

**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, 2012**

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: **002-25577**

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 Number)

**4949 Hedgcoxe Road, Suite 200
Plano, Texas**

(Address of principal executive offices)

75024

(Zip code)

(972) 987-3900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Common Stock outstanding as of August 3, 2012 was 45,996,700.

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PART I—FINANCIAL INFORMATION
Item 1—Financial Statements
DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	<i>(Unaudited)</i>	
CURRENT ASSETS		
Cash and cash equivalents	\$ 168,293	\$ 129,510
Accounts receivable, net	149,990	132,408
Inventories	137,734	140,337
Deferred income taxes, current	6,006	5,450
Prepaid expenses and other	24,466	19,093
Total current assets	<u>486,489</u>	<u>426,798</u>
PROPERTY, PLANT AND EQUIPMENT, net	226,943	225,393
DEFERRED INCOME TAXES, non-current	26,863	26,863
OTHER ASSETS		
Goodwill	68,450	67,818
Intangible assets, net	22,187	24,197
Other	28,861	21,995
Total assets	<u>\$859,793</u>	<u>\$ 793,064</u>

The accompanying notes are an integral part of these financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (cont')

LIABILITIES AND EQUITY
(In thousands, except share data)

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
CURRENT LIABILITIES		
Lines of credit	\$ 1,004	\$ 8,000
Accounts payable	77,313	66,063
Accrued liabilities	35,662	30,793
Income tax payable	—	4,855
Total current liabilities	<u>113,979</u>	<u>109,711</u>
LONG-TERM DEBT, net of current portion	42,685	2,857
CAPITAL LEASE OBLIGATIONS, net of current portion	925	1,082
OTHER LONG-TERM LIABILITIES	<u>35,458</u>	<u>30,699</u>
Total liabilities	<u>193,047</u>	<u>144,349</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Diodes Incorporated stockholders' equity		
Preferred stock—par value \$1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock—par value \$0.66 2/3 per share; 70,000,000 shares authorized; 45,821,854 and 45,432,252 issued and outstanding at June 30, 2012 and December 31, 2011, respectively	30,549	30,423
Additional paid-in capital	271,649	263,455
Retained earnings	387,168	375,644
Accumulated other comprehensive loss	(39,320)	(35,762)
Total Diodes Incorporated stockholders' equity	<u>650,046</u>	<u>633,760</u>
Noncontrolling interest	<u>16,700</u>	<u>14,955</u>
Total equity	<u>666,746</u>	<u>648,715</u>
Total liabilities and equity	<u>\$ 859,793</u>	<u>\$ 793,064</u>

The accompanying notes are an integral part of these financial statements.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
NET SALES	\$ 159,239	\$ 169,806	\$ 303,902	\$ 331,361
COST OF GOODS SOLD	118,211	114,191	229,168	218,353
Gross profit	41,028	55,615	74,734	113,008
OPERATING EXPENSES				
Selling, general and administrative	24,760	22,575	46,906	43,985
Research and development	8,218	6,533	15,382	13,051
Other operating (income) expenses	(254)	1,153	(1,358)	2,288
Total operating expenses	32,724	30,261	60,930	59,324
Income from operations	8,304	25,354	13,804	53,684
OTHER INCOME (EXPENSES)	251	(1,913)	938	(5,144)
Income before income taxes and noncontrolling interest	8,555	23,441	14,742	48,540
INCOME TAX PROVISION	856	4,718	1,474	9,553
NET INCOME	7,699	18,723	13,268	38,987
Less: NET INCOME attributable to noncontrolling interest	(1,046)	(742)	(1,744)	(1,322)
NET INCOME attributable to common stockholders	\$ 6,653	\$ 17,981	\$ 11,524	\$ 37,665
EARNINGS PER SHARE attributable to common stockholders				
Basic	\$ 0.15	\$ 0.40	\$ 0.25	\$ 0.84
Diluted	\$ 0.14	\$ 0.38	\$ 0.25	\$ 0.80
Number of shares used in computation				
Basic	45,642	45,325	45,551	45,074
Diluted	46,859	47,148	46,916	46,837

The accompanying notes are an integral part of these financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net income	\$7,699	\$18,723	\$13,268	\$38,987
Translation adjustment	(3,594)	1,507	404	6,231
Unrealized gain (loss) on defined benefit plan, net of tax	(938)	(2,183)	(3,963)	5,129
Comprehensive income	3,167	18,047	9,709	50,347
Less: Comprehensive income attributable to noncontrolling interest	(1,046)	(742)	(1,744)	(1,322)
Total comprehensive income attributable to common stockholders	<u>\$ 2,121</u>	<u>\$17,305</u>	<u>\$ 7,965</u>	<u>\$49,025</u>

The accompanying notes are an integral part of these financial statements.

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

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 30,271	\$ 48,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(24,237)	(44,984)
Purchase of equity securities	(5,664)	—
Proceeds from sale of property, plant and equipment	1,966	10
Proceeds from sale of intangibles	2,122	—
Other	108	77
Net cash used in investing activities	<u>(25,705)</u>	<u>(44,897)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	997	10,000
Repayments on lines of credit	(8,000)	—
Borrowings of long-term debt	70,000	—
Repayments of long-term debt	(30,162)	(360)
Net proceeds from issuance of common stock	1,236	3,709
Other	(160)	—
Net cash provided by financing activities	<u>33,911</u>	<u>13,349</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>306</u>	<u>2,931</u>
INCREASE IN CASH AND CASH EQUIVALENTS	38,783	19,465
CASH AND CASH EQUIVALENTS, beginning of period	129,510	270,901
CASH AND CASH EQUIVALENTS, end of period	<u>\$168,293</u>	<u>\$290,366</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash financing activities:		
Property, plant and equipment purchased on accounts payable	\$ (6,759)	\$ (9,409)

The accompanying notes are an integral part of these financial statements.

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

NOTE A—Nature of Operations, Basis of Presentation and Recently Issued Accounting Pronouncements

Nature of Operations

Diodes Incorporated and its subsidiaries (collectively, the “Company”) is a leading global manufacturer and supplier of high-quality, application specific standard products within the broad discrete, logic and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets throughout Asia, North America and Europe.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S.”) (“GAAP”) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2012. The consolidated condensed financial data at December 31, 2011 is derived from audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. As permitted under U.S. GAAP, interim accounting for certain expenses, including income taxes, are based on full year forecasts. Such amounts are expensed in full in the year incurred. For interim financial reporting purposes, income taxes are recorded based upon estimated annual effective income tax rates.

Certain prior year’s balances have been reclassified to conform to the current financial statement presentation.

Recently Issued Accounting Pronouncements

There have been no new accounting pronouncements during the six months ended June 30, 2012, as compared to recently issued accounting pronouncements described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, that are of significance, or potential significance, to the Company.

During the first quarter of 2012, the Company adopted Accounting Standards Update (“ASU”) No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. ASU No. 2011-05 requires an other comprehensive income statement to be included with the income statement, which together will make a statement of total comprehensive income, or separate from the income statement, but the two statements will have to appear consecutively within a financial report. The Company elected to present other comprehensive income as a separate statement from the income statement.

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NOTE B—Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted-average number of shares of Common Stock outstanding during the period. Diluted earnings per share is calculated similarly but includes potential dilution from the exercise of stock options and stock awards, except when the effect would be anti-dilutive.

The computation of basic and diluted earnings per common share is as follows *(in thousands, except per share data)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
BASIC				
Weighted average number of common shares outstanding used in computing basic earnings per share	45,642	45,325	45,551	45,074
Net income attributable to common stockholders	\$ 6,653	\$17,981	\$ 11,524	\$37,665
Earnings per share attributable to common stockholders	\$ 0.15	\$ 0.40	\$ 0.25	\$ 0.84
DILUTED				
Weighted average number of common shares outstanding used in computing basic earnings per share	45,642	45,325	45,551	45,074
Add: Assumed exercise of stock options and stock awards	1,217	1,823	1,365	1,763
	46,859	47,148	46,916	46,837
Net income attributable to common stockholders	\$ 6,653	\$17,981	\$ 11,524	\$37,665
Earnings per share attributable to common stockholders	\$ 0.14	\$ 0.38	\$ 0.25	\$ 0.80

NOTE C—Inventories

Inventories stated at the lower of cost or market value are as follows *(in thousands)*:

	June 30, 2012	December 31, 2011
Raw materials	\$ 71,345	\$ 65,373
Work-in-progress	23,675	22,937
Finished goods	42,714	52,027
Total	\$137,734	\$ 140,337

NOTE D—Goodwill and Intangible Assets

Changes in goodwill are as follows *(in thousands)*:

Balance at December 31, 2011	\$67,818
Currency exchange	632
Balance at June 30, 2012	\$ 68,450

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Intangible assets are as follows (*in thousands*):

Balance at June 30, 2012:	
Intangible assets subject to amortization:	
Gross carrying amount	\$ 48,460
Accumulated amortization	(21,234)
Currency exchange	(7,548)
Net value	19,678
Intangible assets with indefinite lives:	
Gross carrying amount	3,162
Currency exchange	(653)
Total	2,509
Total intangible assets, net	\$ 22,187
Balance at December 31, 2011:	
Intangible assets subject to amortization:	
Gross carrying amount	\$ 48,664
Accumulated amortization	(19,193)
Currency exchange	(7,760)
Net value	21,711
Intangible assets with indefinite lives:	
Gross carrying amount	3,162
Currency exchange	(676)
Total	2,486
Total intangible assets, net	\$ 24,197

Amortization expense related to intangible assets subject to amortization was approximately \$1 million for the three months ended June 30, 2012 and 2011, and approximately \$2 million for the six months ended June 30, 2012 and 2011.

NOTE E—Fair Value Measurements

As of June 30, 2012, the Company held approximately 18 million shares, approximately 41% ownership, of the common stock of Eris Technology Corporation (“Eris”), a publicly traded company listed on Taiwan’s GreTai Securities Market that provides design, manufacturing and after-market services for diode products. See Note K for additional information regarding related party transactions with Eris.

The Company has elected the fair value option for the shares of Eris common stock, under which the unrealized gains and losses are reported in other income (expense). Fair value is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The shares of Eris common stock are valued under the fair value hierarchy as a Level 1 Input, which is the quoted price (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Financial assets carried at fair value as of June 30, 2012 are classified in the following table (*in thousands*):

Description	Fair Value Estimate	Fair Value Measurements			Changes in Fair Values for Items Measured at Fair Value Pursuant to Election of the Fair Value Option	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Gains and (Losses)	Total Changes in Fair Values Included in Current-Period Earnings
Securities carried at fair value *	\$19,904	\$19,904	\$ —	\$ —	\$ 123	\$ 1,162

* Represents investments that would otherwise be accounted for under the equity method of accounting and is included in other assets.

[Table of Contents](#)**NOTE F—Income Tax Provision**

Income tax expense of approximately \$1 million and \$5 million was recorded for the three months ended June 30, 2012 and 2011, respectively, and income tax expense of approximately \$2 million and \$10 million was recorded for the six months ended June 30, 2012 and 2011, respectively. This resulted in an effective tax rate of 10% for the six months ended June 30, 2012, as compared to 20% in the same period last year and compared to 16% for the full year of 2011. Our effective tax rates for the six months ended June 30, 2012 and 2011, respectively, were lower than the U.S. statutory tax rate of 35%, principally from the impact of higher income in lower-taxed jurisdictions and the benefit of losses in higher-taxed jurisdictions.

For the six months ended June 30, 2012, the Company reported domestic and foreign pre-tax income (loss) of approximately \$(14) million and \$29 million, respectively. For the six months ended June 30, 2011, the Company reported domestic and foreign pre-tax income (loss) of approximately \$(12) million and \$61 million, respectively. Funds repatriated from foreign subsidiaries to the U.S. may be subject to federal and state income taxes. The Company intends to permanently reinvest overseas all of its earnings from its foreign subsidiaries; accordingly, U.S. taxes are not being recorded on undistributed foreign earnings.

The impact of tax holidays decreased the Company's tax expense by approximately \$4 million and \$2 million for the six months ended June 30, 2012 and 2011, respectively. The benefit of the tax holidays on both basic and diluted earnings per share for the six months ended June 30, 2012 was approximately \$0.08. The benefit of the tax holidays on both basic and diluted earnings per share for the six months ended June 30, 2011 was approximately \$0.10.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2007. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, the Company is no longer subject to income tax audits for years before 2006. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties, if any, have been provided for in the Company's reserve for any adjustments that may result from future tax audits. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense. As of June 30, 2012, the gross amount of unrecognized tax benefits was approximately \$11 million.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of settlements of ongoing audits or competent authority proceedings. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

NOTE G—Share-Based Compensation

The following table shows the total compensation expensed for share-based compensation plans, including stock options and share grants, recognized in the statements of operations (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cost of sales	\$ 102	\$ 89	\$ 205	\$ 175
Selling and administrative expense	3,121	2,961	6,247	5,829
Research and development expense	316	233	632	463
Total share-based compensation expense	\$3,539	\$ 3,283	\$ 7,084	\$ 6,467

Stock Options. Stock options generally vest in equal annual installments over a four-year period and expire ten years after the grant date, and expense was estimated on the date of grant using the Black-Scholes-Merton option pricing model.

The total net cash proceeds received from stock option exercises during the six months ended June 30, 2012 was approximately \$1 million. Stock option expense was approximately \$1 million for both the three months ended June 30, 2012 and 2011, and approximately \$2 million for both the six months ended June 30, 2012 and 2011.

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A summary of the stock option plans is as follows:

<u>Stock Options</u>	<u>Shares (000)</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (yrs)</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Outstanding at January 1, 2012	3,587	\$ 16.69	5	\$22,299
Granted	382	19.35		
Exercised	(268)	4.66		4,207
Forfeited or expired	—	—		
Outstanding at June 30, 2012	<u>3,701</u>	<u>\$ 17.83</u>	<u>5</u>	<u>\$ 12,415</u>
Exercisable at June 30, 2012	<u>2,698</u>	<u>\$ 16.44</u>	<u>4</u>	<u>\$11,916</u>

The aggregate intrinsic value in the table above is before applicable income taxes and represents the amount option holders would have received if all options had been exercised on the last business day of the period indicated, based on the Company's closing stock price.

As of June 30, 2012, total unrecognized stock-based compensation expense related to unvested stock options, net of forfeitures, was approximately \$12 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 5 years.

Share Grants. Restricted stock awards and restricted stock units generally vest in equal annual installments over a four-year period.

The total fair value of restricted stock awards vested during the six months ended June 30, 2012 was approximately \$3 million. Share grant expense for both the three months ended June 30, 2012 and 2011 was approximately \$3 million and \$2 million, respectively. Share grant expense for the six months ended June 30, 2012 and 2011 was approximately \$5 million and \$4 million, respectively.

A summary of the Company's non-vested share grants is as follows:

<u>Share Grants</u>	<u>Shares (000)</u>	<u>Weighted- Average Grant-Date Fair Value</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Non-vested at January 1, 2012	623	\$ 22.91	\$14,279
Granted	132	19.46	
Vested	(122)	22.11	2,697
Forfeited	(15)	22.49	
Non-vested at June 30, 2012	<u>618</u>	<u>\$ 22.34</u>	<u>\$ 13,802</u>

As of June 30, 2012, total unrecognized share-based compensation expense related to non-vested stock awards, net of forfeitures, was approximately \$21 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 3 years.

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NOTE H—Segment Information and Enterprise-Wide Disclosure

For financial reporting purposes, the Company operates in a single segment, standard semiconductor products, through the Company's various manufacturing and distribution facilities. The Company aggregates its products because the products are similar and have similar economic characteristics, and the products are similar in production process and share the same customer type.

The Company's primary operations include the domestic operations in Asia, North America and Europe.

Revenues are attributed to geographic areas based on the location of subsidiaries producing the revenues *(in thousands)*:

	Three Months Ended <u>June 30, 2012</u>	<u>Asia</u>	<u>North America</u>	<u>Europe</u>	<u>Consolidated</u>
Total sales		\$ 145,699	\$ 34,071	\$ 45,505	\$ 225,275
Inter-company sales		(23,684)	(15,881)	(26,471)	(66,036)
Net sales		<u>\$ 122,015</u>	<u>\$ 18,190</u>	<u>\$ 19,034</u>	<u>\$ 159,239</u>

	Three Months Ended <u>June 30, 2011</u>	<u>Asia</u>	<u>North America</u>	<u>Europe</u>	<u>Consolidated</u>
Total sales		\$ 150,015	\$ 37,224	\$ 61,710	\$ 248,949
Inter-company sales		(24,128)	(15,878)	(39,137)	(79,143)
Net sales		<u>\$ 125,887</u>	<u>\$ 21,346</u>	<u>\$ 22,573</u>	<u>\$ 169,806</u>

	As Of And For The Six Months Ended <u>June 30, 2012</u>	<u>Asia</u>	<u>North America</u>	<u>Europe</u>	<u>Consolidated</u>
Total sales		\$ 273,071	\$ 65,802	\$ 84,450	\$ 423,323
Inter-company sales		(40,052)	(31,045)	(48,324)	(119,421)
Net sales		<u>\$ 233,019</u>	<u>\$ 34,757</u>	<u>\$ 36,126</u>	<u>\$ 303,902</u>
Property, plant and equipment		<u>\$ 168,596</u>	<u>\$ 31,127</u>	<u>\$ 27,220</u>	<u>\$ 226,943</u>
Total assets		<u>\$ 517,232</u>	<u>\$ 119,600</u>	<u>\$ 222,961</u>	<u>\$ 859,793</u>

	As Of And For The Six Months Ended <u>June 30, 2011</u>	<u>Asia</u>	<u>North America</u>	<u>Europe</u>	<u>Consolidated</u>
Total sales		\$ 281,570	\$ 72,597	\$ 110,473	\$ 464,640
Inter-company sales		(38,577)	(31,210)	(63,492)	(133,279)
Net sales		<u>\$ 242,993</u>	<u>\$ 41,387</u>	<u>\$ 46,981</u>	<u>\$ 331,361</u>
Property, plant and equipment		<u>\$ 162,654</u>	<u>\$ 34,459</u>	<u>\$ 32,680</u>	<u>\$ 229,793</u>
Total assets		<u>\$ 512,542</u>	<u>\$ 183,362</u>	<u>\$ 227,160</u>	<u>\$ 923,064</u>

Geographic Information

Revenues were derived from (billed to) customers located in the following countries (*in thousands*):

	Net Sales for the Three Months Ended June 30,		Percentage of Net Sales	
	2012	2011	2012	2011
	China	\$ 51,658	\$ 53,129	32%
Taiwan	31,667	36,581	20%	22%
United States	27,926	29,928	18%	18%
Korea	11,632	10,422	7%	6%
U.K.	7,853	8,510	5%	5%
Singapore	6,831	6,027	4%	3%
Germany	6,157	7,999	4%	5%
All Others (1)	15,515	17,210	10%	10%
Total	\$159,239	\$169,806	100%	100%

	Net Sales for the Six Months Ended June 30,		Percentage of Net Sales	
	2012	2011	2012	2011
	China	\$ 100,810	\$ 100,565	33%
Taiwan	63,448	74,261	21%	23%
United States	56,196	56,457	19%	17%
Korea	21,853	20,189	7%	6%
U.K.	12,978	17,228	4%	5%
Germany	12,939	17,456	4%	5%
Singapore	11,476	11,589	4%	4%
All Others (1)	24,202	33,616	8%	10%
Total	\$ 303,902	\$ 331,361	100%	100%

⁽¹⁾ Represents countries with less than 3% of the total revenues each.

NOTE I – Commitments

Purchase commitments – As of June 30, 2012, the Company had approximately \$29 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

Other commitments – During 2010, the Company entered into an investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the “CDHT”). Under this agreement, the Company agreed to form a joint venture with a Chinese partner, Chengdu Ya Guang Electronic Company Limited, to establish a semiconductor manufacturing facility for the purpose of providing surface mounted component production, assembly and testing, and integrated circuit assembly and testing in Chengdu, People’s Republic of China. This is a long-term, multi-year project that will provide additional capacity for the Company as needed. In order to qualify for certain financial incentives, the Company is obligated to contribute approximately \$48 million in invested capital by December 14, 2012. As of June 30, 2012, the Company has contributed approximately \$33 million, of which \$28 million has been invested in capital expenditures.

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NOTE J—Employee Benefit Plans

Defined Benefit Plan

The Company has a contributory defined benefit plan that covers certain employees in the United Kingdom (“U.K.”). The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions regarding the discount rate, estimated return on plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses.

For the six months ended June 30, 2012, net period benefit costs associated with the defined benefit plan were approximately \$0 million.

The following tables set forth the benefit obligation, the fair value of plan assets, and the funded status of the Company’s plan (*in thousands*):

	<u>Defined Benefit Plan</u>
Change in benefit obligation:	
Balance at December 31, 2011	\$ 109,877
Service cost	158
Interest cost	2,821
Actuarial gain	3,048
Benefits paid	(1,832)
Currency changes	994
Benefit obligation at June 30, 2012	\$ 115,066
Change in plan assets:	
Fair value of plan assets at December 31, 2011	\$ 96,384
Actual return on plan assets	1,850
Employer contribution	1,103
Benefits paid	(1,832)
Currency changes	886
Fair value of plan assets at June 30, 2012	\$ 98,391
Underfunded status at June 30, 2012	\$ (16,675)

Based on an actuarial study performed as of June 30, 2012, the plan is underfunded and a liability is reflected in the Company’s consolidated financial statements as a long-term liability. The weighted-average discount rate assumption used to determine benefit obligations as of June 30, 2012 was 4.8%.

