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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended MARCH 31, 2003

Or

[ ] Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the transition period from _______ to ________.

COMMISSION FILE NUMBER: 1-5740

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

DELAWARE	95-2039518
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3050 EAST HILLCREST DRIVE
WESTLAKE VILLAGE, CALIFORNIA 91362
(Address of principal executive offices) (Zip code)

(805) 446-4800
(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 X   No
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The number of shares of the registrant's Common Stock, $0.66 2/3 par value, outstanding as of May 8, 2003 was 9,505,114, including 1,075,672 shares of treasury stock.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	DECEMBER 31, 2002	MARCH 31, 2003
		(UNAUDITED)
CURRENT ASSETS		
Cash and cash equivalents	$ 7,284,000	$ 8,536,000
Accounts receivable		
Customers	19,387,000	20,161,000
Related parties	3,138,000	1,684,000
	22,525,000	21,845,000
Less: Allowance for doubtful receivables	353,000	305,000
	22,172,000	21,540,000
Inventories	15,711,000	17,741,000
Deferred income taxes, current	4,338,000	4,339,000
Prepaid expenses, income taxes and other current assets	1,433,000	1,504,000
Total current assets	50,938,000	53,660,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	44,693,000	45,660,000

DEFERRED INCOME TAXES, non-current	3,205,000	2,772,000
OTHER ASSETS		
Goodwill, net	5,090,000	5,090,000
Other	1,084,000	1,091,000
TOTAL ASSETS	$ 105,010,000	$ 108,273,000

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 2002	MARCH 31, 2003
		(UNAUDITED)
CURRENT LIABILITIES		
Line of credit	$ 3,025,000	$ 6,543,000
Accounts payable		
Trade	9,039,000	9,216,000
Related parties	3,361,000	3,776,000
Accrued liabilities	8,693,000	7,046,000
Current portion of long-term debt		
Related party	2,500,000	2,500,000
Other	3,333,000	3,333,000
Current portion of capital lease obligations	157,000	158,000
Total current liabilities	30,108,000	32,572,000
LONG-TERM DEBT, net of current portion		
Related party	6,250,000	5,625,000
Other	6,333,000	5,500,000
CAPITAL LEASE OBLIGATIONS, net of current portion	2,495,000	2,441,000
MINORITY INTEREST IN JOINT VENTURE	2,145,000	2,243,000
STOCKHOLDERS' EQUITY		
Class A convertible preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - par value $0.66 2/3 per share; 30,000,000 shares authorized; 9,292,764 and 9,483,764 shares issued at December 31, 2002 and March 31, 2003, respectively	6,195,000	6,322,000
Additional paid-in capital	8,060,000	8,195,000
Retained earnings	45,684,000	47,607,000
	59,939,000	62,124,000
Less:		
Treasury stock - 1,075,672 shares of common stock, at cost	1,782,000	1,782,000
Accumulated other comprehensive loss	478,000	450,000
	2,260,000	2,232,000
Total stockholders' equity	57,679,000	59,892,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 105,010,000	$ 108,273,000

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

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

	THREE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2003
NET SALES	$ 26,924,000	$ 29,453,000
COST OF GOODS SOLD	22,572,000	22,205,000
Gross profit	4,352,000	7,248,000
RESEARCH AND DEVELOPMENT EXPENSES	313,000	260,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,765,000	4,149,000
Total operating expenses	4,078,000	4,409,000
Income from operations	274,000	2,839,000
OTHER INCOME (EXPENSE)		
Interest income	8,000	4,000
Interest expense	(346,000)	(248,000)
Other	16,000	42,000
	(322,000)	(202,000)
Income (loss) before income taxes and minority interest	(48,000)	2,637,000
INCOME TAX BENEFIT (PROVISION)	295,000	(617,000)
Income before minority interest	247,000	2,020,000
MINORITY INTEREST IN JOINT VENTURE EARNINGS	(39,000)	(97,000)
NET INCOME	$ 208,000	$ 1,923,000
EARNINGS PER SHARE		
Basic	$ 0.03	$ 0.23
Diluted	$ 0.02	$ 0.21
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	8,165,325	8,314,662
Diluted	8,774,016	9,151,496

