priority of debt claim against the bank with relation to Kai Hong.
- 9. During the effective period of this agreement, each party shall obtain the other party's written consent prior to speaking with a third party regarding additional investment plan(s) for same or similar Products. Both parties agree that the other party shall have the right of first refusal under the same terms and conditions.
- 10. The agreement shall remain valid until the end of December 31, 2000, or until the date the Products have been delivered as previously agreed. Kai Hong agrees to give Diodes the priority of the purchase of additional product for an additional five years, since the expiration of this agreement, and the selling price will be reduced from then current market price. During the extension period, Item V.9 and V.10 herein will remain valid while other items shall be invalid. (9)
- 11. During this period of agreement, if there is any dispute between the parties, it shall be amicably settled by the parties.

* () All footnotes are herein incorporated in Attachment 1.

DIODES INCORPORATED

Shanghai Kai Hong Electronics Co., Ltd.

/s/ David Lin

/s/ J.Y. Xing

David Lin, President

J. Y. Xing, Chairman of the Board and
President

Date: June 9, 1995

Date: June 9, 1995

ATTACHMENT 1

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT 10.3

COMPENSATION TRADE AGREEMENT FOR MELF PRODUCT
(TRANSLATED FROM CHINESE)

This Agreement is made between Diodes Incorporated (hereafter referred to as Diodes), located at 3050 East Hillcrest Drive, Westlake Village, California 91361-3154, U.S.A. and Shanghai Kai Hong Electronics Co., Ltd. (hereafter referred to as Kai Hong), located at No. 61 Xinnan Road, Xinqiao Town, Songjian, Shanghai, China 201612. Owing to the market demand, the parties hereby agree to cooperate in the production of MELF products (hereafter referred to as Products) under the terms and conditions below:

I. Terms and Conditions:

1. MELF Production investment will be in two stages, as specified in Attachment 1, Item 1.
2. To repay Diodes' Investment, Diodes shall deduct a portion for the payment of Products to Kai Hong (See Attachment 1, Item 3B). Diodes shall purchase Product from Kai Hong as per the agreed upon quantities.
 - A. Diodes shall purchase all Product produced by Kai Hong as long as they meet specification and Quality requirements.
 - B. This agreement is valid for two (2) years. Diodes shall purchase all Kai Hong's MELF Production. (After the expiration of this agreement, Diodes and Kai Hong shall renegotiate the purchase agreement. Diodes has the right of first refusal to purchase the Product under the same terms and conditions with a third party).
 - C. Within the first two (2) years, Diodes agrees to purchase the total quantity as specified in the Attachment 1, Item 2. For any quantities over above this specified quantity, the price can be re-negotiated between both parties. At this time, each party has the right to chose a new partner. However, Diodes has the right of first refusal under the same terms and conditions to either retain the partnership or purchase the Product.
 - D. Under this agreement, the sales price for the MELF Product shall be as specified in Attachment 1, Item 3.

II. Technical Support

1. Diodes will provide technical support for manufacturing, quality control, production control, and administration to assist Kai Hong in establishing the production line. Kai Hong agrees to reimburse all the expenses to Diodes for the actual incurred cost. (The standard for the reimbursement to be agreed by both parties). Kai Hong agrees to pay a one time technical assistance fee to Diodes for the amount as specified in the Attachment 1, Item 4, to Diodes, in U.S. currency cash, within the first month of production.

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

2. Kai Hong agrees to purchase all chips and essential raw materials from Diodes or its subsidiary. Kai Hong agrees to purchase necessary raw materials from the suppliers that have been pre-qualified in writing by Diodes. To assure quality, Diodes' written consent is required before Kai Hong can make any changes on its raw material suppliers. For those raw materials which are not available in China, Kai Hong can purchase directly from qualified suppliers overseas or through Diodes or its subsidiary.

III. Payment Terms

1. Both parties agree to be treated under the same terms and conditions for Kai Hong's payment to Diodes or its subsidiary for the raw material purchase, and Diodes' payment to Kai Hong for Product.
2. Diodes and Kai Hong agree to re-evaluate the transfer prices within the first three months of formal production, in the event of unforeseen variables.