The following are weighted-average assumptions used to determine net periodic benefit costs for the six months ended June 30, 2012:

Discount rate	5.1%
Expected long-term return on plan assets	5.6%

During the second quarter of 2012, the Company adopted a payment plan with the trustees of the defined benefit plan, in which the Company will pay approximately £2 million GBP (approximately \$3 million based on a USD:GBP exchange rate of 1.6:1) every year from 2012 through 2019.

The Company also has pension plans in Asia for which the benefit obligation, fair value of the plan assets and the funded status amounts are deemed immaterial and therefore, are not included in the figures or assumptions above.

[Table of Contents](#)*Deferred Compensation*

The Company maintains a Non-Qualified Deferred Compensation Plan (the “Deferred Compensation Plan”) for executive officers, key employees and members of the Board of Directors (the “Board”). The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation, including equity awards, until designated future dates. The Company offsets its obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At June 30, 2012, these investments totaled approximately \$3 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the Deferred Compensation Plan liabilities.

NOTE K—Related Parties

The Company conducts business with a related party company, Lite-On Semiconductor Corporation and its subsidiaries and affiliates (collectively, “LSC”), that owned approximately 18% of the Company’s outstanding Common Stock as of June 30, 2012. The Company also conducts business with one significant company, Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (collectively, “Keylink”). Keylink is the Company’s 5% joint venture partner in the Company’s Shanghai manufacturing facilities. In addition, the Company conducts business with a related party company, Eris. The Company owned approximately 41% of Eris’s outstanding Common Stock as of June 30, 2012.

The Audit Committee of the Company’s Board reviews all related party arrangements for potential conflict of interest situations on an ongoing basis, in accordance with such procedures as the Audit Committee may adopt from time to time.

Lite-On Semiconductor Corporation – During both the six months ended June 30, 2012 and 2011, the Company sold products to LSC totaling approximately 0% and 0% of its net sales, respectively. Net sales have decreased in recent years due to fewer wafers being sold to LSC and more wafers being used for internal consumption. Also, for the six months ended June 30, 2012 and 2011, approximately 3% and 6%, respectively, of the Company’s net sales were from semiconductor products purchased from LSC for subsequent sale, making LSC one of the Company’s largest suppliers.

Net sales to, and purchases from, LSC are as follows (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 274	\$ 505	\$ 321	\$ 952
Purchases	\$9,001	\$9,541	\$16,419	\$18,494

Keylink International (B.V.I.) Inc. – During the six months ended June 30, 2012 and 2011, the Company sold products to Keylink totaling approximately 3% and 0% of its net sales, respectively. Net sales increased in 2012 compared to 2011 due to the renewed business activity that had ceased during most of 2011. Also, for both the six months ended June 30, 2012 and 2011, approximately 1% of the Company’s net sales were from semiconductor products purchased from Keylink for subsequent sale. In addition, the Company’s subsidiaries in China lease their manufacturing facilities from, and subcontract a portion of their manufacturing process (including, but not limited to, metal plating and environmental services) to Keylink. The Company also pays a consulting fee to Keylink. The aggregate amounts for these services for both the six months ended June 30, 2012 and 2011 were approximately \$8 million.

Net sales to, and purchases from, Keylink are as follows (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$4,971	\$ 18	\$9,443	\$ 1,204
Purchases	\$ 2,323	\$3,017	\$4,127	\$5,880

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Eris Technology Corporation—The Company subcontracts to Eris some of its wafers for assembly and test and also purchases finished goods not sourced from the Company's wafers. With respect to assembly and test fees and the finished goods purchases, the Company paid Eris approximately \$8 million for both the six months ended June 30, 2012 and 2011.

Accounts receivable from, and accounts payable to, LSC, Eris and Keylink are as follows *(in thousands)*:

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Accounts receivable		
LSC	\$ 264	\$ 133
Keylink	9,557	11,237
	<u>\$ 9,821</u>	<u>\$ 11,370</u>
Accounts payable		
LSC	\$ 6,594	\$ 5,106
Keylink	5,774	6,002
Eris	5,491	5,832
	<u>\$17,859</u>	<u>\$ 16,940</u>

Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations

Except for the historical information contained herein, the matters addressed in this Item 2 constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed below under the heading “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q, that could cause actual results to differ materially from those anticipated by the Company’s management. The Private Securities Litigation Reform Act of 1995 (the “Act”) provides certain “safe harbor” provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act. The Company undertakes no obligation to publicly release the results of any revisions to its forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events. Unless the context otherwise requires, the words “Diodes,” the “Company,” “we,” “us” and “our” refer to Diodes Incorporated and its subsidiaries.

This management’s discussion should be read in conjunction with the management’s discussion included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, previously filed with Securities and Exchange Commission.

Highlights

- Net sales for the three months ended June 30, 2012 was \$159 million, a decrease of \$11 million, or 6%, over the same period last year, and a sequential increase of 10% compared to the \$145 million in the first quarter of 2012;
- Net sales for the six months ended June 30, 2012 was \$304 million, a decrease of \$27 million, or 8%, over the same period last year;
- Gross profit for the three months ended June 30, 2012 was \$41 million, a decrease of \$15 million, or 27%, over the same period last year, and a sequential increase of 22% compared to the \$34 million in the first quarter of 2012;
- Gross profit for the six months ended June 30, 2012 was \$75 million, a decrease of \$38 million, or 34%, over the same period last year;
- Gross profit margin for the three months ended June 30, 2012 was 26%, a decrease of 7% over the same period last year, and a sequential increase of 3% compared to the first quarter of 2012;
- Gross profit margin for the six months ended June 30, 2012 was 25%, a decrease of 9% over the same period last year;
- Net income attributable to common stockholders for the three months ended June 30, 2012 was \$7 million, or \$0.14 per diluted share, compared to the same period last year, which was \$18 million, or \$0.38 per diluted share, and first quarter of 2012 net income of \$5 million, or \$0.10 per diluted share;
- Net income attributable to common stockholders for the six months ended June 30, 2012 was \$12 million, or \$0.25 per diluted share, compared to the same period last year, which was \$38 million, or \$0.80 per diluted share;
- Cash flows from operating activities was \$17 million for the three months ended June 30, 2012; and
- Cash flows from operating activities was \$30 million for the six months ended June 30, 2012.

Overview

We are a leading global manufacturer and supplier of high-quality, application specific standard products within the broad discrete, logic and analog semiconductor markets, serving the consumer electronics, computing, communications, industrial and automotive markets. The products are sold primarily throughout Asia, North America and Europe.

We design, manufacture and market these semiconductors for diverse end-use applications. Semiconductors, which provide electronic signal amplification and switching functions, are basic building-block electronic components that are incorporated into almost every electronic device. We believe that our focus on standard semiconductor products provides us with a meaningful competitive advantage relative to other semiconductor companies.

First Two Quarters of 2012

Late in the first quarter of 2012, we began to see signs of a recovery in our end markets. We took advantage of this renewed strength by significantly reducing our lower margin finished goods inventory, which helped to support revenue and secure incremental market share gains. As a result, we achieved moderate sequential revenue growth, which is significantly better than the typical seasonal slowness. However, our decision to reduce inventory combined with the increased pricing pressure and lower utilization continued to impact margins during the quarter. We believe the first quarter represents the low point in the cycle and that overall demand is beginning to improve across all of our geographies. As such, we have shifted our strategy back to our growth model to aggressively capture additional market share. We have begun adding capacity for new, more advanced packaging at our Shanghai facilities to support our anticipated growth. As the demand and pricing environment improves further, we will transition available capacity to higher margin products to enhance our product mix and margins going forward.

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During the second quarter of 2012 we had 10% sequential growth in net sales driven by improved demand across all of our geographies and end markets as we continued to gain market share. The second quarter benefited from the ramping of new projects for our products used in smartphones and tablets, where we are very well positioned. Our growth is particularly noteworthy considering our stronger than seasonal results in the first quarter, which was the low point in the demand cycle. Margins also improved in the second quarter as we began to slowly shift to higher margin products, while also benefiting from new product initiatives and manufacturing efficiency improvements. In addition, we expect continued growth in the third quarter of 2012 and have made targeted capital expenditures in our Shanghai facilities to increase capacity for specific packages and products.

Business Outlook

Although uncertainty remains regarding the global economic environment for the second half of 2012, we remain focused on increasing design win activity, gaining market share and overall efficiencies. As we look to the second half of 2012, we are approaching the challenging environment cautiously as we began to see demand moderate in June and growth in China is proving to be softer than expected. That said, we remain focused on executing on our profitable growth model and expect revenue in the third quarter to increase to a range between \$162 million and \$170 million. We expect gross margin to be 28%, plus or minus 2%. Operating expenses in third quarter are expected to be 21.4% of revenue, plus or minus 1%. We expect our income tax rate to range between 7% and 13%, and shares used to calculate GAAP EPS for the third quarter are anticipated to be approximately 47.2 million.

Factors Relevant to Our Results of Operations

The following has affected, and, we believe, will continue to affect, our results of operations:

- Net sales for the six months ended June 30, 2012 was \$304 million, compared to \$331 million in the same period last year. This decrease in net sales mainly reflects the decrease in demand for our products in all geographic regions, primarily in the consumer and computing markets, during the first six months of 2012 compared to the first six months of 2011.
- Our gross profit margin was 25% for the six months ended June 30, 2012, compared to 34% in the same period last year. Our gross margin percentage decreased over the same period last year due to a weaker pricing environment and increased manufacturing costs. Future gross profit margins will depend primarily on market prices, our product mix, manufacturing cost savings, and the demand for our products.
- For the six months ended June 30, 2012, our capital expenditures, excluding capital expenditures related to our investment agreement with the Management Committee of the Chengdu Hi-Tech Industrial Development Zone (the "CDHT"), were approximately 7% of our net sales, which is lower than our historical 10% to 12% of net sales model. For 2012, we expect capital expenditures, excluding capital expenditures related to our investment agreement, to be at the low end of our historical model.
- For the six months ended June 30, 2012 and 2011, the percentage of our net sales derived from our Asian subsidiaries was 77% and 73%, respectively. In the near future, we expect our percentage of net sales to the Asian market to remain approximately the same. Europe accounted for approximately 12% of our revenues for the six months ended June 30, 2012, compared to 15% in the same period last year. In addition, North America accounted for approximately 11% of our revenues for the six months ended June 30, 2012, compared to 12% in the same period last year.
- As of June 30, 2012, we had invested approximately \$374 million in our manufacturing facilities in Asia. For the six months ended June 30, 2012, we invested approximately \$28 million in these manufacturing facilities, and we expect to continue to invest in our manufacturing facilities, although the amount to be invested will depend on, among other factors, product demand and new product developments.
- For the six months ended June 30, 2012, our original equipment manufacturers ("OEM") and electronic manufacturing services ("EMS") customers together accounted for approximately 45% of our net sales, while our global network of distributors accounted for approximately 55% of our net sales.

[Table of Contents](#)**Results of Operations for the Three Months Ended June 30, 2012 and 2011**

The following table sets forth, the percentage that certain items in the statements of operations bear to net sales and the percentage dollar increase (decrease) of such items from period to period.

	Percent of Net Sales Three Months Ended June 30,		Percentage Dollar Increase (Decrease)
	2012	2011	'11 to '12
Net sales	100%	100%	(6)
Cost of goods sold	(74)	(67)	4
Gross profit	26	33	(26)
Operating expenses	(21)	(18)	8
Income from operations	5	15	(67)
Other income (expense)	—	(1)	(115)
Income before income taxes and noncontrolling interest	5	14	(64)
Income tax provision	(1)	(3)	(82)
Net income	4	11	(59)
Net income attributable to noncontrolling interest	—	—	41
Net income attributable to common stockholders	4	11	(63)

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended June 30, 2012, compared to the three months ended June 30, 2011. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report (*in thousands*).

	2012	2011
Net Sales	\$159,239	\$169,806

Net sales decreased approximately \$11 million for the three months ended June 30, 2012, compared to the same period last year. The 6% decrease in net sales was due to an approximately 9% decrease in average selling price (“ASP”), partially offset by a 3% increase in units sold. The revenue decrease for the three months ended June 30, 2012 was attributable to general market slowdown on a global basis, primarily in the consumer and computing markets, causing larger than normal pricing declines.

	2012	2011
Cost of goods sold	\$118,211	\$114,191
Gross profit	\$ 41,028	\$ 55,615
Gross profit margin	26%	33%

Cost of goods sold increased approximately \$4 million, or 4%, for the three months ended June 30, 2012, compared to the same period last year. As a percent of sales, cost of goods sold increased to 74% for the three months ended June 30, 2012, compared to 67% in the same period last year, and our average unit cost (“AUP”) increased 1% due to product mix and increased manufacturing costs.

For the three months ended June 30, 2012, gross profit decreased by approximately \$15 million, or 26%, compared to the same period last year. Gross margin decreased to 26% for the three months ended June 30, 2012, compared to 33% for the same period last year. This decrease is mainly due to a weaker pricing environment and increased manufacturing costs.

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<u>Operating expenses</u>	<u>2012</u>	<u>2011</u>
	\$32,751	\$30,261

Operating expenses for the three months ended June 30, 2012 increased approximately \$2 million compared to the same period last year. Of the components within operating expenses, selling, general and administrative expenses (“SG&A”) increased approximately \$2 million, and research and development expenses (“R&D”) also increased approximately \$2 million. In addition, included in operating expenses for 2012 is a gain of approximately \$1 million on the sale of assets. SG&A, as a percentage of sales, increased to 16% for the three months ended June 30, 2012, compared to 13% in the same period last year, and R&D, as a percentage of sales, increased to 5% for the three months ended June 30, 2012, compared to 4% in the same period last year.

<u>Other income (expenses)</u>	<u>2012</u>	<u>2011</u>
	\$278	\$(1,913)

Other income for the three months ended June 30, 2012 was less than \$1 million, compared to other expenses of approximately \$2 million in the same period last year. For the three months ended June 30, 2011, other expense included approximately \$2 million for the amortization of debt discount related to our convertible senior notes, which were repurchased in 2011.

<u>Income tax provision</u>	<u>2012</u>	<u>2011</u>
	\$856	\$4,718

We recognized income tax expense of approximately \$1 million for the three months ended June 30, 2012, compared to approximately \$5 million income tax expense in the same period last year. The estimated effective tax rate is 10% for the three months ended June 30, 2012, compared to 20% in the same period last year. Our effective tax rates for the three months ended June 30, 2012 and 2011, respectively, were lower than the U.S. statutory tax rate of 35%, principally from the impact of higher income in lower-taxed jurisdictions and the benefit of losses in higher-taxed jurisdictions.

[Table of Contents](#)**Results of Operations for the Six Months Ended June 30, 2012 and 2011**

The following table sets forth, the percentage that certain items in the statements of operations bear to net sales and the percentage dollar increase (decrease) of such items from period to period.

	Percent of Net Sales Six Months Ended June 30,		Percentage Dollar Increase (Decrease)
	2012	2011	'11 to '12
Net sales	100%	100%	(8)
Cost of goods sold	(75)	(66)	5
Gross profit	25	34	(34)
Operating expenses	(20)	(18)	3
Income from operations	5	16	(74)
Other income (expense)	—	(2)	(119)
Income before income taxes and noncontrolling interest	5	14	(70)
Income tax provision	(1)	(2)	(85)
Net income	4	12	(66)
Net income attributable to noncontrolling interest	—	—	32
Net income attributable to common stockholders	4	12	(69)

The following discussion explains in greater detail our consolidated operating results and financial condition for the six months ended June 30, 2012, compared to the six months ended June 30, 2011. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report (*in thousands*).

	2012	2011
Net Sales	\$303,902	\$331,361

Net sales decreased approximately \$27 million for the six months ended June 30, 2012, compared to the same period last year. The 8% decrease in net sales represented an approximately 15% decrease in ASP, partially offset by an 8% increase in units sold. The revenue decrease for the six months ended June 30, 2012 was attributable to a general market slowdown on a global basis, primarily in the consumer and computing markets, causing larger than normal pricing declines.

	2012	2011
Cost of goods sold	\$229,168	\$331,361
Gross profit	\$ 74,734	\$ 113,008
Gross profit margin	25%	34%

Cost of goods sold increased approximately \$11 million, or 5%, for the six months ended June 30, 2012, compared to the same period last year. As a percent of sales, cost of goods sold increased to 75% for the six months ended June 30, 2012, compared to 66% in the same period last year, and AUP decreased 3% due to product mix.

For the six months ended June 30, 2012, gross profit decreased by approximately \$38 million, or 34%, compared to the same period last year. Gross margin decreased to 25% for the six months ended June 30, 2012, compared to 34% for the same period last year. This decrease is mainly due to a weaker pricing environment and increased manufacturing costs.

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	<u>2012</u>	<u>2011</u>
<u>Operating expenses</u>	\$60,957	\$59,324

Operating expenses for the six months ended June 30, 2012 increased approximately \$2 million compared to the same period last year. Of the components within operating expenses, selling, general and administrative expenses (“SG&A”) increased approximately \$3 million, and research and development expenses (“R&D”) also increased approximately \$2 million. In addition, included in other operating (income) expenses for 2012 is a gain of approximately \$4 million on the sale of assets. SG&A, as a percentage of sales, increased to 15% for the six months ended June 30, 2012, compared to 13% in the same period last year, and R&D, as a percentage of sales, increased to 5% for the six months ended June 30, 2012, compared to 4% in the same period last year.

	<u>2012</u>	<u>2011</u>
<u>Other income (expenses)</u>	\$965	\$(5,144)

Other income for the six months ended June 30, 2012 was approximately \$1 million, compared to other expenses of approximately \$5 million in the same period last year. For the six months ended June 30, 2011, other expense included approximately \$4 million for the amortization of debt discount related to our convertible senior notes, which were repurchased in 2011.

	<u>2012</u>	<u>2011</u>
<u>Income tax provision</u>	\$1,474	\$9,553

We recognized income tax expense of approximately \$1 million for the six months ended June 30, 2012, compared to approximately \$10 million in the same period last year. The estimated effective tax rate is approximately 10% for the six months ended June 30, 2012, compared to approximately 20% in the same period last year. Our effective tax rates for the six months ended June 30, 2012 and 2011 were lower than the U.S. statutory tax rate of 35%, due primarily from the impact of higher income in lower-taxed jurisdictions and the benefit of losses in higher-taxed jurisdictions.

[Table of Contents](#)**Financial Condition****Liquidity and Capital Resources**

Our primary sources of liquidity are cash and cash equivalents, funds from operations and, if necessary, borrowings under our credit facilities. We currently have a U.S. credit agreement consisting of a \$10 million revolving credit facility and a \$10 million uncommitted facility with \$10 million outstanding borrowings, and an outstanding \$40 million term loan. The revolving credit facility and the uncommitted facility have a maturity date of January 17, 2013 and the term loan has a maturity date of January 17, 2015. In addition, we have foreign credit facilities with borrowing capacities of approximately \$51 million with \$1 million outstanding borrowings and \$3 million used for import and export guarantees. Our primary liquidity requirements have been to meet our inventory and capital expenditure needs and to fund on-going operations. At December 31, 2011 and June 30, 2012, our working capital was \$317 million and \$373 million, respectively. Our working capital increased in the first six months of 2012 primarily due to the increase in cash and cash equivalents, mainly due to a draw down on our \$40 million term loan, which was partially offset by the repayment on lines of credit of \$8 million. We expect cash generated by our operations, together with existing cash, cash equivalents and available credit facilities, to be sufficient to cover cash needs for working capital and capital expenditures for at least the next 12 months.

Capital expenditures for the six months ended June 30, 2012 and 2011 were \$31 million and \$54 million, respectively, which includes \$10 million and \$5 million, respectively, of capital expenditures related to the investment agreement with the Management Committee of the CDHT. Capital expenditures, excluding capital expenditures related to the investment agreement, in the first six months of 2012 were approximately 7% of our net sales and were primarily related to manufacturing expansion in our facilities in China.

For the six months ended June 30, 2012, we purchased approximately \$6 million worth of additional shares of common stock of Eris Technology Corporation ("Eris"). As part of our strategy to expand our semiconductor product offerings and to maximize our market opportunities, we may acquire product lines or companies in order to enhance our portfolio and accelerate our new offerings, which could have a material impact on liquidity. See Note E of the "Notes to Consolidated Condensed Financial Statements" of this Quarterly Report for additional information about Eris and Part I, Item 1 of our Annual Report for additional information about our strategy.

Discussion of Cash Flow

Cash and cash equivalents increased from \$130 million at December 31, 2011 to \$168 million at June 30, 2012 primarily from cash provided by operating and financing activities, offset in part by cash used by investing activities.

A summary of the consolidated condensed statements of cash flows is as follows *(in thousands)*:

	Six Months Ended June 30,		
	2012	2011	Change
Net cash provided by operating activities	\$ 30,271	\$ 48,082	\$(17,811)
Net cash used by investing activities	(25,705)	(44,897)	19,192
Net cash provided by financing activities	33,911	13,349	20,562
Effect of exchange rates on cash and cash equivalents	306	2,931	(2,625)
Net increase in cash and cash equivalents	<u>\$ 38,783</u>	<u>\$19,465</u>	<u>\$ 19,318</u>

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Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2012 was \$30 million, resulting primarily from \$13 million of net income, \$31 million in depreciation and amortization and an increase in accounts payable, offset partially by an increase in accounts receivable. Net cash provided by operating activities was \$48 million for the same period last year, resulting primarily from \$39 million of net income and \$29 million in depreciation and amortization, offset partially by a \$27 million increase in operating assets.