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

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

	THREE MONTHS ENDED MARCH 31,	
	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 208,000	$ 1,923,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,280,000	2,614,000
Minority interest earnings	39,000	97,000
Gain on sale of property, plant and equipment	--	(107,000)
Changes in operating assets:		
Accounts receivable	(3,328,000)	632,000
Inventories	3,256,000	(2,030,000)
Prepaid expenses, taxes and other assets	(937,000)	354,000
Changes in operating liabilities:		
Accounts payable	2,309,000	592,000
Accrued liabilities	394,000	(1,630,000)
Net cash provided by operating activities	4,221,000	2,445,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,313,000)	(3,914,000)
Proceeds from sale of property, plant and equipment	275,000	442,000
Net cash used by investing activities	(1,038,000)	(3,472,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on (repayments of) line of credit, net	(3,203,000)	3,518,000
Proceeds from the issuance of common stock	87,000	262,000
Repayments of long-term obligations	(2,458,000)	(1,458,000)
Repayments of capital lease obligations	--	(54,000)
Management incentive reimbursement from LSC	375,000	--
Net cash provided (used) by financing activities	(5,199,000)	2,268,000
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	26,000	11,000
INCREASE (DECREASE) IN CASH	(1,990,000)	1,252,000
CASH AT BEGINNING OF PERIOD	8,103,000	7,284,000
CASH AT END OF PERIOD	$ 6,113,000	$ 8,536,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid during the period for:		
Interest	$ 338,000	$ 244,000
Income taxes	$ 108,000	$ 265,000
Building acquired through capital lease obligation	$ 2,785,000	$ --

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

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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, and results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America 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, 2002. 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 months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. The consolidated financial data at December 31, 2002 is derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

The consolidated financial statements include the accounts of Diodes-North America and its wholly-owned foreign subsidiaries, Diodes Taiwan Corporation, Ltd. ("Diodes-Taiwan") and Diodes-Hong Kong Ltd. ("Diodes-Hong Kong"), the accounts of Shanghai KaiHong Electronics Co., Ltd. ("Diodes-China") in which the Company has a 95% interest, and the accounts of its wholly-owned United States subsidiary, FabTech Incorporated ("FabTech" or "Diodes-FabTech"). All significant intercompany balances and transactions have been eliminated.

NOTE B - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2003, Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149 ("Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities"). SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. In addition, all provisions of this Statement should be applied prospectively. This Statement amends SFAS No. 133 for decisions made (1) as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, (2) in connection with other Board projects dealing with financial instruments, and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative. Management does not believe the adoption of SFAS No. 149 will have material impact on the financial statements.

In November 2002, the FASB issued Interpretation No. 45, ("Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"). The Interpretation elaborates on the disclosures to be made by sellers or guarantors of products and services, as well as those entities guaranteeing the financial performance of others. The Interpretation further clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are effective on a prospective basis to guarantees issued or modified after December 31, 2002, and the disclosure requirements are effective for financial statements of periods ending after December 15, 2002. The Company believes that its disclosures with regards to these matters are adequate.

In January 2003, the FASB issued Interpretation No. 46 ("Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51"). The Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Management does not believe the Interpretation will have a material impact on the financial statements.

NOTE C - FUNCTIONAL CURRENCIES, COMPREHENSIVE LOSS AND FOREIGN CURRENCY TRANSLATION

The Company has entered into an interest rate swap agreement with a major U.S. bank which expires November 30, 2004, to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt.