IV. Responsibilities

1. Under this agreement, Kai Hong agrees to sell 100% of MELF Products to Diodes, and not to sale to any other parties. In order not to damage Diodes profitability, Kai Hong agrees not to negotiate with any third party, directly or through its subsidiary, to manufacture the same or similar Product. Kai Hong agrees that all fall-off and scrap parts shall be kept in good custody, and the quantity shall be confirmed by both parties before disposal.
2. Kai Hong shall pay to Diodes a compensation amount for its loss which may be caused by either the Products being sold to (or carried out) a third party or the engineering drawing, production processes, or equipment's leak to a third party.
3. Diodes agrees to pay Kai Hong a compensation amount in the event that Diodes fails to purchase the Minimum quantities as specified in Attachment 1, Item3.
4. If either Diodes or Kai Hong are required to pay a compensation amount to the other party, the amount shall be determined at 40% of other party's total loss.
5. Quality Standard: Both parties to define.
6. The price for raw materials which Kai Hong will purchase from Diodes, and the price that Diodes will purchase from Kai Hong shall be fixed as mutually agreed. Each party is responsible for its own Profit and Loss. However, in the event the raw material costs or the market price for the Product changes dramatically, the parties may re-evaluate the situation and re-define the prices amicably.
7. If due to increased market demand, Diodes requests increased expansion, Kai Hong shall agree in principle. If, at that time, Kai Hong has difficulty providing the additional capital requirement, both parties shall re-negotiate the detailed arrangement.
8. This agreement becomes effective from the date signed by authorized person executed hereunder.

DIODES INCORPORATED

SHANGHAI KAI HONG ELECTRONICS., LTD.

/s/ David Lin

/s/ J.Y. Xing

David Lin, President

J.Y. Xing, Chairman of the Board and
President

Date: June 9, 1995

Date: June 9, 1995

COMPENSATION TRADE AGREEMENT FOR MELF PRODUCT
ATTACHMENT 1

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT 10.4

DISTRIBUTORSHIP AGREEMENT

BY

LITE ON POWER SEMICONDUCTOR
A CORPORATION OF TAIWAN, REPUBLIC OF CHINA

AND

DIODES INCORPORATED
A DELAWARE CORPORATION

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

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ADDENDUM I LPSC House Accounts in North America

AGREEMENT

This agreement (the "Agreement") is entered into on the date set forth hereinbelow by and between LITE ON POWER SEMICONDUCTOR, a corporation of Taiwan, Republic of China, with its principal place of business at 28-1 Wu Shin Street, Ta Wu Lung Industrial, Keelung, Taiwan (hereinafter "LPSC"), and DIODES INCORPORATED, a Delaware corporation, with its principal offices located at 3050 East Hillcrest Drive, Westlake Village, California 91362-3154, United States of America, and its subsidiary in Taiwan, R.O.C. (hereinafter "DIODES").

CHAPTER I. SUBJECT MATTER OF THE AGREEMENT

ARTICLE 1: APPOINTMENT AND TERRITORY

Except as otherwise provided hereinafter, LPSC hereby appoints DIODES as its exclusive reseller for the TERRITORY of North America subject to the terms and conditions set forth herein, with the exception of the HOUSE ACCOUNTS set forth in Article 16: House Accounts, During the Term of this Agreement. LPSC shall not make sales (direct or indirect) of the PRODUCTS to any party within the TERRITORY without the express written consent of DIODES.

ARTICLE 2: PRODUCTS

The products covered by this Agreement ("PRODUCTS") comprise LPSC's complete line of semiconductors. The list of PRODUCTS may be added to, or some of the PRODUCTS may be discontinued by LPSC, after first consulting with DIODES, and upon one hundred twenty (120) days prior written notice by LPSC to DIODES. Upon delivery to DIODES of written notice of discontinuation of PRODUCTS, LPSC will honor last orders by DIODES for PRODUCTS so discontinued up to a maximum quantity equal to LPSC's deliveries of such discontinued PRODUCTS in the one (1) year period preceding the date of notice of discontinuation.