Investing Activities

Net cash used by investing activities was \$26 million for the six months ended June 30, 2012, compared to net cash used by investing activities of \$45 million for the same period last year. This decrease in net cash used was due primarily to approximately \$24 million less cash used for purchases of property, plant and equipment for the six months ended June 30, 2012.

Financing Activities

Net cash provided by financing activities was \$34 million for the six months ended June 30, 2012, compared to net cash provided by financing activities of \$13 million in the same period last year. This increase in net cash provided by financing activities was due primarily to a \$40 million draw down on our term loan, which was partially offset by the repayment on lines of credit of \$8 million.

Debt Instruments

There have been no material changes to our debt instruments as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed on February 28, 2012.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements and other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, swap agreements, or outsourcing of research and development services, that could expose us to liability that is not reflected on the face of our financial statements.

Contractual Obligations

There have been no material changes in any of our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed on February 28, 2012, except for an additional term loan in the amount of \$40 million that we drew down in full on February 1, 2012 and matures on January 17, 2015.

Critical Accounting Policies

Our critical accounting policies, as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, relate to revenue recognition, inventories, accounting for income taxes, goodwill and long-lived assets, share-based compensation, fair value measurements, defined benefit plan and contingencies. There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed on February 28, 2012.

Recently Issued Accounting Pronouncements

See Note A of the Notes to Consolidated Condensed Financial Statements for detailed information regarding the status of recently issued accounting pronouncements.

Available Information

Our Internet address is <http://www.diodes.com>. We make available, free of charge through our Internet website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"). Our website also provides access to investor financial information, including SEC filings and press releases, as well as stock quotes and information on corporate governance compliance.

Cautionary Statement for Purposes of the “Safe Harbor” Provision of the Private Securities Litigation Reform Act of 1995

Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We generally identify forward-looking statements by the use of terminology such as “may,” “will,” “could,” “should,” “potential,” “continue,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” or similar phrases or the negatives of such terms. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed under “Risks Factors” and elsewhere in this Quarterly Report on Form 10-Q that could cause actual results to differ materially from those anticipated by our management. The Private Securities Litigation Reform Act of 1995 (the “Act”) provides certain “safe harbor” provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act.

All forward-looking statements contained in this Quarterly Report on Form 10-Q are subject to, in addition to the other matters described in this Quarterly Report on Form 10-Q, a variety of significant risks and uncertainties. The following discussion highlights some of these risks and uncertainties. Further, from time to time, information provided by us or statements made by our employees may contain forward-looking information. There can be no assurance that actual results or business conditions will not differ materially from those set forth or suggested in such forward-looking statements as a result of various factors, including those discussed below.

For more detailed discussion of these factors, see the “Risk Factors” discussion in Item 1A of the Company’s most recent Annual Report on Form 10-K as filed with the SEC and in Part II, Item 1A of this report. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this report, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Risk Factors

RISKS RELATED TO OUR BUSINESS

- *The success of our business depends on the strength of the global economy and the stability of the financial markets, and any weaknesses in these areas may have a material adverse effect on our revenues, results of operations and financial condition.*
- *During times of difficult market conditions, our fixed costs combined with lower revenues and lower profit margins may have a negative impact on our business, results of operations and financial condition.*
- *Downturns in the highly cyclical semiconductor industry and/or changes in end-market demand could adversely affect our results of operations and financial condition.*
- *The semiconductor business is highly competitive, and increased competition may harm our business, results of operations and financial condition.*
- *We receive a portion of our net sales from three customers, which all are related parties. In addition, two of these customers are large external suppliers. The loss of these customers or suppliers could harm our business, results of operations and financial condition.*
- *Delays in initiation of production at facilities due to implementing new production techniques or resolving problems associated with technical equipment malfunctions could adversely affect our manufacturing efficiencies, results of operations and financial condition.*
- *We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.*
- *Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales, which could adversely affect our revenues, results of operations and financial condition.*
- *Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reduction in quantities ordered could adversely affect our revenues, results of operations and financial condition.*
- *Production at our manufacturing facilities could be disrupted for a variety of reasons, including natural disasters and other extraordinary events, which could prevent us from producing enough of our products to maintain our sales and satisfy our customers’ demands and could adversely affect our results of operations and financial condition.*

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- *New technologies could result in the development of new products by our competitors and a decrease in demand for our products, and we may not be able to develop new products to satisfy changes in demand, which would adversely affect our net sales, market share, results of operations and financial condition.*
- *We may be adversely affected by any disruption in our information technology systems, which could adversely affect our cash flows, results of operations and financial condition.*
- *We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense, reduction in our intellectual property rights and a negative impact on our business, results of operations and financial condition.*
- *We depend on third-party suppliers for timely deliveries of raw materials, parts and equipment, as well as finished products from other manufacturers, and our reputation with customers, results of operations and financial condition could be adversely affected if we are unable to obtain adequate supplies in a timely manner.*
- *If we do not succeed in continuing to vertically integrate our business, we will not realize the cost and other efficiencies we anticipate, which could adversely affect our ability to compete, results of operations and financial condition.*
- *Part of our growth strategy involves identifying and acquiring companies with complementary product lines or customers. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations, which could adversely affect our business, results of operations and financial condition.*
- *We are subject to many environmental laws and regulations that could result in significant expenses and could adversely affect our business, results of operations and financial condition.*
- *Our products may be found to be defective and, as a result, warranty claims and product liability claims may be asserted against us, which may harm our business, reputation with our customers, results of operations and financial condition.*
- *We may fail to attract or retain the qualified technical, sales, marketing, finance and management personnel required to operate our business successfully, which could adversely affect on our business, results of operations and financial condition.*
- *We may not be able to maintain our growth or achieve future growth, and any such growth may place a strain on our management and on our systems and resources, which could adversely affect our business, results of operations and financial condition.*
- *Obsolete inventories as a result of changes in demand for our products and change in life cycles of our products could adversely affect our business, results of operations and financial condition.*
- *If OEMs do not design our products into their applications, our net sales may be adversely affected.*
- *We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses, which could adversely affect our business, results of operations and financial condition.*
- *We may have a significant amount of debt with various financial institutions worldwide. Any indebtedness could adversely affect our business, results of operations, financial condition and our ability to meet our payment obligations under such debt.*
- *Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future.*
- *Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our results of operations and financial condition.*
- *The value of our benefit plan assets and liabilities is based on estimates and assumptions, which may prove inaccurate and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used.*

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- *Due to the recent fluctuations in the United Kingdom's equity markets and bond markets, changes in actuarial assumptions for our defined benefit plan could increase the volatility of the plan's asset value, require us to increase cash contributions to the plan and have a negative impact on our results of operations and financial condition.*
- *In 2010, we established a joint venture to build a semiconductor facility in Chengdu, China. We are required to contribute at least \$48 million to the joint venture during the first three years with additional contributions thereafter, as well as a substantial amount of time and resources to establish and operate the joint venture. Any failure to meet any such requirements, delays or unforeseen circumstances may cause us to incur penalties or require us to contribute additional expenses or resources and, as a result, could have an adverse effect on our operating efficiencies, results of operations and financial conditions.*
- *Certain of our customers and suppliers require us to comply with their codes of conducts, which may include certain restrictions that may substantially increase the cost of our business as well as have an adverse effect on our operating efficiencies, results of operations and financial condition.*
- *There are risks associated with previous and future acquisitions. We may ultimately not be successful in overcoming these risks or any other problems encountered in connection with acquisitions.*
- *If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.*
- *Terrorist attacks, or threats or occurrences of other terrorist activities, whether in the United States or internationally, may affect the markets in which our Common Stock trades, the markets in which we operate and our results of operations and financial condition.*

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

- *Our international operations subject us to risks that could adversely affect our operations.*
- *We have significant operations and assets in China, the United Kingdom, Germany, Hong Kong and Taiwan and, as a result, will be subject to risks inherent in doing business in those jurisdictions, which may adversely affect our financial performance and results of operations.*
- *A slowdown in the Chinese economy could limit the growth in demand for electronic devices containing our products, which would have a material adverse effect on our business, results of operations and prospects.*
- *Economic regulation in China could materially and adversely affect our business, results of operations and prospects.*
- *We could be adversely affected by violations of the United States' Foreign Corrupt Practices Act, the United Kingdom's Bribery Act 2010 and similar worldwide anti-bribery laws.*
- *We are subject to foreign currency risk as a result of our international operations.*
- *China is experiencing rapid social, political and economic change, which has increased labor costs and other related costs that could make doing business in China less advantageous than in prior years. Increased labor costs in China could adversely affect our business, results of operations and financial condition.*
- *We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.*
- *The distribution of any earnings of our foreign subsidiaries to the United States may be subject to United States income taxes, thus reducing our net income.*

RISKS RELATED TO OUR COMMON STOCK

- *Variations in our quarterly operating results may cause our stock price to be volatile.*
- *We may enter into future acquisitions and take certain actions in connection with such acquisitions that could adversely affect the price of our Common Stock.*
- *Our directors, executive officers and significant stockholders hold a substantial portion of our Common Stock, which may lead to conflicts with other stockholders over corporate transactions and other corporate matters.*
- *We were formed in 1959, and our early corporate records are incomplete. As a result, we may have difficulty in assessing and defending against claims relating to rights to our Common Stock purporting to arise during periods for which our records are incomplete.*
- *Non-cash tender offers, debt equity swaps or equity exchanges to consummate our business activities are likely to have the effect of diluting the ownership interest of existing stockholders, including qualified stockholders who receive shares of our Common Stock in such business activities.*
- *Anti-takeover effects of certain provisions of Delaware law and our Certificate of Incorporation and Bylaws, may hinder a take-over attempt.*
- *Section 203 of Delaware General Corporation Law may deter a take-over attempt.*
- *Certificate of Incorporation and Bylaw provisions may deter a take-over attempt.*

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a multinational corporation, we are subject to certain market risks including foreign currency, interest rate, political instability, inflation and credit. We consider a variety of practices to manage these market risks. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 28, 2012.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Richard D. White, with the participation of the Company's management, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be included in this report is:

- recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms; and
- accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions required disclosure.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors, mistakes or intentional circumvention of the established processes.

Changes in Controls over Financial Reporting

There was no change in our internal control over financial reporting, known to our Chief Executive Officer or our Chief Financial Officer, that occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is involved in various routine legal proceedings incidental to the conduct of its business. The Company is not currently a party to any material litigation.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, except for the following:

Our business benefits from certain Chinese government incentives. Expiration of, or changes to, these incentives could adversely affect our results of operations and financial condition.

The Chinese government has provided various incentives to technology companies, including our manufacturing facilities located in Shanghai, China, in order to encourage development of the high-tech industry. These incentives include reduced tax rates and other measures. As a result, we are entitled to a preferential enterprise income tax rate of 15% so long as our manufacturing facilities continue to maintain their High and New Technology Enterprise “HNTE” status. One of our Shanghai facilities have been approved for its HNTE status for the tax years 2011-2013, while our other Shanghai facility is currently reapplying for its HNTE status for the tax years 2012-2014. In addition, any prior years that have already been approved are subject to audits to ensure all requirements are met. If we were to no longer meet the HNTE requirements, our statutory tax rate for these facilities would increase to 25%, which would adversely affect our results of operations and financial condition. The impact of our HNTE status, also called tax holidays, decreased our tax expense by approximately \$4 million for the six months ended June 30, 2012. The benefit of the tax holidays on both basic and diluted earnings per share for the six months ended June 30, 2012 was approximately \$0.08.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We may from time to time seek to repurchase our Common Stock in the open market, in privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

There have been no repurchases of our Common Stock during the second quarter of 2012.

Item 3. Defaults Upon Senior Securities

There are no matters to be reported under this heading.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There are no matters to be reported under this heading.

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Item 6. Exhibits

<u>Number</u>	<u>Description</u>	<u>Form</u>	<u>Date of First Filing</u>	<u>Exhibit Number</u>	<u>Filed Herewith</u>
3.1	Certificate of Incorporation, as amended	S-3	September 8, 2005	3.1	
3.2	Amended By-laws of the Company dated July 19, 2007	8-K	July 23, 2007	3.1	
4.1	Form of Certificate for Common Stock, par value \$0.66 2/3 per share	S-3	August 25, 2005	4.1	
10.1	Construction Design Consulting Agreement between Diodes Technology (Chengdu) Company Limited and LiteOn Technology Corporation.	10-Q		10.1	X
10.2	Diodes Zetex Pension Scheme Recovery plan, dated February 28, 2012, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited	10-Q		10.2	X
10.3	Diodes Zetex Pension Scheme Schedule of contributions, dated March 28, 2012, between Trustees of the Diodes Zetex Pension Scheme and Diodes Zetex Limited	10-Q		10.3	X
10.4	Framework Agreement, dated March 26, 2012, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, Diodes Incorporated, HR Trustees Limited, and Trustees	10-Q		10.4	X
10.5	Guarantee, dated March 26, 2012, among Diodes Zetex Semiconductors Limited, Diodes Zetex Limited, HR Trustees Limited, and Trustees	10-Q		10.5	X
10.6	Diodes Zetex Pension Scheme Information Protocol, dated April 10, 2012, among Diodes Zetex Limited, Diodes Zetex Semiconductors Limited, Diodes Incorporated, HR Trustees Limited and Trustees	10-Q		10.6	X
10.7	Legal Charge, dated March 26, 2012, among Zetex Semiconductors Limited, HR Trustees Limited, and Trustees	10-Q		10.7	X
31.1	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS**	XBRL Instance Document				X
101.SCH**	XBRL Taxonomy Extension Schema				X
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB**	XBRL Taxonomy Extension Labels Linkbase				X
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase				X

* A certification furnished pursuant to Item 601 of the Regulation S-K will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

PLEASE NOTE: It is inappropriate for investors to assume the accuracy of any covenants, representations or warranties that may be contained in agreements or other documents filed as exhibits to this Quarterly Report on Form 10-Q. In certain instances the disclosure schedules to such agreements or documents contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants. Moreover, some of the representations and warranties may not be complete or accurate as of a particular date because they are subject to a contractual standard of materiality that is different from those generally applicable to stockholders and/or were used for the purpose of allocating risk among the parties rather than establishing certain matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.

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)

By: /s/ Richard D. White

August 9, 2012

RICHARD D. WHITE
Chief Financial Officer, Treasurer and Secretary
(Duly Authorized Officer and Principal Financial and
Chief Accounting Officer)

**Diodes (Chengdu) 1A Packet Test Plant Building
Construction Project
CONSTRUCTION DESIGN CONSULTING
ASSIGNMENT AGREEMENT**

Parties to the Agreement:

Diodes Technology (Chengdu) Company Limited (hereinafter referred to as Party A); and

Lite-On Technology Corporation, Construction Management Department (hereinafter referred to as Party B)

Whereas Party A consigns Party B to render construction management services, both parties hereby enter into this Agreement and agree upon the terms and conditions set forth below:

- Article I : Project title: The target Project for which Party B will provide construction management services is “Diodes (Chengdu) 1A Packet Test Plant Building Construction Project” under construction by Party A (hereinafter referred to as the “Project”).
- Article II : Project location: The “Project” is located at the Project site of Gaoxin West District, Chengdu City
- Article III : The building and of the “Project”:
- I. The “Project” is located at the Project site of Gaoxin West District, Chengdu City (hereinafter referred to as the Project Site Land) in the total area of approximately 66564.26 square meters.
 - II. Party A guarantees that the Project Site Land has been lawfully leased by Party A or lawfully granted to Party A for the right to use, dispose and build thereon, with clean and clear ownership, absolutely free of any dispute.
- Article IV : Scope of subject services: The design consulting management services rendered by Party B to Party A under the Agreement bear the highlights of the contents below:

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1. Party B shall help Party A and the Design Institution proceed with design and planning work.
 2. Project review consulting: Party B shall help Party A conduct review over a variety of programs and offer proposals as required for planning.
 3. Consulting on contract execution for procurement: Party B shall be the consult to help Party A work out subcontracting strategies, devise Invitation-to-Tender Documents, invite potential contractors to quote prices, hold a briefing on the construction work, negotiate and compare for prices and execute agreements/contracts and such jobs concerned.
 4. Party B shall help Party A provide superintendence over the construction work based on the engineering drawings within the scope of the construction instructions.
 5. Party B shall help Party A conduct inspections either on a regular basis or on a nonscheduled basis upon entry of the materials for the "Project" and during progress of the "Project".
 6. Review of Project Progress List: Party B shall check and verify the Project Progress Lists worked out by the contractors prior to the start of the construction work and shall, during the period of construction process, superintend the contractors to progress of the "Project" exactly pursuant to the Lists. In case of a change in "Project" contents which would lead to more than 5% in progress gap, Party B shall, after assembling the facts and reporting to Party A, coordinate with the contractors so involved to take the corrective action (remedial measure).
 7. Party B shall recommend on check and verify the "Project" enlarged detail drawings, samples of the equipment and building materials.
 8. Party B shall consult on review over change in design and feasibility assessment.
 9. Requisition for "Project" assessment payment: Party B shall check and verify with assessment of the positions completed by the contractors of the current term. After the jobs done by a contractor satisfactorily pass Party B's review process and Party A's approval, Party A shall effect payment based on the accounting process.
 10. Internationality of documents: Whenever a Contractor develops ambiguity about the "Project" drawings or notices an inconsistency between the drawings and the "Project" specifications, Party A may consult with Party B, the Design Institution or professional consultant(s) before offering n interpretation.

Article V : Amount of the Agreement and terms of payment:

- I. For a variety of services rendered in accordance with Article IV of the Agreement, the total service fee amounts to US\$ 465,517 (tax excluded), to be converted at the exchange rate of US\$1: NT\$29. Party A shall effect payment to Party B under the terms enumerated below:
 1. After the Agreement is officially executed by and between both parties and comes into effect, Party A shall pay Party B a sum of US \$ 93,103 (20% of the total service fee).
 2. After the top of the structure is sealed up (i.e., after the concrete roof shingle is completed), Party A shall pay Party B a sum of US\$186,207 (40% of the total service fee).
 3. After the quality inspection is completed (while the certificate proving satisfactory quality in inspection & acceptance is obtained), Party A shall pay Party B a sum of US\$186,207 (40% of the total service fee). In the event that the "Project" cannot be handed over within the period of services set forth under Article VI, the terms of payment shall be separately fixed by and between both parties separately.
 4. For payments in the respective terms mentioned above, Party A shall effect payment by issuing a sight check or by means of wire transfer (T/T) within ninety (90) days after payment requisition is approved and after Party A receives Party B's requisition for payment with supporting documents and vouchers which satisfactorily pass Party A's checking and verification process. In the event that Party A objects to Party B's requisition for payment, both parties shall negotiate and determine a solution separately.
 5. Throughout the term of the Agreement validity, whenever there comes an extra need from Party B to dispatch human resources for support, Party B may bill Party A the gross amount of the travel fees calculated based on Party B's internal regulations which shall be billed at the costs actually incurred.
- II. Throughout the term of the Agreement validity, in the event that Party B is required to render services in addition to the Agreement as a result of a factor not attributable to Party B or in response to Party A's request, Party B may charge extra service fees. The criteria and terms of payment of such service fee shall be separately negotiated and determined by and between both parties.

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- III. The aforementioned service fees represent the managerial fees for the construction work, excluding architectural design fee, taxes and miscellaneous expenses incurred for ownership transfer which, if any, shall be charged extra. For the general fees indispensable to Party B in performance of duties, Party A shall pay for such general fees after Party B provides Party A with explanation of the relevant expenses and supporting vouchers.
 - IV. Throughout the term of the Agreement validity, in the event that the project site is expanded or the spaces (areas) increase after the start-off permit is obtained, Party B may increase the fee for construction management services which shall be negotiated and determined by and between both parties based on the principles under the Agreement.
 - V. The service fees under the Agreement already include labor insurance premium and labor pension fund reserve which Party B shall duly handle in accordance with the requirements concerned.
 - VI. Unless otherwise prescribed in the Agreement, under no circumstances shall Party A pay Party B any and all other expenses (including but not limited to flight tickets, car rent, lodging, meals business operation and other expenses concerned).

Article VI : Period of services:

- I. The "Project", starting from planning & design, procurement and contract-out (outsourcing), construction work, interior decoration, plant work till completion of the hand-over process, shall be completed within fifteen months in principle (i.e., starting from April 2011 till June 2012) which shall be taken as the ground to calculate the service fee (Cf. Construction Management Fee and Human Resources Dispatch Lists for details). Both parties may have the Agreement terminated at anytime, provided that the party proposing termination shall inform the other in writing thirty days in advance, or both parties may execute a new agreement to replace the current one.
- II. In the event that the period scheduled for services under Paragraph I of this Article is extended due to Party A's factor, both parties agree that the service fee for the extra period shall be calculated on a daily basis at US\$400 per person per diem (not including tax). Party A shall pay Party B based on the volume of services and personnel provided by Party B within thirty days after completion of hand-over of the "Project".
- III. The penalty due to Party B's obligations under this Agreement shall not, at the maximum, exceed 20% of the total amount of service fee paid.
- IV. Responsibility of termination: In the event that the Agreement is terminated ahead of expiry in accordance with Paragraph I of this Article, the responsibilities or obligations of both parties under the Agreement shall cease to exist as well. Both parties shall, nevertheless, abide by the terms and conditions below: (i) Party A shall, pursuant to the requirements set forth under the Agreement, pay Party B

or remit into the bank account earmarked by Party B all expenses of compensation, the service fees payable to Party B *pro rata* under Article V immediately in full; and (ii) Both parties shall continually comply with the requirements set forth under Article XIII and XIV of the Agreement.