The effect of the $11,000 gain in intercompany translation adjustments and $17,000 gain related to the interest rate swap agreement results in a change in accumulated other comprehensive loss (income) of ($28,000) for the three months ended March 31, 2003, and is reflected on the balance sheet as a separate component of shareholders' equity. There were no other components of other comprehensive loss for the three months ended March 31, 2003.

NOTE D - INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out method.

	DECEMBER 31, 2002	MARCH 31, 2003
Finished goods	$ 9,853,000	$ 10,803,000
Work-in-progress	1,522,000	1,707,000
Raw materials	6,445,000	7,519,000
	17,820,000	20,029,000
Less: Reserves	(2,109,000)	(2,288,000)
Net inventory	$ 15,711,000	$ 17,741,000

NOTE E - INCOME TAXES

The Company accounts for income taxes using an asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the tax effect of differences between the financial statement and tax basis of assets and liabilities. Accordingly, as of March 31, 2003, the Company has recorded a net deferred tax asset of $7.1 million resulting from temporary differences in bases of assets and liabilities. This deferred tax asset results primarily from inventory reserves and certain expense accruals, which are not currently deductible for income tax purposes.

In accordance with the current taxation policies of the People's Republic of China ("PRC"), Diodes-China was granted preferential tax treatment for the years ended December 31, 1999 through 2003. Earnings were subject to 0% tax rates in 1999 and 2000. Earnings in 2001, 2002 and 2003 are subject to tax of 12% (one half the normal central government tax rate), and at normal rates thereafter. Earnings of Diodes-China are also subject to tax of 3% by the local taxing authority in Shanghai. The local taxing authority waived this tax in 2001, 2002 and in the first quarter of 2003, and current indications are that the local tax will be waived for the remainder of 2003.

Earnings of Diodes-Taiwan are currently subject to a tax rate of 35%, which is comparable to the U.S. Federal tax rate for C corporations.

As of March 31, 2003, accumulated and undistributed earnings of Diodes-China are approximately $28.1 million. Through March 31, 2002, the Company had not recorded deferred Federal or state tax liabilities (estimated to be $8.9 million) on these cumulative earnings since the Company considered this investment to be permanent, and had no plans or obligations to distribute all or part of that amount from China to the United States. Beginning in April 2002, the Company began to record deferred taxes on a portion of the 2002 earnings of Diodes-China, and had accrued $0.9 million at December 31, 2002. In 2003, the Company continued to record deferred taxes on a portion of the 2003 earnings of Diodes-China, recording $210,000 in deferred taxes during the first quarter of 2003.

The Company is evaluating the need to provide additional deferred taxes for the future earnings of Diodes-China to the extent such earnings may be appropriated for distribution to the Company's corporate office in North America, and as further investment strategies with respect to Diodes-China are determined. Should the Company's North American cash requirements exceed the cash that is provided through the domestic credit facilities, cash can be obtained from the Company's foreign subsidiaries. However, the distribution of any unappropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

NOTE F - STOCK BASED COMPENSATION AND STOCK OPTIONS

The Company has a stock-based employee compensation plan, which is described more fully in Note 10 of the Company's audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2002. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, ("Accounting for Stock Issued to Employees"), and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan have an exercise price equal to the fair market value of the underlying common stock at the date of grant. The following table illustrates the effect on net income if the Company had applied the fair value recognition provisions of SFAS No. 123, ("Accounting for Stock Based Compensation"), to stock based employee compensation. During the first three months of 2003, the Company issued no stock options.

	For the three months ended March 31,					
		Amounts Per Share			Amounts Per Share	
	2002	Basic	Diluted	2003	Basic	Diluted
Net income	$ 208,000	$ 0.03	$ 0.02	$ 1,923,000	$ 0.23	$ 0.21
Additional compensation for fair value of stock options	(270,000)	(0.04)	(0.03)	(88,000)	(0.01)	(0.01)
Proforma net income (loss)	$ (62,000)	$ (0.01)	$ (0.01)	$ 1,835,000	$ 0.22	$ 0.20

NOTE G - GEOGRAPHIC SEGMENTS

An operating segment is defined as a component of an enterprise about which separate financial information is available that is evaluated regularly by the chief decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief decision-making group consists of the President and Chief Executive Officer, Chief Financial Officer, Vice President of Sales and Marketing, and Vice President of Operations. The Company operates in a single segment, discrete semiconductor devices, through its various manufacturing and distribution facilities.