ARTICLE 3: LEGAL STATUS OF DIODES

DIODES shall buy from LPSC, and shall sell the PRODUCTS to DIODES' customers for DIODES' own account, and in connection therewith DIODES shall act as an independent contractor and trader in its dealings both with LPSC and with DIODES' customers.

DIODES shall establish its own sales policies (which shall not be inconsistent with LPSC's overall sales policies as disclosed by LPSC to DIODES in writing), prices, terms, and conditions of sale and shall be responsible for its own invoicing and collection, all with a view to promoting the sale of the PRODUCTS, and establishing and maintaining the highest possible commercial reputation for the PRODUCTS.

CHAPTER II. DUTIES OF DIODES

ARTICLE 4: PROMOTION

DIODES shall devote its best efforts to promoting distribution and sale of the PRODUCTS in the TERRITORY. DIODES shall exercise the due diligence of a responsible businessman to safeguard the interests of LPSC and shall keep LPSC regularly informed of DIODES' activities as well as of the market conditions with the TERRITORY.

ARTICLE 5: PUBLICITY AND TRADE SHOWS

DIODES shall advertise the PRODUCTS in the TERRITORY and shall represent LPSC and the PRODUCTS at trade shows and exhibitions conducted in the TERRITORY in a businesslike manner. Except as may otherwise be agreed by the parties in writing, all costs of such activities shall be paid by DIODES.

ARTICLE 6: TRADE SECRETS

DIODES shall not, even after the expiration or termination of this Agreement, use or communicate to third parties any trade secrets about LPSC or the PRODUCTS or any confidential trade or business information about LPSC acquired by DIODES during the term of this Agreement.

ARTICLE 7: SUBAGENTS

LPSC understands and acknowledges that DIODES has already established a network of manufacturers' representatives and distributors throughout the TERRITORY, and LPSC further understands and agrees that sales by DIODES of the PRODUCTS pursuant to this Agreement may be made by DIODES with the assistance of such manufacturers' representatives and to such distributors.

ARTICLE 8: PROHIBITION OF SALES OUTSIDE THE TERRITORY

DIODES shall not seek customers, or establish or maintain any branch or distribution depot, at locations outside the TERRITORY without the written approval of LPSC. The foregoing notwithstanding, LPSC understands and acknowledges that DIODES has a subsidiary company and branch office in Taipei, Taiwan, and is engaged in business, including sales of the PRODUCTS in other locations in the Far East, including Hong Kong, China, Korea, and Singapore. LPSC agrees that DIODES may engage in sales of the PRODUCTS, and may maintain such facilities, in the Far East during the term of this Agreement.

ARTICLE 9: FAIR COMPETITION

In performing their obligations under this Agreement, DIODES and LPSC shall comply with the rules of Fair Competition.

ARTICLE 10: ASSISTANCE TO BE PROVIDED BY DIODES

DIODES shall inform LPSC of all acts of unfair competition in respect to the PRODUCTS, and all infringement of patents and similar rights of LPSC, which come to the attention of DIODES during the term of this Agreement. To the best of its abilities, DIODES shall assist LPSC in protecting itself against such acts and infringements.

ARTICLE 11: MINIMUM STOCK

DIODES shall maintain, at its own cost, a sufficient stock of the PRODUCTS to adequately perform its duties under this Agreement.

ARTICLE 12: TRADEMARKS AND TRADE NAMES

DIODES shall not use, or permit to be used by any person under its control, any of the trademarks, trade names, or service marks owned by LPSC, or any of LPSC's affiliated companies, without the written consent of LPSC.

Prior to the use of any such trademark, service mark, or trade name, DIODES shall deliver to LPSC, for approval, a sample of each document displaying such trademark, service mark, or trade name. Should no objection be received by DIODES to any such document within thirty (30) days after delivery thereof to LPSC, it shall be conclusively presumed that LPSC consents to the use by DIODES of such document.

Upon termination or expiration of this Agreement, DIODES shall forthwith terminate further use of such trademarks, service marks, or trade names, and shall not make further reference to same.