Article VII : Matters subject to coordination:

- I. Party B, where consigned by Party A to render professional management service for the “Project”, shall provide necessary human resources to render services and exercise due diligence as a *bona fide* administrator in the management and shall assure adequate coordination with Party A, the Design Institution and other personnel concerned to assure the maximum possible benefit to Party A.
- II. After execution of the Agreement, Party A shall, in coordination with Party B’s need, provide Party B with the databases as linked up with the Project. Party B is subject to non-disclosure obligations for all documents and data provided by Party A and may use documents and data so provided by Party A only for the purposes of the Party B shall help Party A. Party B shall not disclose such documents and data to any third party in any means unless agreed upon by Party A beforehand.
- III. Party B shall, after being consigned by Party A to render professional management service for the “Project”, submit performance reports to Party A on a monthly basis starting from one month after the Agreement comes into effect.

Article VIII : Where Party A considers it necessary to have the “Project” terminated, Party A may have the Agreement terminated at anytime. Once receipt such a notice from Party A, Party B shall immediately terminate provision of service. For the jobs having been completed by Party B, Party A shall effect payment based on actual percentage of completion. Whenever Party B proves to meet any of the situations below, Party A may have the Agreement terminated or rescinded by serving notice in writing thirty days in advance. In the very premise not untowardly affecting other rights of Party A, Party B shall assume the responsibility for indemnity in full for the loss so incurred by Party A. Party A may refer the fact of default to the competent authorities of the government for punishment.

- I. Where Party B proves to have transferred the services under the Agreement to another without authority, or proves to have lent its registry certificate to another to undertake construction management services of the “Project” as officially verified by Party A through investigation.
- II. Where Party B proves to have defaulted the Agreement or developed an incident, making Party A consider it incompetent to fulfill the responsibilities under the Agreement.

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- III. Where Party B proves to have been weak in competence, have suspended the jobs arbitrarily or have shown mismanagement, making the actual progress more than 15% behind schedule, or where the “Project” fails to live up to the specified standards as a result of a factor attributable to Party B.
 - IV. Where Party B suspends or delays fulfillment of the Agreement without a justifiable reason and fails to fulfill the Agreement or take corrective action (remedial measure) within five days after receipt of a notice from Party A in writing.

Article IX : Intellectual property rights:

- I. Non-disclosure obligations and business secrets: Either within or beyond the term of the Agreement validity, for each event unless Party B obtains consent from Party A in writing in advance, Party B shall not disclose or use in any means: (i) The secret information or technological information or business secrets concerning Party A obtained from Party A before the date of execution of the Agreement; or (ii) The information obtained within the process of such relationship, disregarding whether such information is patentable, or protected for patent, copyrights or legal interests, also disregarding whether such information is designed or prepared for Party A (hereinafter collectively referred to as “business secrets”, unless necessitated for the process of such relationship, including but not limited to the information as enumerated below linked up with both parties, e.g., name list of customers, products, formulas, manufacturing process, business operation, investment, finance, costs, employees, procurement, accounting, marketing, shipments, payroll facts, pricing, profits, future development plans, the capacities, demand, orientation, business behaviors and methods of organizations who have been in business transaction with Party A, other information linked up with Party A’s products, services, business operation, but excluding the information which has been well known in the business areas of Party A or the information that is obtained from public sources. All such business secrets belong to Party A as Party A’s precious assets.
- II. Tangible assets: All sorts of files, accounts, records, documents, account books, forms, instructions, reports, memorandums, research, data compile, letters and duplicate copies, abstracts and summaries thereof, and all other tangible items linked up with Party A except those classified as personal items. All documents and such information shall be properties belonging to Party A, disregarding whether they are attributed to public or prepared for Party B. All such information shall not be brought out of Party A’s business premises unless agreed upon by Party A in writing and unless necessitated during the process when such consultation service is rendered to Party A. Upon expiry or termination of the business relationship by

and between Party A and Party B or at anytime before expiry or termination of such business relationship, whenever Party A requests, Party B shall have all such tangible assets returned to Party A forthwith.

- III. Job-hopping: During the period while Party B and Party A maintain such business relationship and during the one-year period thereafter (Such period excludes the period when Party B violates the Agreement, or the period for appeal for compulsory enforcement and the period where Party B violates the Agreement), Party B shall not interview, solicit, interfere with or try to entice or lure any employee serving with Party A or the contractor to quit Party A (The aforementioned personnel refer to those people who have possessed or known of certain business secrets of Party A).
- IV. Prohibition: Party B hereby acknowledges and agrees that in an attempt to compensate Party A where Party B violates or is likely to violate the aforementioned requirements where the injury so incurred might be tough and extremely difficult, Party A is entitled to apply for temporary prohibition, preparatory prohibition, permanent prohibition or other corrective action (remedial measure) which Party A considers may be adopted so as to put such requirements into mandatory enforcement. The provision of prohibition under this Paragraph, nevertheless, does not reduce Party A's right to claim for compensation or indemnity.
- V. The term "Party A" mentioned in this Article IX specifically refers to Diodes Incorporated and all people who could dominate Party A, or people who are dominated by Party A or people who are under joint domination by Party A, including but not limited to Diodes Technology (Chengdu) Company Limited.

Article X : Law compliance:

- I. Anti-corruption Law of China: Party B hereby acknowledges and agrees that Party A primarily operates business and teams up with Party B in cooperation within the territories of the People's Republic of China. Party B shall, therefore, faithfully comply with the Anti-corruption Law among the Criminal Code of the People's Republic of China and laws and ordinances concerned of the Chinese government. In accordance with the Anti-corruption Law of the People's Republic of China, a person who offers precious assets to an official of the country or government in exchange of unjustifiable interests is unlawful. Party B further acknowledges that it is extremely familiar with the provisions set forth in Anti-corruption Law among the Criminal Code of the People's Republic of China and thus agrees that under no circumstances shall Party B take or permit such unlawful act against law, or any act that might make Party A violate Anti-corruption Law among the Criminal Code of the People's Republic of China and laws and ordinances concerned.

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- II. Foreign Corrupt Practices Act of the United States prevalent abroad: Party B hereby acknowledges and agrees that Party A is an enterprise holding quite goodwill and affiliated enterprises in the United States and is thus subject to the restriction of Foreign Corrupt Practices Act of the United States 1977 (Also subject to the restrictions of the American Code 15 USC §§ 78dd-1). Such Foreign Corrupt Practices Act of the United States prohibits bribery (Foreign Corrupt Practices Act, known as “FCPA” in brief). Under FCPA, a person who offers or tries to offer a precious article to a ranking officer, staff member or political organization or candidate of the Chinese government or foreign government, or to certain people or certain organization to be conveyed to the aforementioned officials or the like to lead to their violation of public duties or in an attempt to obtain or hold unjustifiable commercial interests would be unlawful. Party B further acknowledges that under no circumstances shall Party B adopt or permit any unlawful act under such law to lead Party A into violation of FCPA.
- III. Anti-corruption Law of the United Kingdom: Party B hereby acknowledges and agrees that Party B hereby acknowledges and agrees that Party A is an enterprise with major office and business department in the United Kingdom and maintains significant business relationship in United Kingdom. Party A is, therefore, subject to the Anti-corruption Law 2010 of United Kingdom which prohibits any private organization and/or government units, organizations to offer bribe, conduct corruption and bribery with government organization. Under such Anti-corruption Law of United Kingdom, a person offers or attempts to offer precious article to any private organization, private entity, ranking officials of Chinese, foreign governments, staff members or candidates, or to certain people or organizations to be conveyed to the aforementioned government, officials and/or private organization, entity, people to cause them to violate public duty or private responsibility, or attempts to obtain or hold certain business or unjustifiable commercial interests is unlawful. Party B further acknowledges that it is extremely familiar with the Anti-corruption Law 2010 of United Kingdom and under no circumstances shall Party B adopt or permit any unlawful act to lead Party A into violation of the Anti-corruption Law 2010 of the United Kingdom and laws and ordinances concerned.
- IV. Compliance with all laws and ordinances concerned: Party B shall faithfully comply with all laws and regulations prevalent domestically and in other countries as linked up with the consultation, business operation and responsibilities under the Agreement, anti-corruption laws, government orders, acts, regulations, statutes, license requirements, including laws and ordinances concerned of the United States, United Kingdom, Republic of China, People’s Republic of China involving the jurisdictional power and/or administrative discretion.

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- Article XI : Other covenants:
- I. The construction management services in the “Project” do not include the third mechanical & electrical distribution project.
 - II. Party B shall be responsible for management, payroll and supplies to its personnel. In the event that a Taiwan-based cadre member assigned by Party B conducts behavior beyond the disciplines or develops a dispute because of having violated the local security rules, Party B shall solely assume the responsibility in full. In the event that such a person runs into an accident, bodily injury or casualty, Party B shall solely manage the issue and shall be objective and uninvolved. In case of the responsibility for compensation to a third party incurred by such person, Party B shall solely assume all such responsibility in full.
 - III. During the term of the Agreement validity, Party A shall pay for Party B’s personnel for hotel lodging and transportation when they assigned to travel to China on business to fulfill the obligations under the Agreement (including but not limited to flight tickets and local transportation).
 - IV. During the term of the Agreement validity, all lodging fares, all living costs (including but not limited to water, electricity bills, cleaning fee, Internet, communications fees) and the local transportation for the Taiwan-based cadre member assigned by Party B shall be borne by Party A.
 - V. Divisible clauses: All terms and conditions under the Agreement are divisible. In the event that any single clause or several clauses is(are) judged unlawful and unenforceable, other clauses shall remain valid in full and shall be put into enforcement continually, including those clauses which are partially unenforceable but are still enforceable overall.
 - VI. Transferor and transferee: All terms and conditions, regulations and responsibilities contained in the Agreement are intended to safeguard the interests of both parties, their inheritors, representatives, assignees and transferees and to be binding upon such people. Notwithstanding the aforementioned provision, for any event, unless agreed upon by Party A in writing in advance, Party B shall not have any rights under the Agreement transferred, pledged, mortgaged or assigned to another.
 - VII. Governing laws: This Agreement is on the grounds of the laws of the People’s Republic of China as the governing laws regarding its validity, significance and interpretation. Both parties shall take the laws of the People’s Republic of China linked up with the Agreement as the governing laws and shall put such laws into enforcement in China.
 - VIII. Solution of a dispute: In case of any claim for damage compensation or dispute linked up with the Agreement, both parties should, first of all, try to have it solved through amicable negotiation and teamwork on a *bona fide* basis. When a dispute is solved by any means, both parties shall try not to untowardly affect the other in the principle of failure, abstention or prohibition of denial from testimony. In the event that for such a dispute,

an application must be submitted to a court for temporary prohibition order to prevent either party or any others from undergoing irreparable damage, no any single clause in this Agreement prohibits either party from directly resorting to judicial procedures.

- IX. Jurisdictional powers: Both parties hereto, within the maximum limits where permitted by law, hereby declare below which shall absolutely not be withdrawn: (i) During all litigation, dispute or court hearings under the Agreement, both parties shall abide by the executive jurisdictional powers of the People's Republic of China and Chengdu City Court; (ii) Both parties waive and agree at the moment and hereafter, under no circumstances shall either party claim, declare by means of proposal, protest or other means exemption from the jurisdictional powers under any court, and under no circumstances shall either party pose any objection or allegation that a litigious case under charge of such jurisdictional court should be lodged with another court of inconvenience; (iii) Both parties agree that the judgment rendered by such jurisdictional court for the litigation, dispute or court hearing should be final and binding upon the party which is supposed to be and could be put into compulsory enforcement in the court of the People's Republic of China in charge of such litigation or other court of the People's Republic of China (or under compulsory enforcement by any court whereunder the subject party should accept the jurisdictional powers) and (iv) Both parties agree that the summons mailed for the said litigation, dispute or court hearing may be mailed with prepaid postage registered mail or airmail, with the duplicate copies of such summons mailed to the address of the said party indicated in this Agreement or the address indicated by such party under the Agreement with a request for return receipt. Both parties agree that such summon services (i) Should be deemed by both parties as the service valid to the other party for the litigation, dispute or court hearing; and (ii) Such services, within the maximum possible limit of law should be deemed as valid service and having been handed over to the other party in person.
- X. Subtitles: Subtitles provided do not function as a part of the Agreement and are provided for reference to facilitate reading. Under no circumstances shall subtitles be taken to define, restrict or describe the scope of the Agreement or define the meaning.
- XI. Integral accord: This Agreement stands for the overall covenants of both parties regarding the subject issues and supersedes all talks, agreements, discussions and commitments reached by both parties either in writing or orally previously, if any. Any addition, amendment, waiver or termination of the Agreement shall be null and void unless duly affixed by the seals of both parties. Waiver of any single clause of this Agreement shall not be interpreted as waiver or such fact for any other clauses (disregarding whether such other clauses have borne such terms of waiver) and such waiver shall not constitute a continual waiver unless otherwise expressly prescribed.

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- XII. Notices: All notices or communications which must be or are permitted to be served under the Agreement shall be served in writing and shall be deemed to have been duly served under the following situations (i) When served in person, at the moment when served face-to-face; (ii) When served by mail, deemed as served within one week after the mail drop—either registered mail or accredited mail. But it should be served with prepaid postage mail to the address of the addressee given in the signature page below; or (iii) By means of cable or FAX through the cable or FAX addresses given in the signature page below, deemed as served when the reply confirmation of the cable or FAX is received. Both parties may change the service addresses but only in a method specified under the Agreement.
- XIII. Retaining fee (lawyer fee): In the event that either party takes legal action for compulsory enforcement of any clauses under the Agreement, the losing party in the litigation should pay the litigious fees for the other, linked up with the retaining fee (lawyer fee) incurred in such litigious actions.
- XIV. A third party: Except Party A or Party B, under no circumstances shall the Agreement, either explicitly or implicitly, bestow any person with any rights or remedial measures or enable any person to be titled to such rights due to the Agreement.
- XV. Governing language: This Agreement is worked out in Chinese and English languages. The Chinese text shall be the governing version. After this Agreement is agreed and signed by both parties, it shall be effective on April, 2011 until all term and conditions have been implemented and all debt relationships have been eliminated.
- XVI. This Agreement is made in duplicate in original with each party holding one set of the original hereof each, plus two duplicate copies ready to be referred to by Party A as needed. In case of a typing error, the contents of the original shall govern. The Appendices annexed hereto include the Quotation in full set and List of Items of Services in full set.

All aforementioned terms and conditions bear the full consent by and between both parties for implementation. In addition to the oral consent reached, both parties hereby further come to this Agreement to verify the firm's consent in black and white.

Parties to the Agreement:

Party A: Diodes Technology (Chengdu) Company Limited

Responsible person: Keh-Shew Lu

Corporate Identity Code:

Address: 8 Kexin Road, Chengdu Hi-Tech Zone (West Park), Chengdu, Sichuan, People's Republic of China

Party B: Lite-On Technology Corporation

Responsible person: Soong Kung-yuan

Corporate Identity Code: 23357403

Address: 22F, No.392, Ruey Kuang Road, Neihu District, Taipei 114, Taiwan.

Date: April 1, 2011

Diodes Zetex Pension Scheme
Recovery plan

Status

This recovery plan has been prepared by the Trustees of the Diodes Zetex Pension Scheme (“the Scheme”) on 28 February 2012 after obtaining the advice of the Scheme Actuary appointed by the Trustees.

Steps to be taken to ensure that the statutory funding objective is met

The actuarial valuation of the Scheme as at 5 April 2010 revealed a funding shortfall (technical provisions minus value of assets) of £10,543,000. To eliminate this funding shortfall, the Trustees and Diodes Zetex Limited, Company number 1378777, (“the Employer”) have agreed that additional contributions will be paid to the Scheme by the Participating Employers on, or before, the following dates:

- 30 April 2011 £750,000
- 6 January 2012 £500,000
- 31 December 2012 £860,000 (*)
- 31 December 2013 £1,360,000 (**)
- 31 December 2014 £1,360,000 (**)
- 31 December 2015 £1,360,000 (**)
- 31 December 2016 £1,360,000 (**)
- 31 December 2017 £1,360,000 (**)
- 31 December 2018 £1,360,000 (**)
- 31 December 2019 £1,590,000 (**)

(*) With the agreement of the Trustees, this payment may be reduced by some or all of the net reduction in the deficit relative to the technical provisions achieved by liability reduction exercises carried out during the year. The net reduction in deficit will be calculated by the Trustees on the advice of the Scheme Actuary.

(**) With the agreement of the Trustees, this payment may be reduced by some or all of the net reduction in the deficit relative to the technical provisions achieved by liability reduction exercises carried out during the year, subject to a minimum payment of £500,000. The net reduction in deficit will be calculated by the Trustees on the advice of the Scheme Actuary.

The participating employers in the Scheme have agreed to hold a minimum of £35,000,000 in net assets until after the next actuarial valuation is agreed. If this level is breached and not remedied within 45 days (or such longer period as the Trustees may agree), the Employer shall, within 10 days of demand by the Trustees, pay (without any deduction whatsoever) to the Trustees an amount equal to not less than half of all amounts payable towards the Scheme but not yet paid under the Recovery Plan.

Period in which the statutory funding objective should be met

The funding shortfall is expected to be eliminated in 9 years and 9 months from the valuation date, which is by 31 December 2019.

This expectation is based on the following assumptions:

- Technical provisions calculated according to the method and assumptions set out in the Statement of Funding Principles dated 4 October 2011;

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- An assumed outperformance of existing assets and new contributions made during the period of 0.45% per annum over the assumed return in the technical provisions.

Progress towards meeting the Statutory Funding Objective

It is expected that 50% of the above additional contributions will be paid within 5 years and 9 months, which is by 31 December 2015.

This statement has been agreed by the Trustees and Employer

/s/ Trustee

Signed on behalf of the Trustees of the Diodes Zetex Pension Scheme

Date

/s/ Colin Greene

Signed on behalf of Diodes Zetex Limited

Date

Diodes Zetex Pension Scheme
Schedule of contributions

Status

This schedule of contributions has been prepared by the Trustees of the Diodes Zetex Pension Scheme ("the Scheme"), after obtaining the advice of the Scheme Actuary appointed by the Trustees.

Contributions to be paid towards the Scheme for the period 28 February 2012 to 31 December 2019

1. Defined Benefits Section

By active members: nil

By the Participating Employers:

<u>Due date (no later than)</u>	<u>Amount</u>
31 March 2012	£200,000(*)
31 December 2012	£860,000(**)
31 March 2013	£200,000(*)
31 December 2013	£1,360,000(***)
31 March 2014	£200,000(*)
31 December 2014	£1,360,000(***)
31 March 2015	£200,000(*)
31 December 2015	£1,360,000(***)
31 March 2016	£200,000(*)
31 December 2016	£1,360,000(***)
31 March 2017	£200,000(*)
31 December 2017	£1,360,000(***)
31 March 2018	£200,000(*)
31 December 2018	£1,360,000(***)
31 March 2019	£200,000(*)
31 December 2019	£1,590,000(***)

(*) This payment is in respect of Scheme expenses. The Employer will also separately meet any expenses incurred by the Trustees which are associated with liability reduction exercises.

(**) With the agreement of the Trustees, this payment may be reduced by some or all of the net reduction in the deficit relative to the technical provisions achieved by liability reduction exercises carried out during the year. The net reduction in deficit will be calculated by the Trustees on the advice of the Scheme Actuary.

(***) With the agreement of the Trustees, this payment may be reduced by some or all of the net reduction in the deficit relative to the technical provisions achieved by liability reduction exercises carried out during the year, subject to a minimum payment of £500,000. The net reduction in deficit will be calculated by the Trustees on the advice of the Scheme Actuary.

The participating employers in the Scheme have agreed to hold a minimum of £35,000,000 in net assets until after the next actuarial valuation is agreed. If this level is breached and not remedied within 45 days (or such longer period as the Trustees may agree), the Employer shall, within 10 days of demand by the Trustees, pay (without any deduction whatsoever) to the Trustees an amount equal to not less than half of all amounts payable towards the Scheme but not yet paid under the Recovery Plan.

The Employer may pay contributions in addition to the amounts shown above at any time. Any contributions paid at a rate higher than that required can be offset against later payments due at the request of the Employer.

The Schedule of Contributions will be reviewed by the Trustees and the Employer no later than 15 months after the effective date of each actuarial valuation, due every 3 years.

2. Defined Contribution Section

By active members:	3%, 5% or 7% of basic salary as elected
By the Participating Employers:	matching contributions of 3%, 5% or 7% of the member's basic salary
Due date:	Not later than the 19 th day of each month in respect of the contributions due for the preceding month

Additional Voluntary Contributions

Members may elect to pay AVCs into either section of the Scheme. AVCs will not be matched by additional employer contributions. AVCs are due to be paid to the Scheme not later than the 19th day of each month in respect of the contributions due for the preceding month.

Salary Sacrifice Arrangement

Members of the Defined Contribution section of the Scheme may elect to participate in a "salary sacrifice" arrangement. In this case, the member's contributions are paid by the participating employers rather than being deducted from the Member's pay. The total contribution received by the Scheme is unchanged.

Expenses and Life Assurance Premiums

The Employer will meet the cost of the Pension Protection Fund (PPF) Levy. Investment management expenses in respect of the Defined Contribution Section will be met from the Scheme's Defined Contribution Section funds. Other expenses of running the Scheme and life assurance premiums will be met from the Scheme's Defined Benefit Section funds.

In addition, the Employer will also separately meet expenses incurred by the Trustees which are associated with liability reduction exercises.

This schedule has been agreed by the Trustees and the Employer

/s/ Trustee

Signed on behalf of the Trustees of the Diodes Zetex Pension Scheme

Date

/s/ Colin Greene

Signed on behalf of Diodes Zetex Limited

Date

FRAMEWORK AGREEMENT

DATED 2012

BETWEEN

**DIODES ZETEX LIMITED
AND
DIODES ZETEX SEMICONDUCTORS LIMITED
AND
DIODES INCORPORATED**

and

HR TRUSTEES LIMITED AND OTHERS

relating to the

DIODES ZETEX PENSION SCHEME

THIS DEED is dated 2012

BETWEEN:

- (1) **JOHN ROBERT EARNSHAW** of 89 Dalebrook Road, Brooklands, Sale, Cheshire, M33 3LB, **HR TRUSTEES LIMITED** (No. 745598) whose registered office is at Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH and **IAN SMITH** of 27 Selsey Avenue, Sale, Cheshire, M33 4RN as trustees of the Diodes Zetex Pension Scheme (the **Trustees**).
- (2) **DIODES INCORPORATED** of 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024 USA (**Diodes Incorporated**);
- (3) **DIODES ZETEX LIMITED** of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 01378777) (**Diodes Zetex Limited**); and
- (4) **DIODES ZETEX SEMICONDUCTORS LIMITED** of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 02387949) (**Diodes Zetex Semiconductors Limited**).

collectively, the **Parties**.

BACKGROUND

- (A) The Trustees are the trustees of the Scheme.
- (B) Following the completion of the actuarial valuation of the Scheme as at 5 April 2010, the Parties have agreed a schedule of contributions and recovery plan relating to the Scheme.
- (C) In consideration for entering into the agreed schedule of contributions, the recovery plan and the Loan Agreement, Diodes Zetex Semiconductors Limited, Diodes Zetex Limited and Diodes Incorporated have entered into a series of agreements with the Trustees including a guarantee, security over real estate and an information protocol on or about the date of this Deed.
- (D) In further consideration for entering into the schedule of contributions, the recovery plan and the Loan Agreement, Diodes Zetex Semiconductors Limited, Diodes Zetex Limited and Diodes Incorporated also wish to enter into this Deed to agree that a minimum amount of Net Assets will continue to be held by Diodes Zetex Semiconductors Limited and Diodes Zetex Limited (in aggregate).

1. DEFINITIONS

THIS DEED WITNESSES as follows:

Agreed Actuarial Valuation means an actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2010.

Business Day means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

Companies means Diodes Zetex Semiconductors Limited and Diodes Zetex Limited.

Date of the Assessment means the last working day of each month or such other date that the internal monthly management accounts are prepared by the Companies.

Loan Agreement means the inter-company loan agreement dated 16 August 2011 between Diodes Zetex Limited and Diodes Incorporated under which Diodes Zetex Limited advanced US\$60,000,000 to Diodes Incorporated.

Minimum Level of Assets means £35,000,000.00 Net Assets.

Net Assets means the aggregated net assets of the Companies assessed in accordance with clause 3.

New Actuarial Valuation means the actuarial valuation prepared in respect of the Scheme in accordance with Part 3 of the Pensions Act 2004 as at 5 April 2013.

Schedule of Contributions means the schedule of contributions prepared in accordance with Part 3 of the Pensions Act 2004 in respect of the Agreed Actuarial Valuation.

Scheme means the Diodes Zetex Pension Scheme which is governed by a Definitive Trust Deed and Rules dated 7 January 2009.

2. MINIMUM LEVEL OF NET ASSETS

With effect from the date of this Deed Diodes Incorporated shall procure that the Companies will have Net Assets of no less than the Minimum Level of Assets until the earlier of:

- (a) the final payment has been made under the Schedule of Contributions; or
- (b) the date on which a new schedule of contributions has been prepared and agreed in accordance with Part 3 of the Pensions Act 2004 relating to the New Actuarial Valuation.

3. ASSESSMENT OF THE NET ASSETS

3.1 The Net Assets of the Companies shall be the figure shown as the net assets on the Date of the Assessment in the internal management accounts of each Company described in sub-clauses 3.2 (a) to (c).

3.2 Diodes Incorporated shall procure that each Company delivers to the Trustees:

- (a) within 14 Business Days of the Date of the Assessment, each Company's latest internal monthly management accounts;
- (b) as soon as reasonably practicable after their preparation, the latest quarterly management accounts for each Company, which shall have been reviewed (but not fully audited) by each Company's auditor; and
- (c) as soon as reasonably practicable after their preparation, the latest annual management accounts which shall have been audited by each Company's auditor.

3.3 The internal management accounts described in sub-clauses 3.2 (a) to (c) shall be delivered to:

Address: BarnettWaddingham
ChalfontCourt
HillAvenue
Amersham
Buckinghamshire
HP65BB

E-mail: zetex@barnett-waddingham.co.uk

Attention: AndrewTwells

-
- 3.4 Diodes Incorporated shall procure that the Companies inform the Trustees of their respective part of the total amount of Net Assets within 14 Business Days of the Date of the Assessment or in the case of the quarterly and annual accounts delivered under sub-clauses 3.2(b) and (c) at the same time as the accounts are delivered.
- 3.5 Diodes Incorporated shall procure that the internal management accounts of each Company described in sub-clauses 3.2 (a) to (c) are prepared in accordance with standard accounting practices.

4. GRACE PERIOD AND UNDERTAKING TO PAY

- 4.1 If an assessment of the Net Assets under clause 3 shows that the Net Assets are less than the Minimum Level of Assets, Diodes Incorporated shall have the following grace period in which to ensure that the Net Assets are brought above the Minimum Level of Assets:
- (a) in the case of the internal monthly management accounts described in sub-clause 3.2(a), 45 days (or such longer time as the Trustees may without obligation, agree) from the Date of the Assessment; and
 - (b) in the case of the quarterly and annual accounts delivered under sub-clauses 3.2(b) and (c), 45 days from the date the accounts are delivered (or such longer time as the Trustees may without obligation, agree).
- 4.2 After the expiry of the 45 days set out in clause 4.1, if the Net Assets are below the Minimum Level of Assets, Diodes Zetex Limited shall within 10 days of demand by the Trustees pay (without any deduction whatsoever) to the Trustees an amount equal to not less than half of all amounts payable towards the Scheme but not yet paid under the Schedule of Contributions.

5. LIMITATION OF LIABILITY

Diodes Incorporated and the Companies shall have no liability to the Trustees under this Deed except as set out in clause 4.2.

6. MISCELLANEOUS

- 6.1 This Deed and the documents referred to in it contain the whole agreement between the Parties relating to the transactions contemplated by this Deed and supersede all previous Deeds between the Parties relating to these transactions.
- 6.2 This Deed may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same Deed, and any Party (including any duly authorised representative of a Party) may enter into this Deed by executing a counterpart.
- 6.3 A person who is not a Party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.
- 6.4 This Deed is governed by English law.
- 6.5 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this agreement) and the parties submit to the exclusive jurisdiction of the English courts.

AS EVIDENCE of their acceptance of the terms of this Deed, the parties have executed and delivered it as a deed.

EXECUTED as a deed by)
DIODES ZETEX SEMICONDUCTORS LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

EXECUTED as a deed by)
DIODES ZETEX LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

EXECUTED as a deed by)
DIODES INCORPORATED)
acting by)

/s/ Keh-Shew Lu
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

Trustees

/s/ John Robert Earnshaw
JOHN ROBERT EARNSHAW
as trustee of the Diodes Zetex Pension Scheme
acting by

/s/ Andrew Twells
Witness signature

Witness name

Witness address

/s/ Ian Smith
IAN SMITH
as trustee of the Diodes Zetex Pension Scheme
acting by

/s/ Andrew Twells
Witness signature

Witness name

Witness address

HR TRUSTEES LIMITED
as trustee of the Diodes Zetex Pension Scheme

/s/ Trustee
Director:

/s/ Trustee
Director/Secretary:

GUARANTEE

DATED 2012

BY

DIODES ZETEX SEMICONDUCTORS LIMITED

AND

DIODES ZETEX LIMITED

FOR

HR TRUSTEES LIMITED AND OTHERS

as trustees of the Diodes Zetex Pension Scheme

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THIS DEED is dated 2012

BETWEEN:

- (1) **DIODES ZETEX SEMICONDUCTORS LIMITED** (registered number 02387949) whose registered office is at Zetex Technology Park, Chadderton, Oldham, OL9 9LL and **DIODES ZETEX LIMITED** (registered number 01378777) whose registered office is at Zetex Technology Park, Chadderton, Oldham, OL9 9LL (each a **Guarantor** and together the **Guarantors**); and
- (2) **JOHN ROBERT EARNSHAW** of 89 Dalebrook Road, Brooklands, Sale, Cheshire, M33 3LB, **HR TRUSTEES LIMITED** (No. 745598) whose registered office is at Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH and **IAN SMITH** of 27 Selsey Avenue, Sale, Cheshire, M33 4RN as trustees of the Diodes Zetex Pension Scheme (each a **Trustee** and together the **Trustees**).

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Deed:

Business Day means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

Company means any of the companies listed in Schedule 1 (Companies) and **Companies** means all of them.

Guaranteed Obligations means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of each Company to make payments to the Scheme up to a maximum amount equal to the entire aggregate liability, on the date on which any liability under this Deed arises, of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date.

Implementation Date has the meaning given to it in Clause 9 (Amendments).

Insolvency Event means

- (a) an 'insolvency event' as defined in section 121 of the Pensions Act 2004 or regulations made from time to time thereunder; or
- (b) the receipt by the Pension Protection Fund of an application or notification from the Trustees or the Pensions Regulator that an employer is unlikely to continue as a going concern, which is purported to be made in accordance with section 129 of the Pensions Act 2004 or regulations made from time to time thereunder.

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Insolvency Proceedings means in respect of any Guarantor:

- (a) any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors;
- (b) a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution for, to petition for or to file documents with a court or any registrar for, its winding-up, administration or dissolution or any such resolution is passed;
- (c) any person presents a petition, or files documents with a court or any registrar, for its winding-up, administration, dissolution or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);
- (d) any Security Interest is enforced over a material part of its assets;
- (e) an order for its winding-up, administration or dissolution is made;
- (f) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or a material part of its assets;
- (g) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint, a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer; or
- (h) any other analogous step or procedure is taken in any jurisdiction.

Material Adverse Effect means a material adverse effect on:

- (a) the ability of any Guarantor to perform its payment obligations under this Deed;
- (b) the business, operations, property or assets or financial condition of any Guarantor and their Subsidiaries;
- (c) the validity or enforceability of this Deed; or
- (d) any right or remedy of the Trustees under this Deed.

Party means a party to this Deed.

Pension Protection Fund means the Board of the Pension Protection Fund as established under Part 2 of the Pensions Act 2004.

Proposal Date has the meaning given to it in Clause 9 (Amendments).

Proposals has the meaning given to it in Clause 9 (Amendments).

Reservations means:

- (a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court and damages may be regarded as an adequate remedy;
- (b) the limitation on enforcement as a result of laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws affecting the rights of creditors generally;

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- (c) the statutory time-barring of claims;
- (d) defences of set off or counterclaim;
- (e) rules against penalties and similar principles;
- (f) the fact that security which is described as fixed security may in fact be floating security;
- (g) the possibility that an undertaking to assume liability for, or indemnify a person against, non-payment of stamp duty may be void;
- (h) the fact that a court may refuse to give effect to a purported contractual obligation to pay costs imposed upon another person in respect of costs of an unsuccessful litigation brought against that person or may not award by way of costs all of the expenditure incurred by a successful litigant in proceedings brought before that court or that a court may stay proceedings if concurrent proceedings based on the same grounds and between the same parties have previously been brought before another court;
- (i) steps for perfection not required by the terms of this Deed to be taken,

and any other reservations or qualifications of law contained in any legal opinion delivered to the Companies, the Trustees or a Guarantor in respect of this Deed.

Scheme means the Diodes Zetex Pension Scheme established under an interim deed dated 15 March 1984 and governed by a third definitive deed and rules dated 7 January 2009 as amended.

Security Interest means a mortgage, charge, pledge, lien, assignment, hypothecation or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

Subsidiary means:

- (a) a subsidiary within the meaning of section 1159 of the Companies Act 2006; and
- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

Tax Deduction means a deduction or withholding for or on account of Tax from a payment under this Deed.

Tax Payment means a payment made by a Guarantor to the Trustees in any way relating to a Tax Deduction or under any indemnity given by a Guarantor in respect of Tax under this Deed.

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1.2 Construction

- (a) In this Deed, unless the contrary intention appears, a reference to:
- (i) **assets** includes present and future properties, revenues and rights of every description and includes uncalled capital;
 - (ii) an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
 - (iii) a **person** includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;
 - (iv) a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which persons to which it applies are accustomed to comply) or any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (v) a **currency** is a reference to the lawful currency for the time being of the relevant country;
 - (vi) a **provision of law** is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;
 - (vii) a Clause, a Subclause, a Paragraph, a Subparagraph or a Schedule is a reference to a clause, subclause, paragraph, or subparagraph of, or a schedule to, this Deed;
 - (viii) a Party or any other person includes its successors in title, permitted assigns and permitted transferees and this Deed shall be binding on and enforceable by the successors in office of the Trustees as trustees of the Scheme; and
 - (ix) a **time of day** is a reference to London time.
- (b) Unless the contrary intention appears, a reference to a **month** or **months** is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or the calendar month in which it is to end, except that:
- (i) if the numerically corresponding day is not a Business Day, the period will end on the next Business Day in that month (if there is one) or the preceding Business Day (if there is not);
 - (ii) if there is no numerically corresponding day in that month, that period will end on the last Business Day in that month; and
 - (iii) notwithstanding Subparagraph (i) above, a period which commences on the last Business Day of a month will end on the last Business Day in the next month or the calendar month in which it is to end, as appropriate.
- (c) Unless expressly provided to the contrary in this Deed, a person who is not a party to this Deed may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999 and, notwithstanding any term of this Deed, no consent of any third party is required for any variation (including any release or compromise of any liability) or termination of this Deed.
- (d) The headings in this Deed do not affect its interpretation.

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- (e) It is intended by the Parties that this document takes effect as a deed notwithstanding the fact that a Party may only execute this document under hand.

2. GUARANTEE AND INDEMNITY

2.1 Guarantee and indemnity

Each Guarantor jointly and severally irrevocably and unconditionally:

- (a) guarantees to the Trustees punctual performance by each Company of all its Guaranteed Obligations;
- (b) undertakes with the Trustees that, whenever a Company does not pay any amount when due in respect of its Guaranteed Obligations, it must immediately on demand by the Trustees pay that amount as if it were the principal obligor; and
- (c) indemnifies the Trustees immediately on demand against any cost, loss or liability suffered by the Trustees if any payment obligation guaranteed by it is or becomes unenforceable, invalid or illegal; the amount of the loss or liability under this indemnity will be equal to the amount the Trustees would otherwise have been entitled to recover.

2.2 Continuing guarantee

- (a) The guarantee contained in this Deed is a continuing guarantee and will extend to the ultimate balance of all sums payable by the Companies in respect of their Guaranteed Obligations.
- (b) For the avoidance of doubt, but without prejudice to Clause 9 (Amendments), this Deed shall continue in full force and effect and may not be terminated by any Guarantor until all amounts which may be or become payable by the Companies to the Scheme have been irrevocably paid in full.

2.3 Reinstatement

- (a) If any discharge, release or arrangement is made by the Trustees in whole or in part on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation, administration or otherwise without limitation, then the liability of each Guarantor under this Clause will continue as if the discharge or arrangement had not occurred.
- (b) The Trustees may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

2.4 Waiver of defences

The obligations of each Guarantor under this Clause will not be affected by any act, omission or thing which, but for this provision, would reduce, release or prejudice any of its obligations under this Clause (whether or not known to any Guarantor or the Trustees). This includes:

- (a) any time or waiver granted to, or composition with, any person;
- (b) any release of any person under the terms of any composition or arrangement;

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- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person;
- (d) any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (f) any amendment, novation, supplement, extension or restatement (however fundamental and of whatsoever nature) of any Guaranteed Obligation or any other document; or
- (g) any unenforceability, illegality, invalidity or non-provability of any Guaranteed Obligation.

2.5 Guarantor interest

Without prejudice to the generality of Clause 2.4 (Waiver of defences) each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Guaranteed Obligations.

2.6 Immediate recourse

Each Guarantor waives any right it may have of first requiring the Trustees (or any trustee or agent on their behalf) to proceed against or enforce any other right or security or claim payment from any person before claiming from that Guarantor under this Clause. This waiver applies irrespective of any law to the contrary.

2.7 Appropriations

Until all amounts which may be or become payable by the Companies to the Trustees have been irrevocably paid in full, each Trustee (or any trustee, agent or appointee on its behalf) may without affecting the liability of any Guarantor under this Clause:

- (a) (i) refrain from applying or enforcing any other moneys, security or rights held or received by that Trustee (or any trustee or agent on its behalf) in respect of those amounts; or
- (ii) apply and enforce them in such manner and order as it sees fit (whether against those amounts or otherwise); and
- (b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Company's liability to the Trustees.

2.8 Non-competition

Unless:

- (a) all amounts which may be or become payable by the Companies to the Scheme have been irrevocably paid in full; or
- (b) the Trustees otherwise direct,

no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under this Deed or by reason of any amount being payable, or liability arising, under this Deed:

- (i) to be indemnified by any Company;
- (ii) to claim any contribution from any other guarantor of any Company's obligations or liabilities to make payments to the Scheme;
- (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Trustees in respect of any Company's obligations or liabilities to make payments to the Scheme, or under or pursuant to any other guarantee or security taken in connection with such obligations or liabilities of any Company by the Trustees;
- (iv) to bring legal or other proceedings for an order requiring any Company to make any payment, or perform any obligation, in respect of which any guarantor has given a guarantee, undertaking or indemnity under this Deed;
- (v) to exercise any right of set-off against any Company; and/or
- (vi) to claim or prove as a creditor of any Company in competition with the Trustees.

Each Guarantor must hold in trust for and immediately pay or transfer to the Trustees any payment or distribution or benefit of security received by it contrary to this Clause or in accordance with any directions given by the Trustees under this Clause.

2.9 Additional security

The guarantee contained in this Deed is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Trustees.

3. TAXES

3.1 Tax gross-up

- (a) Each Guarantor must make all payments to be made by it under this Deed without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) If a Guarantor is aware that it must make a Tax Deduction (or that there is a change in the rate or the basis of a Tax Deduction), it must promptly notify the Trustees.
- (c) If a Tax Deduction is required by law to be made by a Guarantor or the Trustees, the amount of the payment due from that Guarantor will be increased to an amount which (after making the Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

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- (d) If a Guarantor is required to make a Tax Deduction, that Guarantor must make the minimum Tax Deduction and must make any payment required in connection with that Tax Deduction within the time allowed by law.
- (e) Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the relevant Guarantor must deliver to the Trustees evidence satisfactory to them (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

3.2 Value added taxes

Any amount payable under this Deed by a Guarantor is exclusive of any value added tax or any other Tax of a similar nature which might be chargeable in connection with that amount. If any such Tax is chargeable, the relevant Guarantor must pay to the Trustees (in addition to and at the same time as paying that amount) an amount equal to the amount of that Tax.

3.3 Stamp taxes

Each Guarantor shall pay and, within three Business Days of demand, indemnify the Trustees against any cost, loss or liability that the Trustees incur in relation to all stamp duty, registration and other similar taxes payable in respect of this Deed.

4. PAYMENTS

4.1 Funds

Payments under this Deed to the Trustees must be made for value on the due date at such times and in such funds as the Trustees may specify to the Guarantors as being customary at the time for the settlement of transactions in the relevant currency in the place for payment.

4.2 Currency

Any amount payable under this Deed is payable in Sterling.

4.3 No set-off or counterclaim

All payments made by a Guarantor under this Deed must be made without set-off or counterclaim.

4.4 Business Days

If a payment under this Deed is due on a day which is not a Business Day, the due date for that payment will instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

5. REPRESENTATIONS

5.1 Representations

The representations set out in this Clause are made by each Guarantor to the Trustees.

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5.2 Status

- (a) It is a limited liability company, duly incorporated and validly existing under the laws of its jurisdiction of original incorporation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

5.3 Powers and authority

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, this Deed and the transactions contemplated by this Deed.

5.4 Legal validity

Subject to the Reservations, the obligations expressed to be assumed by it in this Deed are legal, binding, valid and enforceable obligations.

5.5 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, this Deed do not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional documents; or
- (c) any document which is binding upon it or any of its Subsidiaries or any of its or its Subsidiaries' assets.

5.6 No insolvency

No Insolvency Proceedings have been taken or threatened in relation to it and no Insolvency Event applies to it.