Furthermore, upon termination or expiration of this Agreement, and upon receipt by DIODES from LPSC of a written request to do so, DIODES shall deliver to LPSC, without cost, all printed matter in the possession of DIODES, displaying such trademarks, service marks, or trade names.

Where the PRODUCTS are covered by patents or trademarks, or applications therefor, DIODES shall inform LPSC immediately of any infringement or possible infringement thereof known to DIODES, and furnish LPSC with such assistance as DIODES reasonably can in any prosecution of such infringement which LPSC may thereafter institute.

CHAPTER III. DUTIES OF LPSC

ARTICLE 13: SOURCE OF SUPPLY

LPSC shall exercise its best efforts to devote sufficient manufacturing capability to fulfill Diodes forecast and purchase orders. The parties shall work together to establish forecasts that are

commercially reasonable from the point of view of Diodes ability to market the products WITHIN THE TERRITORY and LPSC's manufacturing capability.

ARTICLE 14: TECHNICAL ASSISTANCE

LPSC shall provide such technical assistance as DIODES deems appropriate, including, where necessary, the training of DIODES' technical personnel at a location designated by LPSC, in accordance with and subject to further arrangements to be agreed upon by the parties if and when such need arises. Transportation, accommodation, and daily allowances for DIODES' personnel shall be borne by DIODES, and other costs related to the training shall be apportioned between the parties on an equitable basis by mutual agreement.

ARTICLE 15: SALES LITERATURE

LPSC shall furnish DIODES, free of charge, sufficient quantities of available sales literature, pamphlets, catalogues, samples, and other merchandising aids available to LPSC for DIODES' local sales promotion and advertising purposes. Upon expiration/termination of this Agreement for whatever reason, DIODES shall return to LPSC, at DIODES' expense, all items furnished to DIODES hereunder then in its possession or under its control. The total cost of the literature furnished by LPSC to Diodes shall not exceed .5% of the annual orders placed by Diodes.

ARTICLE 16: DIRECT SALES

Notwithstanding the provisions of Article 1, above, LPSC shall have the right to maintain resale arrangements in North America with the following companies, and with no others:

LPSC shall terminate, as soon as is reasonably practical, its other distributors in the TERRITORY. DIODES and LPSC shall negotiate in good faith the purchase by DIODES, in whole or in part, of the inventory of such distributors.

ARTICLE 17: HOUSE ACCOUNTS

During the term of this Agreement, LPSC may continue to make direct sales to certain high-volume original equipment manufacturers (hereinafter called "HOUSE ACCOUNTS") as agreed upon by the parties and set forth in Addendum I attached hereto. DIODES shall not make direct or indirect sales of PRODUCTS to any HOUSE ACCOUNT without the prior written consent of LPSC. Should LPSC desire to add a high-volume original equipment manufacturer to the list of HOUSE ACCOUNTS, it shall notify DIODES of this desire. An account shall not be added to the list of HOUSE ACCOUNTS without DIODES' consent, which shall not be unreasonably withheld.

In making the decision whether to consent to the addition of an original equipment manufacturer to the list of HOUSE ACCOUNTS, DIODES shall proceed in a commercially reasonable manner taking into account whether it has had any contact or made any attempts to sell PRODUCTS to that particular manufacturer. The parties agree to discuss and negotiate in good faith any additions to the HOUSE ACCOUNT list.

ARTICLE 18: WARRANTY

LPSC hereby warrants that all PRODUCTS shall be free from defects in material and workmanship for a period of one (1) year from the date the end user installs the PRODUCT in its merchandise. In no event shall this warranty extend for more than twenty-four (24) months after the invoice date reflecting the sale of the PRODUCTS to DIODES. In the event of the discovery of a defect, LPSC shall deliver replacement PRODUCTS, at no charge to DIODES. LPSC shall also reimburse DIODES for any labor charges expended by DIODES in effecting the replacement. LPSC shall indemnify and hold DIODES harmless from any and all damages, including attorney's fees and costs incurred as a result of a defective PRODUCT.

In the event DIODES in any way enlarges LPSC's warranty as set forth herein, the liability for such enlargement shall be exclusively DIODES.