5.7 No default

No event is outstanding which constitutes a default under any document which is binding on it or any of its Subsidiaries or any of its or its Subsidiaries' assets to an extent or in a manner which has or is reasonably likely to have a Material Adverse Effect.

5.8 Authorisations

All authorisations required by it in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Deed have been obtained or effected (as appropriate) and are in full force and effect.

5.9 Litigation

No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened, against it or any of its Subsidiaries, which have or, if adversely determined, are reasonably likely to have a Material Adverse Effect.

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5.10 Times for making representations

The representations set out in this Clause are made by each Guarantor on the date of this Deed.

6. GENERAL COVENANTS

6.1 General

Each Guarantor agrees to be bound by the covenants set out in this Clause so long as any Guaranteed Obligations are outstanding.

6.2 Notification of breach

Each Guarantor must notify the Trustees of any breach of any of the provisions of this Deed promptly upon becoming aware of its occurrence.

6.3 Authorisations

Each Guarantor must promptly obtain, maintain and comply with the terms of any authorisation required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, this Deed.

6.4 Compliance with laws

Each Guarantor must comply in all respects with all laws to which it is subject where failure to do so has or is reasonably likely to have a Material Adverse Effect.

6.5 Pari passu ranking

Each Guarantor must ensure that its payment obligations under this Deed rank at least pari passu with all its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law.

6.6 Notifiable events

Each Guarantor shall promptly notify the Trustees upon becoming aware that any event has occurred in respect of a Company or a Guarantor which would (or would if that Guarantor were an employer in relation to the Scheme within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) require notification to the Pensions Regulator in accordance with section 69 of the Pensions Act 2004 and any regulations and directions made thereunder.

7. INDEMNITIES

7.1 Currency indemnity

- (a) Each Guarantor must, as an independent obligation, jointly and severally indemnify each Trustee against any loss or liability which that Trustee incurs as a consequence of that Trustee receiving an amount under this Deed in a currency other than Sterling.
- (b) The Guarantor waives any right it may have in any jurisdiction to pay any amount under this Deed in a currency other than Sterling.

7.2 Amendment costs

If any Guarantor requests an amendment, waiver or consent, the relevant Guarantor shall, within three Business Days of demand, reimburse the Trustees for the amount of all costs and expenses (including legal fees) reasonably incurred by the Trustees in responding to, evaluating, negotiating or complying with that request or requirement.

7.3 Enforcement and preservation costs

Each Guarantor shall, within three Business Days of demand, pay to the Trustees the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of or the preservation of any rights under this Deed and any proceedings instituted by or against the Trustees as a consequence of taking, holding or enforcing this Deed.

7.4 Guarantor default

Each Guarantor shall, within three Business Days of demand, indemnify the Trustees against any cost, loss or liability incurred by it as a result of any default by any Guarantor in the performance of any of the obligations expressed to be assumed by it in this Deed.

8. CHANGES TO THE PARTIES

8.1 Assignments and transfers by a Guarantor

No Guarantor may assign or transfer any of its rights and obligations under this Deed other than with the prior written consent of the Trustees.

8.2 Assignments and transfers by the Trustees

Each Guarantor acknowledges that the rights and obligations of the Trustees under this Deed may be transferred to the Pension Protection Fund as a result of the operation of Section 161 of and Schedule 6 to the Pensions Act 2004.

9. AMENDMENTS

(a) At any time while this Deed remains in force any Guarantor may submit to the Trustees written proposals (the **Proposals**) to:

- (i) amend the definition of 'Guaranteed Obligations' in Subclause 1.1 (Definitions) so that the maximum liability of the Guarantors under this Deed is:
 - (A) a fixed amount; or
 - (B) the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being funded to at least a specified percentage level on the date on which any liability under this Deed arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted as at that date; or
 - (C) the lower of (I) the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being funded to at least a specified percentage level on the date on which any liability under this Deed arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted as at that date and (II) a fixed amount; or

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- (D) an amount equal to the entire aggregate liability, on the date on which any liability under this Deed arises, of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date; or
 - (E) equal to the lower of (I) an amount equal to the entire aggregate liability, on the date on which any liability under this Deed arises, of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date and (II) a fixed amount; or
- (ii) release the obligations of the Guarantors under this Deed in full.
- (b) The Proposals may include the matters set out in Paragraph 2 of Schedule 2 (Amendment and release criteria) and shall in all cases specify a date (the **Implementation Date**) with effect from which, if approved by the Trustees, the Proposals are to be implemented. The Implementation Date shall be not less than 30 and not more than 45 Business Days after the date on which the Trustees receive the Proposals (the **Proposal Date**).
 - (c) The Trustees' consent to the Proposals must not be unreasonably withheld or delayed if the Trustees (acting in good faith) are satisfied that the Proposals satisfy the criteria set out in Paragraph 3 of Schedule 2 (Amendment and release criteria).
 - (d) If the Trustees are satisfied that the Proposals satisfy the criteria set out in Paragraph 3 of Schedule 2 (Amendment and release criteria) then each Guarantor and the Trustees shall implement the Proposals so that they are effective from the Implementation Date.

10. SET-OFF

A Trustee may set off any matured obligation owed to it by a Guarantor under this Deed (to the extent beneficially owned by that Trustee) against any obligation (whether or not matured) owed by that Trustee to that Guarantor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Trustee may convert either obligation at a market rate of exchange selected by it (acting reasonably) for the purpose of the set-off.

11. SEVERABILITY

If a term of this Deed is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Deed; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Deed.

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12. COUNTERPARTS

This Deed may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

13. PARTIES

For the avoidance of doubt, each Guarantor which executes this Deed will be bound by it even if other intended Guarantors do not do so or are not effectively bound by it.

14. NOTICES

14.1 In writing

- (a) Any communication in connection with this Deed must be in writing and, unless otherwise stated, may be given in person, by post or fax.
- (b) Unless it is agreed to the contrary, any consent or agreement required under this Deed must be given in writing.

14.2 Contact details

- (a) The contact details of the Guarantors for this purpose are:

Diodes Zetex Semiconductors Limited:

Address: Zetex Technology Park
Chadderton
Oldham
OL9 9LL
Fax number: 0161 622 4446
E-mail: dave_benstead@eu.diodes.com
Attention: Dave Benstead

Diodes Zetex Limited:

Address: Zetex Technology Park
Chadderton
Oldham
OL9 9LL
Fax number: 0161 622 4446
E-mail: dave_benstead@eu.diodes.com
Attention: Dave Benstead

- (b) The contact details of the Trustees are:

Address: Barnett Waddingham
Chalfont Court
Hill Avenue
Amersham
Buckinghamshire
HP6 5BB
Fax number: 01494 788800
E-mail: zetex@barnett-waddingham.co.uk
Attention: Andrew Twells

14.3 Effectiveness

- (a) Except as provided below, any communication in connection with this Deed will be deemed to be given as follows:
 - (i) if delivered in person, at the time of delivery;
 - (ii) if posted, five days after being deposited in the post, postage prepaid, in a correctly addressed envelope; and
 - (iii) if by fax, when received in legible form.
- (b) A communication given under Paragraph (a) above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

15. LANGUAGE

Any notice given in connection with this Deed must be in English.

16. GOVERNING LAW

This Deed is governed by English law.

17. ENFORCEMENT

17.1 Jurisdiction

- (a) The English courts have non-exclusive jurisdiction to settle any dispute in connection with this Deed.
- (b) The English courts are the most appropriate and convenient courts to settle any such dispute.
- (c) This Clause is for the benefit of the Trustees only. To the extent allowed by law, a Trustee may take:
 - (i) proceedings in any other court; and
 - (ii) concurrent proceedings in any number of jurisdictions.

17.2 Waiver of immunity

Each Guarantor irrevocably and unconditionally:

- (a) agrees not to claim any immunity from proceedings brought by a Trustee against it in relation to this Deed and to ensure that no such claim is made on its behalf;
- (b) consents generally to the giving of any relief or the issue of any process in connection with those proceedings; and
- (c) waives all rights of immunity in respect of it or its assets.

17.3 Waiver of trial by jury

EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH THIS DEED OR ANY TRANSACTION CONTEMPLATED BY THIS DEED. THIS DEED MAY BE FILED AS A WRITTEN CONSENT TO TRIAL BY COURT.

This Deed has been entered into on the date stated at the beginning of this Deed.

SCHEDULE 1

COMPANIES

Company name	Registration number	Address
Diodes Zetex Semiconductors Limited	02387949	Zetex Technology Park, Chadderton, Oldham, OL9 9LL
Diodes Zetex Limited	01378777	Zetex Technology Park, Chadderton, Oldham, OL9 9LL

SCHEDULE 2

AMENDMENT AND RELEASE CRITERIA

1. Definitions

In this Schedule:

C_0 means the amount of any Eligible Deficit-Reduction Contributions as at a Reference Date.

C_1 means the amount of any Eligible Deficit-Reduction Contributions as at an Implementation Date.

Deemed Value as at a Measurement Date means:

- (a) in respect of a Pension Protection Fund Recognised Arrangement which provides for a person to enter into a guarantee (other than a bank guarantee or letter of credit issued by a Regulated Entity), or for security to be granted, in each case in favour of the Trustees, the amount set opposite the description of that arrangement in the table below or (in the case of security only) the value of the assets which are subject to that security as set out in the most recent Eligible Valuation of those assets, if lower:

Description of arrangement	Deemed Value
Guarantee or security where the liability of the chargor or guarantor under that security is expressed to be limited to a fixed amount.	The fixed amount specified as the limit on the liability of the guarantor or chargor.
Guarantee or security where the liability of the guarantor or chargor under that guarantee or security is expressed to be limited to either (A) the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being funded to at least a specified percentage level (as calculated under section 179 of the Pensions Act 2004) on the date on which any liability under that guarantee or security arose were a valuation to be conducted on that date, or to (B) the lower of the amount referred to in (A) and a fixed amount ("F").	The lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being funded to at least that percentage level (as calculated under section 179 of the Pensions Act 2004) on the Measurement Date, based on the assets and liabilities of the Scheme as set out in the most recent Eligible Valuation prior to the Measurement Date and adding any Eligible Deficit-Reduction Contributions as at that Measurement Date or, where (B) applies, the lower of such amount and F.

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Guarantee or security where the liability of the guarantor or chargor under that security is expressed to be limited to either (A) an amount equal to the entire aggregate liability, on the date on which any liability under that guarantee or security arose, of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date, or to (B) the lower of the amount referred to in (A) and a fixed amount (“G”).

The lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 125 per cent. funded (as calculated under section 179 of the Pensions Act 2004) on the Measurement Date, based on the assets and liabilities of the Scheme as set out in the most recent Eligible Valuation prior to the Measurement Date and adding any Eligible Deficit-Reduction Contributions as at that Measurement Date; or, where (B) applies, the lower of such amount and G.

- (b) in respect of a Pension Protection Fund Recognised Arrangement which is a letter of credit or a bank guarantee issued by a Regulated Entity, the face amount of that letter of credit or bank guarantee.

Deficit-Reduction Contributions means deficit-reduction contributions made to the Scheme calculated on the basis specified by the Pension Protection Fund in its most recently published policies.

Eligible Deficit-Reduction Contributions as at a Measurement Date means any Deficit-Reduction Contributions made or to be made to the Scheme between:

- (a) the date of the most recent Eligible Valuation prior to the Measurement Date; and
- (b) the Measurement Date, provided that:
- (i) the Eligible Deficit-Reduction Contributions as at a Reference Date shall only include Deficit-Reduction Contributions which were validly certified to the Pension Protection Fund in accordance with its policies no later than 6 days after that Reference Date; and
 - (ii) the Eligible Deficit-Reduction Contributions as at an Implementation Date shall comprise all Deficit-Reduction Contributions certified by the Scheme Actuary pursuant to Paragraph 2(b) below.

Eligible Valuation means:

- (a) in relation to the assets or liabilities of the Scheme, either:
- (i) a valuation of those assets and liabilities carried out on the basis set out in section 179 of the Pensions Act 2004 and which has been provided to the Pension Protection Fund in accordance with section 179 of the Pensions Act 2004; or
 - (ii) a statement provided to the Trustees by the Scheme Actuary, setting out prudent approximations of the asset and liability figures which would have resulted if the Scheme Actuary had conducted a valuation on the basis set out in section 179 of the Pensions Act 2004 as at a specific date; and

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- (b) in relation to an asset charged in favour of the Trustee, a valuation of that asset which complies with all requirements published by the Pension Protection Fund (whether in relation to the date or method of the valuation or otherwise) for the recognition of security over such an asset for the purposes of calculating the risk-based levy in accordance with Part 2 of the Pensions Act 2004 and which has been certified to the Pension Protection Fund in accordance with those requirements,

and references to “the most recent Eligible Valuation prior to” a date shall mean the Eligible Valuation which was so provided or certified on or prior to, and whose effective date is closest to, that date.

L₀ means the total liabilities of the Scheme as set out in the most recent Eligible Valuation prior to a Reference Date.

L₁ means the total liabilities of the Scheme as set out in the most recent Eligible Valuation prior to an Implementation Date.

M₀ means the aggregate Deemed Value as at a Reference Date of all Pension Protection Fund Recognised Arrangements which are guarantees in respect of which the Scheme benefited as at that Reference Date, including this Deed but excluding bank guarantees or letters of credit issued by Regulated Entities.

M₁ means the aggregate Deemed Value immediately prior to an Implementation Date of all Pension Protection Fund Recognised Arrangements which are guarantees in respect of which the Scheme benefited immediately prior to that Implementation Date, excluding bank guarantees or letters of credit issued by Regulated Entities.

M₂ means the aggregate Deemed Value as at an Implementation Date of all Pension Protection Fund Recognised Arrangements which are guarantees in respect of which the Scheme will benefit on and following that Implementation Date, excluding bank guarantees or letters of credit issued by Regulated Entities.

Measurement Date means the date on which any of the variables in this Schedule is measured.

N₀ means the aggregate Deemed Value as at a Reference Date of all Pension Protection Fund Recognised Arrangements which comprise:

- (a) security over assets; or
- (b) bank guarantees or letters of credit issued by Regulated Entities,

in respect of which the Scheme benefited as at that Reference Date.

N₁ means the aggregate Deemed Value immediately prior to an Implementation Date of all Pension Protection Fund Recognised Arrangements which comprise:

- (a) security over assets; or
- (b) bank guarantees or letters of credit issued by Regulated Entities,

in respect of which the Scheme benefited immediately prior to that Implementation Date.

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N_2 means the aggregate Deemed Value as at an Implementation Date of all Pension Protection Fund Recognised Arrangements which comprise:

- (a) security over assets; or
- (b) bank guarantees or letters of credit issued by Regulated Entities,

in respect of which the Scheme will benefit on and following that Implementation Date.

Pension Protection Fund Recognised Arrangement means an arrangement constituted by an agreement in Pension Protection Fund Standard Form which satisfies all criteria specified by the Pension Protection Fund for recognition as a contingent asset for the purposes of calculating the risk-based levy in accordance with Part 2 of the Pensions Act 2004 and which has been the subject of a valid certification to the Pension Protection Fund in Pension Protection Fund Standard Form.

Pension Protection Fund Standard Form means, in relation to an agreement or a certificate, the standard form of that agreement or certificate most recently published by the Pension Protection Fund prior to the date on which that agreement was entered into or that certificate was given.

Reference Date means the 1 April immediately preceding any Proposal Date.

Regulated Entity means an entity which satisfies all criteria specified by the Pension Protection Fund for the issuer of a letter of credit or bank guarantee which will be recognised as a contingent asset for the purposes of calculating the risk-based levy in accordance with Part 2 of the Pensions Act 2004.

S_0 means the assets of the Scheme as set out in the most recent Eligible Valuation prior to a Reference Date.

S_1 means the assets of the Scheme as set out in the most recent Eligible Valuation prior to an Implementation Date.

Scheme Actuary means the actuary to the Scheme.

2. Content of Proposals

- (a) In addition to the matters referred to in Paragraph (a) of Clause 9 (Amendments), the Proposals may include details of any new Pension Protection Fund Recognised Arrangement(s) that are proposed to come into force on or prior to the relevant Implementation Date.
- (b) As part of the Proposals, a Guarantor may require the Trustees to take into account any contributions made or to be made to the Scheme between:
 - (i) the date of the most recent Eligible Valuation prior to the relevant Implementation Date; and
 - (ii) the relevant Implementation Date.

In such circumstances the Trustees shall obtain, at the Guarantors' expense and prior to the relevant Implementation Date, a statement from the Scheme Actuary as to the amount of such contributions which qualify as Deficit-Reduction Contributions. Without prejudice to

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Paragraph 3 below, the Trustees shall not be required to implement the Proposals unless all the contributions on which such statement is based are actually received in full by the Scheme no later than the relevant Implementation Date.

3. Criteria

(a) The Trustees' consent to any Proposals may not be unreasonably withheld or delayed where such Proposals satisfy all of requirements (i), (ii) and (iii) below:

(i) $N_2 \geq N_1$

OR

$$\frac{S_1 + C_1 + N_2}{L_1} \geq \frac{S_0 + C_0 + N_0}{L_0}$$

OR

$$\frac{S_1 + C_1 + N_2}{L_1} \geq 1.04$$

(ii) $M_2 \geq M_1$

OR

$$N_2 + M_2 + N_1 + M_1$$

OR

$$\frac{S_1 + C_1 + N_2 + M_2}{L_1} \geq \frac{S_0 + C_0 + N_0 + M_0}{L_0}$$

OR

$$\frac{S_1 + C_1 + N_2 + M_2}{L_1} \geq 1.05$$

(iii) where the Proposals include replacing a Guarantor, the new guarantor had, on a date falling no more than 5 Business Days prior to the Proposal Date, no greater risk of insolvency than that of the relevant Guarantor on that date, based on the measure of insolvency risk then used by the Pension Protection Fund for the calculation of the risk based levy.

(b) For the avoidance of doubt, where the criteria set out in Paragraph 3(a) above would be satisfied if the Deemed Value of this Deed on and following the relevant Implementation Date were zero, then acceptable Proposals may include the release of the Guarantors from their obligations under this Deed in full with effect from the relevant Implementation Date (without prejudice to any accrued liabilities).

SIGNATORIES

Guarantors

EXECUTED as a deed by)
DIODES ZETEX SEMICONDUCTORS LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

EXECUTED as a deed by)
DIODES ZETEX LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

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Trustees

/s/ John Robert Earnshaw
JOHN ROBERT EARNSHAW
as trustee of the Diodes Zetex Pension Scheme

acting by

/s/ Andrew Twells
Witness signature

Witness name

Witness address

/s/ Ian Smith
IAN SMITH
as trustee of the Diodes Zetex Pension Scheme

acting by

/s/ Andrew Twells
Witness signature

Witness name

Witness address

HR TRUSTEES LIMITED
as trustee of the Diodes Zetex Pension Scheme

/s/ Trustee
Director:

/s/ Trustee
Director/Secretary:

**DIODES ZETEX PENSION SCHEME INFORMATION
PROTOCOL**

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THIS DEED is made on 2012.

BETWEEN:

- (1) **DIODES INCORPORATED** of 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024 USA (the **Parent Company**);
- (2) **DIODES ZETEX SEMICONDUCTORS LIMITED** (registered number 02387949) whose registered office is at Zetex Technology Park, Chadderton, Oldham, OL9 9LL (**Diodes Zetex Semiconductors Limited**);
- (3) **DIODES ZETEX LIMITED** of Zetex Technology Park, Chadderton, Oldham, OL9 9LL (Registered No 01378777) (**Diodes Zetex Limited**); and
- (4) **JOHN ROBERT EARNSHAW** of 89 Dalebrook Road, Brooklands, Sale, Cheshire, M33 3LB, **HR TRUSTEES LIMITED** (No. 745598) whose registered office is at Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH and **IAN SMITH** of 27 Selsey Avenue, Sale, Cheshire, M33 4RN as trustees of the Diodes Zetex Pension Scheme (the **Trustees**).

BACKGROUND:

This deed is intended to make provision for the sharing with the Trustees, as the trustees of the Diodes Zetex Pension Scheme (the **Scheme**), of information relating to Diodes Zetex Limited (registered number 01378777) and Diodes Zetex Semiconductors Limited (registered number 02387949) (each a **Company** and together the **Companies**) and their parent and subsidiary undertakings from time-to-time (together, the **Group**) relevant to the Scheme.

OPERATIVE PROVISIONS:

1. INTERPRETATION

- 1.1 The headings in this deed do not affect its interpretation.
- 1.2 In this deed, any reference to an enactment (which includes any legislation in any jurisdiction) includes:
 - (a) that enactment as amended, extended or applied by or under any other enactment (before, on or after the date of this deed);
 - (b) any enactment which that enactment re-enacts (with or without modification); and
 - (c) any subordinate legislation (including regulations) made (before, on or after the date of this deed) under that enactment, including (where applicable) that enactment as amended, extended or applied as described here, or under any enactment which it re-enacts as described here.
- 1.3 In this deed, any reference to any rule, regulation, instrument or handbook includes that rule, regulation, instrument or handbook as amended, extended or replaced before, on or after the date of this deed.
- 1.4 In this deed:
 - (a) words denoting persons include bodies corporate;

(b) the words **including** and **include** will mean including without limitation and include without limitation, respectively; and

(c) any reference to **discretion** will mean absolute discretion.