CHAPTER IV. TERMS OF AGREEMENT

ARTICLE 19: DURATION

This Agreement shall become effective upon its signing by both parties and shall remain in force, without prejudice to any other provision contained herein, for an initial period through and including June 12, 1997. If not terminated in writing by registered mail at least ninety (90) days prior to the end of said initial period, this Agreement shall automatically continue in force thereafter subject, however, to termination by either party at any time by delivery to the other party by registered mail of ninety (90) days' written notice.

ARTICLE 20: EARLY TERMINATION

Either party may terminate this Agreement immediately by delivery of written notice of termination to the other party at any time at the address set forth in the first paragraph of this Agreement in the event that:

(i) The other party files for protection, or is named as debtor, in any bankruptcy, insolvency, receivership, or similar proceedings, or makes an assignment for the benefit of creditors, or if any proceedings are instituted for the liquidation or winding up of such other party's business.

(ii) The other party commits a breach of any of its obligations arising hereunder, and upon being put on notice of such breach, fails to rectify such breach within a reasonable grace period which, unless stipulated otherwise by the notifying party, shall not exceed ten

(10) business days. Such obligations shall be deemed to include DIODES' obligations defined and set forth in Article 4 hereinabove.

(iii) A change in ownership of the other party's business occurs. As used herein, the term "change in ownership" shall mean the change in the beneficial ownership of at least fifty-one percent (51%) of the outstanding voting stock of a party.

ARTICLE 21: TERMINATION BY REGISTERED LETTER

Notice of termination by either party hereto shall be given by registered letter to the addresses set forth in the first paragraph of this Agreement.

ARTICLE 22: REPURCHASE OPTION

Upon termination of this Agreement by LPSC, whether by expiration pursuant to the terms of Article 18 or Early Termination pursuant to the provisions of Article 19, DIODES shall have the option to require LPSC to repurchase all or any part of DIODES inventory of PRODUCTS on the effective date of such expiration or termination. This right may be exercised by DIODES by giving written notice to LPSC of the requirement for LPSC to repurchase the inventory and setting forth which of the PRODUCTS and quantities thereof DIODES will require be repurchased. The purchase price under this provision shall be equal to the original factory invoice price for the PRODUCTS to be repurchased. DIODES shall have no such option if it causes this Agreement to terminate.

CHAPTER V: PRICES AND PAYMENT

ARTICLE 23: PRICES AND CONDITIONS OF SALE

The prices at and pursuant to which LPSC will sell the PRODUCTS to DIODES shall be established from time to time by LPSC and shall be subject to revision by LPSC at any time. LPSC agrees, however, to give DIODES ninety (90) days written notice of price change for such of the PRODUCTS for which DIODES has previously given LPSC a monthly three-month rolling purchase forecast. LPSC agrees to price the PRODUCTS sold to DIODES at a level equal to or lower than the price offered by LPSC to its other resellers, worldwide, for similar quantities and terms. DIODES shall have the right to review LPSC's customer records to verify that this "most favored distributor" clause is being honored.

ARTICLE 24: ACCEPTANCE OF ORDERS

LPSC shall have the right to accept or reject any order placed by DIODES so long as it gives written notice of rejection to DIODES within forty-eight (48) hours after receipt of DIODES' order.

ARTICLE 25: PAYMENT

Payment is due net thirty (30) days after delivery to DIODES. Payment of invoices by DIODES to LPSC shall be made by check or other appropriate means as mutually agreed upon.

DIODES shall not be entitled to withhold or set-off any payment to LPSC for whatever reason. All payments of invoices shall be made in the currency of LPSC's registered office, unless otherwise stated by LPSC on its order confirmation form.

CHAPTER VI. FINAL PROVISIONS

ARTICLE 26: ASSIGNMENT

This Agreement shall not be assignable by either party without the written consent of the other party, except that LPSC may assign this Agreement to another company of the LITE ON GROUP or to any person, firm, or corporation that may purchase or take assignment of the business relating to the PRODUCTS covered hereby, and provided further that such purchaser or assignee shall assume the obligations of LPSC hereunder.