1.5 In this deed:

acting in concert has the meaning given to it in the City Code on Takeovers and Mergers;

business day means a day (other than a Saturday or Sunday) on which banks are generally open in London for normal business;

Capital Reduction Events means any events which may result in a material reduction of the overall assets of a Company which could be available to fund a deficit in the Scheme;

Change of Control means any person or group of persons acting in concert to gain control of a Company;

CJA means the Criminal Justice Act 1993;

control has the meaning given to it in sections 450 and 451 of the Corporation Tax Act 2010;

Control Structure Events means events which may result in a Change of Control of a Company including change in its parent company or in its group structure;

Executive means the Chief Executive Officer, Chief Financial Officer, and each other executive director of the Parent Company;

Financial Presentation means any formal presentation to be made by the Parent Company to investors or shareholders filed by it with the United States Securities and Exchange Commission;

FSA means the Financial Services Authority;

FSA Handbook means the FSA's Handbook of rules and guidance (including the Listing, Prospectus and Disclosure Rules) issued by the FSA;

FSMA means the Financial Services and Markets Act 2000;

Information-Sharing Meeting means a meeting held pursuant to clause 2.3;

Other Events means events which are reasonably likely to materially affect the priority of funds or level of funds available to meet the liabilities of the Scheme, for example changes in the financial status of other pension arrangements of the Companies; and

Priority Events means events which are reasonably likely to result in a material change in the level of security given to creditors, with the effect that the Scheme may be/become more likely to receive a reduced payment in the event of insolvency.

2. INFORMATION DISCLOSURE PROVISIONS

2.1 Internal management accounts

The Parent Company confirms that the Companies prepare monthly internal management accounts and conduct their affairs with reference to these.

2.2 Provision of financial statements

The Parent Company and each Company agree that between them they will supply to the Trustees on an ongoing basis:

- (a) a copy of the audited accounts of the Companies and the audited consolidated accounts of the Group for the preceding financial year immediately after these are signed by the directors and auditors; and
- (b) quarterly written or oral updates and prospective views on the Companies' business including:
 - (i) actual receivables;
 - (ii) expected changes in receivables;
 - (iii) actual cash balances held;
 - (iv) expected changes in cash balances held;
 - (v) actual dividend payments;
 - (vi) expected changes in dividend payments;
 - (vii) management accounts;
 - (viii) business forecasts where such forecasts have been prepared by the Parent Company and each Company;
 - (ix) Capital Reduction Events, Priority Events and Other Events;
 - (x) Control Structure Events; and
 - (xi) the Companies' balance sheets and other information relating to the Companies where this impacts on any of the above.

2.3 Disclosure equivalent to presentations and notifications

- (a) The Parent Company will inform the Trustees of any Financial Presentation made and direct the Trustees on how to view any filing made with the United States Securities and Exchange Commission in relation to the Financial Presentation. Then, if requested by the Trustees, the Parent Company will hold an Information-Sharing Meeting within 60 business days after the Financial Presentation. At any Information-Sharing Meeting:
 - (i) the Parent Company will be represented by a member of the Group's senior management (which, for the avoidance of doubt, will not necessarily mean a member of the Executive);
 - (ii) the Parent Company will, if so required by the Trustees, provide to the Trustees a presentation having substantially the same content as the most recent Financial Presentation; and
 - (iii) the Parent Company will make provision for a question-and-answer session during which the Parent Company will provide such other information (to the extent provided at the most recent Financial Presentation) the Trustee may reasonably request.

2.4 Public announcements

The Parent Company and each Company agree that between them they will provide to the Trustees a copy of every material announcement made by a Company to any Regulated Information Service (**RIS**) for FSA purposes, to the extent reasonably practicable, on the same day as such announcement is provided to that RIS (or in any event by the end of the next following business day).

2.5 Material changes

- (a) To the extent that anything provided to the Trustees under clause 2.2(b) changes materially between the quarterly updates, the Parent Company and each Company agree that between them they will advise the Trustees of material Priority Events, Capital Reduction Events, Control Structure Events and Other Events as soon as they becomes aware of the change or of any proposal to carry out any such events.
- (b) The Parent Company and each Company agree that between them they will promptly (and, where applicable, not later than notifying the Pensions Regulator) give the Trustees notice of any notifiable event for the purposes of the Pensions Act 2004 and of any event which has or is likely to have a materially detrimental effect on the covenant of a Company, state whether it proposes to apply to the Pensions Regulator for clearance in relation to that event and inform the Trustees of any steps which have been taken or are proposed to be taken to mitigate the effects of the event on the covenant of the Company in relation to the Scheme.

2.6 Other Information

The Parent Company and each Company agree that between them they will promptly provide the Trustees with access to such other material information as the Trustees will reasonably request in order to:

- (a) assess the suitability of the statement of investment principles in relation to the Scheme from time to time; and
- (b) monitor the covenant of the Companies.

2.7 Periodic Review

The terms of this clause 2 will be reviewed before each actuarial valuation of the Scheme for the purposes of Part 3 of the Pensions Act 2004 has been obtained. However, for the avoidance of doubt, the failure to conduct or act on such review will not invalidate the effectiveness of this clause 2.

2.8 Comfort as to compliance with covenants

The Parent Company and each Company agree that between them they will inform the Trustees of any material breach of a banking covenant by a Company when the bank in question is informed of such breach, including details of the nature and cause of that breach of covenant along with details of the actions that are being taken to remedy any such breach.

3. SENSITIVE INFORMATION

Notwithstanding any of the other provisions of this deed, the Parent Company and the Companies will not be obliged to disclose any information to the Trustees to the extent that such disclosure:

- (a) would constitute a breach of any applicable law, regulation or legal obligation or the rules of any regulatory authority to which the Parent Company or any member of the Group is subject from time-to-time, including (without limitation):
 - (i) any provision of the FSA Handbook, including (without limitation) the Disclosure Rules and Transparency Rules;
 - (ii) the market abuse regime constituted by Part VIII of FSMA;
 - (iii) the insider dealing regime in Part V of the CJA; and
 - (iv) any third-party confidentiality obligation to which the Parent Company or any member of the Group is subject; or
- (b) would result in the loss by the Parent Company (or any member of the Group) of, or the impairment of, any legal privilege relating to any information.

4. GENERAL

- 4.1 The provision to the Trustees of any information of any type not specifically mentioned in this deed (whether or not at any meeting) will not give rise to any implication or implied undertaking that any other information of that type (or any other type) will be disclosed on any subsequent occasion.
- 4.2 Any notice or information to be given under this deed:
 - (a) (in the case of any such notice or information to be given to the Parent Company or either of the Companies) will be issued using the appropriate contact details as set out in clause 7.1; and
 - (b) (in the case of any such notice or information to be given to the Trustees) other than any information to be provided at an Information-Sharing Meeting, will be provided to the Chairman from time-to-time of the Trustees on behalf of the Trustees and issued using the appropriate contact details as set out in clause 7.2.
- 4.3 The Parent Company, each Company and the Trustees will not make any announcement concerning this deed and they will (and the Trustees will procure that its directors and advisers will) keep this deed confidential.
- 4.4 Clause 4.3 will not apply to the extent required by any law, court or regulatory authority or as required in relation to the enforcement of any of the provisions of this deed in any legal process. The Parent Company, each Company and the Trustees agree that information disclosed by them in accordance with this clause 4.4 is done so only to the extent required by such law, court or regulatory authority.
- 4.5 The rights of the Parent Company, each Company or the Trustees under this deed may be assigned or transferred with the prior written consent of the other. Except as provided in this clause 4.5, none of the rights or obligations under this deed may be assigned or transferred.
- 4.6 A person who is not a party to this deed may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.
- 4.7 This deed may be amended by a deed entered into by the Parent Company, each Company and the Trustees, but not otherwise.

4.8 This deed may be executed in any number of counterparts, all of which, taken together, will constitute one and the same deed, and any party may enter into this deed by executing a counterpart.

5. TERMINATION

Notwithstanding any other provision of this deed, the parties agree that:

- (a) this deed will remain in force, subject to such amendments as the Parent Company, each Company and the Trustees will from time-to-time agree in writing, without limit in time, provided that this deed may, subject to sub-clause (b) below, be terminated:
 - (i) at any time by either the Parent Company, either Company or the Trustees with the agreement in writing of the other (such agreement not to be unreasonably withheld or delayed); or
 - (ii) either by the Parent Company or the Trustees on serving twelve months' notice in writing to the Trustees or Parent Company (as appropriate) where the Parent Company or the Trustees consider (in their discretion) that it is no longer appropriate for the Deed to continue to operate, after which notice the Parent Company and the Trustees shall, in good faith, put in place alternative information sharing arrangements which they shall both agree to be appropriate (such agreement not to be unreasonably withheld or delayed); or
 - (iii) immediately by the Parent Company or either Company in the event of a breach by the Trustees of any of its obligations under this deed or any other agreement relating to the Trustees' duties to ensure the confidentiality of information relating to the Group; and
- (b) clauses 4 to 8 (inclusive) of this deed will continue to apply to the Parent Company, each Company and the Trustees in the event of the termination of this deed, notwithstanding such termination.

6. WHOLE AGREEMENT

- 6.1 Without prejudice to the Trustees' rights to information under the Scheme's trust deed and rules and Regulation 6(1) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, this deed contains the whole agreement between the parties relating to the matters contemplated by this deed and supersedes all previous agreements, whether oral or in writing, between the parties relating to those matters.
- 6.2 Each party acknowledges that in agreeing to enter into this deed it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this deed) made by or on behalf of any other party before the entering into of this deed. Each party waives all rights and remedies which, but for this clause 6.2, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance.
- 6.3 Nothing in this clause 6 limits or excludes any liability for fraud.

7. CONTACT DETAILS

7.1 The contact details of the Parent Company and the Companies are:

Diodes Zetex Limited:

Address: Zetex Technology Park
Chadderton
Oldham
OL9 9LL

Fax
number: 0161 622 4446
E-mail: dave_benstead@eu.diodes.com
Attention: Dave Benstead

Diodes Zetex Semiconductors Limited:

Address: Zetex Technology Park
Chadderton
Oldham
OL9 9LL

Fax
number: 0161 622 4446
E-mail: dave_benstead@eu.diodes.com
Attention: Dave Benstead

Diodes Incorporated:

Address: 4949 Hedgcoxe Road,
Suite 200,
Plano,
Texas 75024
USA

Fax
number: 972-731-3510
E-mail: Rick_White@diodes.com
Attention: Rick White

7.2 The contact details of the Trustees are:

Address: Barnett Waddingham
Chalfont Court
Hill Avenue
Amersham
Buckinghamshire
HP6 5BB

Fax number: 01494 788800
E-mail: zetex@barnett-waddingham.co.uk
Attention: Andrew Twells

8. GOVERNING LAW AND JURISDICTION

8.1 This deed is governed by the law of England and Wales.

8.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this deed and the parties submit to the exclusive jurisdiction of the English courts.

AS EVIDENCE of their agreement to its terms, the parties have executed this as a deed.

SIGNATORIES

EXECUTED as a deed by)
DIODES INCORPORATED)
acting by)

/s/ Keh-Shew Lu
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

EXECUTED as a deed by)
DIODES ZETEX SEMICONDUCTORS LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

EXECUTED as a deed by)
DIODES ZETEX LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

Trustees

/s/ John Robert Earnshaw
JOHN ROBERT EARNSHAW
as trustee of the Diodes Zetex Pension Scheme

/s/ Ian Smith
IAN SMITH
as trustee of the Diodes Zetex Pension Scheme

HR TRUSTEES LIMITED
as trustee of the Diodes Zetex Pension Scheme

/s/ Trustee
Director:

/s/ Trustee
Director/Secretary:

LEGAL CHARGE

DATED 2012

DIODES ZETEX SEMICONDUCTORS LIMITED

and

HR TRUSTEES LIMITED AND OTHERS

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THIS LEGAL CHARGE is entered into as a deed and dated 2012

BETWEEN:

- (1) **DIODES ZETEX SEMICONDUCTORS LIMITED** (registered number 02387949) whose registered office is at Zetex Technology Park, Chadderton, Oldham, OL9 9LL (the **Chargor**); and
- (2) **JOHN ROBERT EARNSHAW** of 89 Dalebrook Road, Brooklands, Sale, Cheshire, M33 3LB, **HR TRUSTEES LIMITED** (No. 745598) whose registered office is at Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH and **IAN SMITH** of 27 Selsey Avenue, Sale, Cheshire, M33 4RN (the **Trustees**).

THIS DEED WITNESSES as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In this deed:

Act means the Law of Property Act 1925;

Business Day means a day (other than a Saturday or Sunday) on which banks are generally open in London for normal business;

Company means Diodes Zetex Limited (registered number 01378777) whose registered office is at Zetex Technology Park, Chadderton, Oldham, OL9 9LL;

this Deed means this deed and all amendments and supplements to it;

Event of Default means an event specified as such in Clause 16 (Default);

Insolvency Event means an 'insolvency event' as defined in section 121 of the Pensions Act 2004 or regulations from time to time made thereunder;

Insolvency Proceeding means if any of the following occurs in respect of the Chargor:

- (a) any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors;
- (b) a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution for, to petition for or to file documents with a court or any registrar for, its winding-up, administration or dissolution or any such resolution is passed;
- (c) any person presents a petition, or files documents with a court or any registrar, for its winding-up, administration, dissolution or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);
- (d) any Security Interest is enforced over any of its assets;
- (e) an order for its winding-up, administration or dissolution is made;

-
- (f) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;
 - (g) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint, a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer; or
 - (h) any other analogous step or procedure is taken in any jurisdiction.

provided that the above does not apply to a petition for winding-up presented by a creditor which is being contested in good faith and with due diligence and is discharged or struck out within 14 days;

Interest Rate means a rate of 2% above the base lending rate of The Royal Bank of Scotland plc from time to time;

Material Adverse Effect means a material adverse effect on:

- (a) the ability of the Chargor to perform its payment obligations under this Deed;
- (b) the validity or enforceability of, or the effectiveness or ranking of this Deed;
- (c) any right or remedy of the Trustees under this Deed;

Occupational Lease means any lease or licence or other rights of occupation or rights to receive rent to which the Property may at any time be subject;

Party means a party to this Deed;

Pension Scheme means the Diodes Zetex Pension Scheme established under an interim deed dated 15 March 1984 and governed by a third definitive deed and rules dated 7 January 2009 as amended;

Property means the property described in Schedule 1 and every part of it including:

- (a) all buildings, fixtures and fittings on it;
- (b) all alterations and additions to it; and
- (c) the benefit of any covenants for title given or entered into by any predecessor in title of the Chargor in respect of it or any moneys paid or payable in respect of those covenants;

Receiver means a receiver and manager or a receiver, in either case appointed under this Deed;

Reservations means:

- (a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court and damages may be regarded as an adequate remedy;

-
- (a) the limitation on enforcement as a result of laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws affecting the rights of creditors generally;
 - (b) the statutory time-barring of claims;
 - (c) defences of set off or counterclaim;
 - (d) rules against penalties and similar principles;
 - (e) the fact that security which is described as fixed security may in fact be floating security;
 - (f) the possibility that an undertaking to assume liability for, or indemnify a person against, non-payment of stamp duty may be void;
 - (g) the fact that a court may refuse to give effect to a purported contractual obligation to pay costs imposed upon another person in respect of costs of an unsuccessful litigation brought against that person or may not award by way of costs all of the expenditure incurred by a successful litigant in proceedings brought before that court or that a court may stay proceedings if concurrent proceedings based on the same grounds and between the same parties have previously been brought before another court;
 - (h) steps for perfection not required by the terms of this Deed to be taken,

and any other reservations or qualifications of law contained in any legal opinion delivered to the Chargor or the Trustees in respect of this Deed.

Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) to make payments to the Scheme under Section 75 of the Pensions Act 1995;

Security Assets means all assets of the Chargor the subject of any security created by this Deed;

Security Interest means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect;

Security Period means the period beginning on the date of this Deed and ending on 31 December 2019.

this Security means any security created by this Deed.

1.2 Covenant

Any covenant of the Chargor under this Deed (other than a payment obligation) remains in force during the Security Period.

1.3 Avoidance of payment

If the Trustees consider that an amount paid to them under this Deed is capable of being avoided or otherwise set aside on the liquidation or administration of the payer or otherwise, then that amount will not be considered to have been irrevocably paid for the purposes of this Deed.

1.4 Security Asset

Unless the context otherwise requires, a reference to a Security Asset includes the proceeds of sale of that Security Asset.

1.5 Headings

The headings in this Deed do not affect its interpretation.

1.6 Construction

- (a) In this Deed unless the contrary intention appears, a reference to:
- (i) an authorisation includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
 - (ii) disposal means a sale, transfer, grant, lease or other disposal, whether voluntary or involuntary, and dispose will be construed accordingly;
 - (iii) a person includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;
 - (iv) a regulation includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which persons to which it applies are accustomed to comply) or any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (v) a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;
 - (vi) a Clause, a Subclause, a Paragraph, a Subparagraph or a Schedule is a reference to a clause, subclause, paragraph or subparagraph of, or a schedule to, this Deed;
 - (vii) a Party or any other person includes its successors in title, permitted assigns and permitted transferees and this Deed shall be binding on and enforceable by the successors in office of the Trustees as trustees of the Pension Scheme; and
 - (viii) a time of day is a reference to London time.

2. CREATION OF SECURITY

2.1 General

The security created under this Deed:

- (a) is created in favour of the Trustees;
- (b) is security for the payment of all the Secured Liabilities; and
- (c) is made with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994.

2.2 Land

The Chargor charges by way of a first legal mortgage all its estate or interest in the Property.

2.3 Insurance

The Chargor assigns absolutely, subject to a proviso for re-assignment on redemption, all its rights in respect of any contract or policy of insurance taken out by it or on its behalf or in which it has an interest in respect of the Property.

2.4 Other contracts

The Chargor assigns absolutely, subject to a proviso for re-assignment on redemption, all its rights in respect of any agreement in respect of the Property to which it is a party (except to the extent that it is subject to any fixed security created under any other term of this clause).

2.5 Authorisations

The Chargor charges by way of first fixed charge:

- (a) the benefit of any authorisation (statutory or otherwise) held in connection with its use of any Security Asset; and
- (b) the right to recover and receive compensation which may be payable to it in respect of any authorisation referred to in paragraph (a).

3. REPRESENTATIONS – GENERAL

3.1 Representations

The representations set out in this cause are made by the Chargor to the Trustees.

3.2 Status

The Chargor is a limited liability company, duly incorporated and validly existing under the laws of its jurisdiction of incorporation.

3.3 Powers and authority

The Chargor has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, this Deed and the transactions contemplated by this Deed.

3.4 Legal validity

Subject to the Reservations, this Deed is the Chargor's legally binding, valid and enforceable obligation.

3.5 Non-conflict

The entry into and performance by the Chargor of, and the transactions contemplated by, this Deed do not conflict with:

- (a) any law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any document which is binding upon it or any of its or its assets.

3.6 No default

No Event of Default is outstanding or will result from the execution of, or the performance of any transaction contemplated by, this Deed.

3.7 Authorisations

Except for registration of this Deed under the Companies Act 2006 and the Land Registration Act 2002, all authorisations required by the Chargor in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Deed have been obtained or effected (as appropriate) and are in full force and effect.

3.8 Nature of security

This Deed creates those Security Interests which it purports to create and is not liable to be amended or otherwise set aside on the liquidation or administration of the Chargor or otherwise.

3.9 Insolvency

No:

- (a) corporate action, legal proceeding or other procedure or step described as an Insolvency Proceeding; or
- (b) creditors' process being any attachment, sequestration, distress, execution or analogous event affects any asset of the Chargor (and is not discharged within 14 days);

has been taken or threatened in relation to the Chargor.

3.10 Litigation

No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened, against it which have or, if adversely determined, are reasonably likely to have a Material Adverse Effect.

3.11 Times for making representations

- (a) The representations set out in this Deed (including in this clause) are made on the date of this Deed.
- (b) Subject to sub-clause (c) below the representations in clauses 3.2, 3.4 and 3.5 are deemed to be repeated by the Chargor on each date during the Security Period.
- (c) The representations in clauses 3.2, 3.4 and 3.5 shall not be deemed to be repeated to the extent that a change in law or regulation after the date of this Deed results in the representation being untrue, incorrect or misleading.
- (d) When a representation is repeated, it is applied to the circumstances existing at the time of repetition.

4. RESTRICTIONS ON DEALINGS

The Chargor must not:

- (a) create or permit to subsist any Security Interest on any Security Asset; or
- (b) sell, transfer, licence, lease or otherwise dispose of any Security Asset or grant any right in favour of a third party over any Security Asset, or agree to do any of the foregoing. The restriction contained in paragraph 5(b) above does not apply to any Occupational Leases.

5. PROPERTY

5.1 General

In this Clause:

Environmental Approval means any authorisation required by any Environmental Law;

Environmental Claim means any claim by any person in connection with:

- (a) a breach, or alleged breach, of an Environmental Law;
- (b) any accident, fire, explosion or other event of any type involving an emission or substance which is capable of causing harm to any living organism or the environment; or
- (c) any other environmental contamination;

Environmental Law means any law or regulation concerning:

- (a) the protection of health and safety;
- (b) the environment; or
- (c) any emission or substance which is capable of causing harm to any living organism or the environment; and

Fixtures means all fixtures and fittings on the Property that are not owned by any tenant under an Occupational Lease.