ARTICLE 27: APPLICABLE LAW

This Agreement shall be governed and construed in all respects according to the laws of the State of California. If any provision of this Agreement shall be declared invalid or unenforceable for any reason, this ruling shall not affect the validity of the rest of the Agreement. The other parts of the Agreement shall remain in effect as if the Agreement had been executed without the invalid part. The parties hereby declare that they intend and desire that the remaining parts of the Agreement continue to be effective without any part or parts that have been declared invalid.

ARTICLE 28: DISPUTES

The parties agree that they will act in good faith to resolve any dispute under this Agreement by mutual negotiation and discussion prior to invoking any other right or remedy hereunder.

In the event any dispute arises out of the enforcement, interpretation, performance, or breach of any party under this Agreement, which cannot be amicably resolved, the parties shall promptly submit such dispute to arbitration before a single arbitrator in Los Angeles County, California, in accordance with and under the then current provisions of the Commercial Arbitration Rules of the American Arbitration Association. The arbitrability of any such dispute, claim, or controversy shall be determined by the arbitrator. Such arbitration shall be the sole and exclusive forum for bringing any such dispute, claim, or controversy. The cost of the arbitration and any proceeding in court to confirm or vacate any arbitration award (including, without limitation, actual attorney's fees, costs, any fees paid to the American Arbitration Association, and fees paid to the arbitrator) shall be awarded to the prevailing party and against the unsuccessful party. This arbitration clause shall survive the termination of this Agreement.

ARTICLE 29: AMENDMENT

This Agreement may not be amended, supplemented, or modified and no provision hereof may be waived unless such amendment, supplement, modification, or waiver is in writing and signed by the party to be bound thereby.

ARTICLE 30: RELATIONSHIP OF THE PARTIES

Nothing contained in this Agreement and no action taken by any party to this Agreement shall be deemed to constitute any party or any such party's employees, agents, or representatives, to be the employee, agent, or representative of the other party or shall be deemed to create any partnership, joint venture, association, or syndicate among or between any of the parties or shall be deemed to confer on any party any express or implied authority to incur any obligation or liability on behalf of the other party.

ARTICLE 31: WAIVER

The failure of either party at any time to require performance by the other party of any obligation hereunder shall in no way affect its right to require performance at any time thereafter. No waiver by either party of the breach of any provision hereof shall constitute a waiver of any subsequent breach of that provision or the breach of any other provision.

ARTICLE 32: CONFIDENTIALITY

In order to achieve the purposes of this Agreement, DIODES may disclose to LPSC certain confidential information. LPSC agrees that it shall keep all such information confidential and exercise the same degree of care to avoid unauthorized disclosure of such information as it uses in protecting its own trade secret and confidential information.

ARTICLE 33: ENTIRE AGREEMENT

This Agreement shall constitute the entire agreement of the parties hereto and shall supersede any and all prior agreements between DIODES and LPSC and its or their respective predecessors, relating to the subject matter hereof. This Agreement shall be subject to modification only by a duly executed written agreement between the parties.

The foregoing is hereby agreed to by the parties and signed by their respective duly authorized officers as of this 12th day of June in the year 1995.

FOR AND ON BEHALF OF LPSC

Signature: /s/ M.K. Lu

M.K. LU
Title: President

FOR AND ON BEHALF OF DIODES

Signature: /s/ David Lin

DAVID LIN

Title: President and Chief Executive Officer

ADDENDUM I

LPSC'S HOUSE ACCOUNTS IN NORTH AMERICA

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

6-MOS

DEC-31-1995	
JUN-30-1995	
	348,568
	0
	9,693,267
	188,197
	10,533,249
21,309,916	
	1,626,471
	0
	23,006,677
9,716,344	
	277,840
	3,614,503
169,629	
	0
	0
23,006,677	
	28,778,054
28,778,054	
	20,696,650
	4,879,591
	(171,444)
	188,197
	(43,301)
	3,373,257
	1,268,515
3,201,813	
	0
	0
	0
	2,104,742
	0.41
	0.40