5.2 Title

The Chargor represents to the Trustees that:

- (a) it is the legal and beneficial owner of the Property;
- (b) no breach of any law or regulation is outstanding which affects or would reasonably be expected to affect materially the value of the Property;
- (c) there are no covenants, agreements, stipulations, reservations, conditions, interests, rights or other matters whatsoever affecting the Property which materially affects the value of the Property;
- (d) nothing has arisen or has been created or is subsisting which would be an unregistered interest which overrides first registration or a registered disposition of the Property which materially affects the value of the Property;
- (e) no material facility necessary for the enjoyment and use of the Property is enjoyed by the Property on terms entitling any person to terminate or curtail its use;
- (f) it has received no notice of any adverse claims by any person in respect of the ownership of the Property or any interest in it, nor has any acknowledgement been given to any person in respect of the Property; and
- (g) the Property is held by it free from any Security Interest.

5.3 Environmental matters

The Chargor must:

- (a) obtain all Environmental Approvals required by it;
- (b) comply in all material respects with any Environmental Approval or Environmental Law applicable to it;
- (c) ensure that the Trustees do not incur any liability by reason of any breach by the Chargor of any Environmental Law or Environmental Approval; and
- (d) promptly upon becoming aware notify the Trustees of:
 - (i) any Environmental Claim current or, to its knowledge, pending or threatened; or
 - (ii) any circumstances reasonably likely to result in an Environmental Claim.
- (e) indemnify each Trustee against any loss or liability which:
 - (i) that Trustee incurs as a result of any actual or alleged breach of any Environmental Law or Environmental Approval by any person; and
 - (ii) which would not have arisen if the Trustees had not entered into this Deed, unless it is caused by that Trustee's gross negligence or wilful misconduct.

5.4 Repair

The Chargor must:

- (a) keep the Property in good and substantial repair and condition and adequately and properly painted and decorated; and
- (b) keep the Fixtures in a good state of repair and in good working order and condition.

5.5 Insurance

- (a) The Chargor must insure the Insured Property Assets (meaning the Property and all the Chargor's other assets of an insurable nature in the Property) against:
 - (i) loss or damage by fire; and
 - (ii) other risks normally insured against by persons carrying on the same class of business as that carried on by it;
- (b) Any insurance must be in a sum or sums not less than the replacement value of the Insured Property Assets. For this purpose, replacement value means the total cost of entirely rebuilding, reinstating or replacing those Insured Property Assets in the event of their being completely destroyed, together with architects' and surveyors' fees.
- (c) Subject to the terms of the relevant policy, the Chargor may use any moneys received or receivable under any insurance contract in respect of the Insured Property Assets such that the application of such moneys does not result in it replacing, restoring or reinstating the Insured Property Assets destroyed or damaged, provided that reasonable alternative security or other mitigation is granted to the Trustees in a form agreed by the Trustees of equal or greater value than the reduction in the value of the Insured Property Assets.
- (d) The Chargor must not do or permit anything to be done which may make void or voidable any policy of insurance in connection with any Insured Property Asset.
- (e) The Chargor must promptly pay all premiums and do all other things necessary to keep each policy of insurance in respect of the Insured Property Assets in force.
- (f) The Chargor must, as soon as reasonably practicable following a demand by the Trustees, produce to the Trustees the policy, certificate or cover note relating to any insurance policy in respect of the Insured Property Assets and the receipt for the payment of any premium for any such insurance policy as the Trustees may request.

5.6 Compliance with leases

The Chargor must:

- (a) perform all the covenants or obligations on its part, whether as landlord or tenant, in any lease comprised in the Property or to which the Property is subject; and
- (b) not do or allow to be done any act as a result of which any lease comprised in the Property may become liable to forfeiture or otherwise be terminated.

5.7 Compliance with applicable laws and regulations

The Chargor must perform all its obligations under any law or regulation in any way related to or affecting the Property.

5.8 Notices

Within 14 days after the receipt by the Chargor of any material application, requirement, order or notice served or given by any public or local or any other authority with respect to the Property, the Chargor must:

- (a) deliver a copy to the Trustees; and
- (b) inform the Trustees of the steps taken or proposed to be taken to comply with the relevant requirement.

5.9 Leases

The Chargor must not grant or agree to grant (whether in exercise or independently of any statutory power) any lease or tenancy of the Property or accept a surrender of any lease or tenancy or confer upon any person any contractual licence or right to occupy the Property or vary the terms of any lease, tenancy or licence without the consent of the Trustees (such consent not to be unreasonably withheld or delayed).

5.10 Land Registry restriction

The Chargor consents to a restriction in the following terms being entered on the Register of Title relating to the Property:

“No disposition of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the proprietor for the time being of the charge dated [*insert date of charge*] in favour of the trustees of the Diodes Zetex Pension Scheme referred to in the charges register or their conveyancer. (Standard form P)”.

5.11 Deposit of title deeds

The Chargor must deposit with the Trustees all deeds and documents of title relating to the Property and all local land charges, land charges and Land Registry search certificates and similar documents received by or on behalf of the Chargor.

5.12 Access

On receiving at least 48 hours' written notice from the Trustees, the Chargor must permit the Trustees and any person nominated by them to enter any part of the Property and view its condition subject to the terms of an Occupational Lease and provided such entry is at a reasonable time on a Business Day and during the normal business hours of the majority of those persons who work at the Property.

5.13 Power to remedy

If the Chargor fails to perform any obligation affecting the Property, the Chargor must allow the Trustees and its agents and contractors:

- (a) to enter the Property;

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- (b) to comply with or object to any notice served on the Chargor in respect of the Property; and
 - (c) to take any action as the Trustees may reasonably consider necessary or desirable to prevent or remedy any breach of the obligation or to comply with or object to any such notice.

The Chargor must immediately on request by the Trustees pay the reasonable and proper costs and expenses of the Trustees and its agents and contractors incurred in connection with any action taken by it under this subclause.

6. ENFORCEABILITY OF SECURITY

6.1 Event of Default

This Security will become immediately enforceable if an Event of Default is outstanding and the Trustees gives notice to the Chargor that this Security is enforceable.

6.2 Discretion

After this Security has become enforceable, the Trustees may in their absolute discretion enforce all or any part of this Security in any manner it sees fit.

6.3 Power of sale

The power of sale and other powers conferred by Section 101 of the Act, as amended by this Deed, will be immediately exercisable at any time after this Security has become enforceable.

7. ENFORCEMENT OF SECURITY

7.1 General

For the purposes of all powers implied by statute, the Secured Liabilities are deemed to have become due and payable on the date of this Deed. Section 103 of the Act (restricting the power of sale) and Section 93 of the Act (restricting the right of consolidation) do not apply to this Security. The statutory powers of leasing conferred on the Trustees are extended so as to authorise the Trustees to lease, make agreements for leases, accept surrenders of leases and grant options as the Trustees may think fit and without the need to comply with any provision of section 99 or 100 of the Act.

7.2 No liability as mortgagee in possession

Neither the Trustees nor any Receiver will be liable, by reason of entering into possession of a Security Asset, to account as mortgagee in possession or for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.

7.3 Privileges

Each Receiver and the Trustees are entitled to all the rights, powers, privileges and immunities conferred by the Act on mortgagees and receivers duly appointed under the Act, except that Section 103 of the Act does not apply.

7.4 Protection of third parties

No person (including a purchaser) dealing with the Trustees or a Receiver or its or his agents will be concerned to enquire:

- (a) whether the Secured Liabilities have become payable;
- (b) whether any power which the Trustees or a Receiver are purporting to exercise has become exercisable or is being properly exercised;
- (c) whether any money remains due under this Deed; or
- (d) how any money paid to the Trustees or to that Receiver is to be applied.

7.5 Redemption of prior mortgages

At any time after this Security has become enforceable, the Trustees may:

- (a) redeem any prior Security Interest against any Security Asset; and/or
- (b) procure the transfer of that Security Interest to itself; and/or
- (c) settle and pass the accounts of the prior mortgagee, chargee or encumbrancer; any accounts so settled and passed will be, in the absence of manifest error, conclusive and binding on the Chargor.

The Chargor must pay to the Trustees, immediately on demand, the costs and expenses incurred by the Trustees in connection with the redemption and/or transfer, including the payment of any principal or interest.

7.6 Contingencies

If this Security is enforced at a time when no amount is due under this Deed but at a time when amounts may or will become due, the Trustees or the Receiver may pay the proceeds of any recoveries effected by it into a suspense account.

8. RECEIVER

8.1 Appointment of Receiver

- (a) Except as provided below, The Trustees may appoint any one or more persons to be a Receiver of all or any part of the Security Assets if:
 - (i) this Security has become enforceable; or
 - (ii) the Chargor so requests the Trustees in writing at any time.Any appointment under this sub-clause may be by deed, under seal or in writing under its hand.
- (b) Except as provided below, any restriction imposed by law on the right of a mortgagee to appoint a Receiver (including under section 109(1) of the Act) does not apply to this Deed.

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- (c) The Trustees are not entitled to appoint a Receiver solely as a result of the obtaining of a moratorium (or anything done with a view to obtaining a moratorium) under section 1A of the Insolvency Act 2000.

8.2 Removal

The Trustees may by writing under its hand (subject to any requirement for an order of the court in the case of an administrative receiver) remove any Receiver appointed by it and may, whenever it thinks fit, appoint a new Receiver in the place of any Receiver whose appointment may for any reason have terminated.

8.3 Remuneration

The Trustees may fix the remuneration of any Receiver appointed by it and the maximum rate specified in Section 109(6) of the Act will not apply.

8.4 Agent of the Chargor

A Receiver will be deemed to be the agent of the Chargor for all purposes and accordingly will be deemed to be in the same position as a Receiver duly appointed by a mortgagee under the Act. The Chargor alone is responsible for the contracts, engagements, acts, omissions, defaults and losses of a Receiver and for liabilities incurred by a Receiver. The Trustees will not incur any liability (either to the Chargor or to any other person) by reason of the appointment of a Receiver or for any other reason.

8.5 Relationship with Trustees

After this Security becomes enforceable and to the fullest extent allowed by law, any right, power or discretion conferred by this Deed (either expressly or impliedly) or by law on a Receiver may be exercised by the Trustees in relation to any Security Asset without first appointing a Receiver and notwithstanding the appointment of a Receiver.

9. POWERS OF RECEIVER

9.1 General

- (a) A Receiver has all of the rights, powers and discretions set out below in this Clause in addition to those conferred on it by any law; this includes:
- (i) in the case of an administrative receiver, all the rights, powers and discretions conferred on an administrative receiver under the Insolvency Act 1986; and
 - (ii) otherwise, all the rights, powers and discretions conferred on a receiver (or a receiver and manager) under the Act and the Insolvency Act 1986.
- (b) If there is more than one Receiver holding office at the same time, each Receiver may (unless the document appointing him states otherwise) exercise all of the powers conferred on a Receiver under this Deed individually and to the exclusion of any other Receiver.

9.2 Possession

A Receiver may take immediate possession of, get in and collect any Security Asset.

9.3 Sale of assets

A Receiver may sell, exchange, convert into money and realise any Security Asset by public auction or private contract and generally in any manner and on any terms which he thinks fit. The consideration for any such transaction may consist of cash, debentures or other obligations, shares, stock or other valuable consideration and any such consideration may be payable in a lump sum or by instalments spread over any period which he thinks fit. Fixtures, other than landlord's fixtures, may be severed and sold separately from the property containing them without the consent of the Chargor.

9.4 Leases

A Receiver may let any Security Asset for any term and at any rent (with or without a premium) which he thinks fit and may accept a surrender of any lease or tenancy of any Security Asset on any terms which he thinks fit (including the payment of money to a lessee or tenant on a surrender).

9.5 Legal actions

A Receiver may bring, prosecute, enforce, defend and abandon any action, suit or proceedings in relation to any Security Asset which he thinks fit.

9.6 Receipts

A Receiver may give a valid receipt for any moneys and execute any assurance or thing which may be proper or desirable for realising any Security Asset.

9.7 Delegation

A Receiver may delegate his powers in accordance with this Deed.

9.8 Protection of assets

A Receiver may:

- (a) effect any repair or insurance and do any other act which the Chargor might do in the ordinary conduct of its business to protect or improve any Security Asset;
 - (b) commence and/or complete any building operation; and
 - (c) apply for and maintain any planning permission, building regulation approval or any other authorisation,
- in each case as he thinks fit.

9.9 Other powers

A Receiver may:

- (a) do all other acts and things which he may consider desirable or necessary for realising any Security Asset or incidental or conducive to any of the rights, powers or discretions conferred on a Receiver under or by virtue of this Deed or law;

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- (b) exercise in relation to any Security Asset all the powers, authorities and things which he would be capable of exercising if he were the absolute beneficial owner of that Security Asset; and
 - (c) use the name of the Chargor for any of the above purposes.

10. APPLICATION OF PROCEEDS

Any moneys received by the Trustees or any Receiver after this Security has become enforceable must be applied in the following order of priority:

- (a) in or towards payment of or provision for all costs and expenses incurred by the Trustees or any Receiver under or in connection with this Deed and of all remuneration due to any Receiver under or in connection with this Deed;
- (b) in or towards payment of or provision for the Secured Liabilities; and
- (c) in payment of the surplus (if any) to the Chargor or other person entitled to it.

This clause is subject to the payment of any claims having priority over this Security. This clause does not prejudice the right of the Trustees to recover any shortfall from the Chargor.

11. EXPENSES AND INDEMNITY

11.1 Expenses

The Chargor must pay to the Trustees on demand:

- (a) the amount of all costs and expenses (including legal fees) reasonably incurred by the Trustees in connection with:
 - (i) the negotiation, preparation, printing and execution of this Deed; and
 - (ii) any amendment, waiver or consent requested by or on behalf of the Chargor or specifically allowed by this Deed;
- (b) the amount of all costs and expenses (including legal fees) incurred by the Trustees in connection with the enforcement of, and the preservation of any rights under this Deed, whether involving litigation or not and on a complete, unlimited and unqualified indemnity basis; and
- (c) interest at the Interest Rate on any amounts payable under paragraphs (a) or (b) but not paid on or within three Business Days after the due date.

11.2 Indemnity

The Chargor must keep each of the Trustees, any Receiver, attorney, manager, agent or other person appointed by the Trustees under this Deed indemnified against any failure or delay in paying the costs or expenses referred to in subclause 11.1; this includes any arising from any actual or alleged breach by any person of any law or regulation, whether relating to the environment or otherwise.

11.3 Security

All amounts payable under subclauses 11.1 and 11.2 form part of the Secured Liabilities.

12. DELEGATION

12.1 Power of Attorney

The Trustees or any Receiver may delegate by power of attorney or in any other manner to any person any right, power or discretion exercisable by it under this Deed.

12.2 Terms

Any such delegation may be made upon such terms (including power to sub-delegate) as the Trustees or any Receiver may think fit.

12.3 Liability

Neither the Trustees nor any Receiver will be in any way liable or responsible to the Chargor for any loss or liability arising from any act, default, omission or misconduct on the part of any delegate or sub-delegate.

13. FURTHER ASSURANCE

The Chargor must, at its own expense, take whatever action the Trustees or a Receiver may require for:

- (a) creating, perfecting or protecting any security intended to be created by this Deed; or
- (b) facilitating the realisation of any Security Asset, or the exercise of any right, power or discretion exercisable, by the Trustees or any Receiver or any of its delegates or sub-delegates in respect of any Security Asset.

This includes the execution of any transfer, conveyance, assignment or assurance of any property, whether to the Trustees or to its nominee or the giving of any notice, order or direction and the making of any registration, which, in any such case, the Trustees may think expedient.

14. POWER OF ATTORNEY

The Chargor, by way of security, irrevocably and severally appoints the Trustees, each Receiver and any of its delegates or sub-delegates to be its attorney to take any action which the Chargor is obliged to take under this Deed. The Chargor ratifies and confirms whatever any attorney does or purports to do under its appointment under this Clause.

15. MISCELLANEOUS

15.1 Covenant to pay

The Chargor must pay or discharge the Secured Liabilities in the manner provided for in this Deed.

15.2 Trustee's obligations

The Trustees must perform its obligations under this Deed.

15.3 Reinstatement

- (a) If any discharge, release or arrangement is made by the Trustees in whole or in part on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation, administration or otherwise without limitation, then the liability of the Chargor under this Deed will continue as if the discharge or arrangement had not occurred.
- (b) The Trustees may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

15.4 Waiver of defences

The obligations of the Chargor under this Deed will not be affected by any act, omission or thing which, but for this provision, would reduce, release or prejudice any of its obligations under this Deed (whether or not known to the Chargor or any Trustee). This includes:

- (a) any time or waiver granted to, or composition with, any person;
- (b) the release of any person under the terms of any composition or arrangement;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person;
- (d) any non-presentation or non-observance of any formality or other requirement in respect of any instruments or any failure to realise the full value of any security;
- (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (f) any amendment, novation, supplement, extension or reinstatement (however fundamental and of whatsoever nature) of this Deed or any other document or security; or
- (g) any unenforceability, illegality, invalidity or non-provability of any obligation of any person under this Deed or any other document or security.

15.5 Litigation

The Chargor agrees to inform the Trustees, as soon as reasonably practicable, of any litigation, arbitration or administrative proceedings that are, to its knowledge, pending or threatened, against it which have or, if adversely determined, are reasonably likely to have a Material Adverse Effect.

15.6 Change in law

Where the Trustees reasonably consider that a change in law could amend or set aside this Deed or the Security Interests it purports to create, or would amend or set aside this Deed or the Security Interests it purports to create on the liquidation or administration of the Chargor, the Chargor and the Trustees shall use their reasonable endeavours to agree an amendment to this Deed, so that the Deed or the Security Interests it purports to create, as relevant, would not be so set aside or amended.

15.7 Chargor intent

Without prejudice to the generality of Clause 15.4 (Waiver of defences) the Chargor expressly confirms that it intends that this Security shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Secured Liabilities.

16. DEFAULT

16.1 Events of Default

Unless otherwise agreed in writing with the Trustees, each of the events set out in this Clause is an Event of Default.

16.2 Insolvency

An Insolvency Event occurs in respect of the Company or the Chargor.

16.3 Cessation of business

The Company and the Chargor cease, or threaten to cease, to carry on business.

16.4 Non payment of Secured Liabilities

Non-payment of all or part of the Secured Liabilities on the winding-up of the Pension Scheme.

17. EVIDENCE AND CALCULATIONS

17.1 Accounts

Accounts maintained by the Trustees in connection with this Deed are prima facie evidence of the matters to which they relate for the purpose of any litigation or arbitration proceedings.

17.2 Certificates and determinations

In the absence of manifest error, any certification or determination by the Trustees of a rate or amount under this Deed will be conclusive evidence of the matters to which it relates.

17.3 Calculations

Any interest accruing under this Deed accrues from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

18. WAIVERS

The rights of the Trustees under this Deed:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

19. CHANGES TO THE PARTIES

19.1 Assignments and transfers by the Chargor

The Chargor may not assign or transfer any of its rights and obligations under this Deed without the prior written consent of the Trustees.

19.2 Assignments and transfers by the Trustees

The Trustees may at any time assign or transfer any of its rights under this Deed to any other person acting as a trustee of the Pension Scheme without having to obtain the Chargor's consent.

20. SEVERABILITY

If a term of this Deed is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Deed; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Deed.

21. RELEASE

At the end of the Security Period and at the request and cost of the Chargor, the Trustees must take whatever action is necessary to release the Security Assets from this Security.

22. EXCLUSION OF THIRD PARTY RIGHTS

A person who is not a party to this Deed may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

23. NOTICES

Any notice or other documents served under this Deed may be served in any way in which a notice required or authorised to be served under section 196 of the Act may be served.

24. COUNTERPARTS

This Deed may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

25. GOVERNING LAW AND JURISDICTION

25.1 Governing law

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

25.2 Exclusive jurisdiction

The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed) and the parties submit to the exclusive jurisdiction of the English courts.

25.3 Waiver

The parties waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

This Deed has been entered into as a deed on the date stated at the beginning of this Deed.

SCHEDULE 1

PROPERTY

Bentfield Site: Land and buildings on the south side of Stockfield Road – registered at the Land Registry with title number LA180273.

Lansdowne Road: Land and buildings on the south side of Stockfield Road – registered at the Land Registry with title number GM175967.

SIGNATORIES

EXECUTED as a deed by)
DIODES ZETEX SEMICONDUCTORS LIMITED)
acting by)

/s/ Richard Dallas White
Director

/s/ Rick Yeh
Witness signature

Witness name

Witness address

Trustees

/s/ John Robert Earnshaw
JOHN ROBERT EARNSHAW
as trustee of the Diodes Zetex Pension Scheme

/s/ Ian Smith
IAN SMITH
as trustee of the Diodes Zetex Pension Scheme

HR TRUSTEES LIMITED
as trustee of the Diodes Zetex Pension Scheme

/s/ Trustee
Director:

/s/ Trustee
Director/Secretary:

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Keh-Shew Lu**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Keh-Shew Lu

Keh-Shew Lu

President and Chief Executive Officer

Date: August 9, 2012

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Richard D. White**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Richard D. White

Richard D. White
Chief Financial Officer
Date: August 9, 2012

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **June 30, 2012** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Keh-Shew Lu

Keh-Shew Lu

President and Chief Executive Officer

Date: August 9, 2012

A signed original of this written statement required by Section 906 has been provided to Diodes Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **June 30, 2012** of Diodes Incorporated (the "Company") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Richard D. White

Richard D. White

Chief Financial Officer

Date: August 9, 2012

A signed original of this written statement required by Section 906 has been provided to Diodes Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.