The Company's operations include the domestic operations (Diodes-North America and Diodes-FabTech) located in the United States, and the Far East operations (Diodes-Taiwan located in Taipei, Taiwan; Diodes-China located in Shanghai, China; and Diodes-Hong Kong located in Hong Kong, China). For reporting purposes, European operations, which account for approximately 3% of total sales, are consolidated into the domestic operations.

The accounting policies of the operating entities are the same as those described in the summary of significant accounting policies. Revenues are attributed to geographic areas based on the location of the market producing the revenues.

THREE MONTHS ENDED MARCH 31, 2003	FAR EAST	NORTH AMERICA	CONSOLIDATED SEGMENTS
Total sales	$ 26,957,000	$ 16,248,000	$ 43,205,000
Inter-company sales	(10,489,000)	(3,263,000)	(13,752,000)
Net sales	$ 16,468,000	$ 12,985,000	$ 29,453,000
Assets	$ 63,149,000	$ 45,124,000	$ 108,273,000
Property, plant and equipment	$ 33,265,000	$ 12,395,000	$ 45,660,000

THREE MONTHS ENDED MARCH 31, 2002	FAR EAST	NORTH AMERICA	CONSOLIDATED SEGMENTS
Total sales	$ 21,195,000	$ 14,824,000	$ 36,019,000
Inter-company sales	(8,568,000)	(527,000)	(9,095,000)
Net sales	$ 12,627,000	$ 14,297,000	$ 26,924,000
Assets	$ 58,167,000	$ 45,615,000	$ 103,782,000
Property, plant and equipment	$ 33,741,000	$ 12,689,000	$ 46,430,000

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 on this Quarterly Report on Form 10-Q are made pursuant to the Act.

GENERAL

Diodes Incorporated (the "Company"), a Delaware corporation, is engaged in the manufacture, sale and distribution of discrete semiconductors worldwide, primarily to manufacturers in the communications, computing, industrial, consumer electronics and automotive markets, and to distributors of electronic components to end customers in these markets. The Company's broad product line includes high-density diode and transistor arrays in ultra-miniature surface-mount packages, as well as silicon wafers used in manufacturing these products. Technologies include high density diode and transistor arrays in multi-pin surface-mount packages; Powermite(R)3, high-performance surface mount packages; performance Schottkys, switching and rectifier diodes; single and dual prebiased transistors; performance tight tolerance and low current zener diodes; subminiature surface mount packages; transient voltage suppressors (TVS and TSPD); small signal transistors and MOSFETs; and standard, fast, ultra-fast, and super-fast rectifiers.

Positioning the Company to rapidly respond to the demands of the global marketplace and continuing to increase its investment in research and development, the Company is focused on expanding its product portfolio and closely controlling product quality and time-to-market. Shifting development priorities toward specialized configurations, such as the Company's high-density array devices, the Company is introducing a range of new products that improve the trade-off between size, performance and power consumption for surface-mount packages, such as the Company's BAT750 Schottky rectifier and SOT-523 product lines. These product lines are designed for battery-powered and handheld applications, such as those used in the computer and communications industries; specifically, wireless devices, notebooks, flat panel displays, digital cameras, mobile handsets, set top boxes, as well as DC to DC conversion and automotive electronic applications.

In addition to the Company's corporate headquarters in Westlake Village, California, which provides sales, marketing, engineering, logistics and warehousing functions, the Company's wholly-owned subsidiary, Diodes Taiwan Corporation, Ltd. ("Diodes-Taiwan"), maintains a sales, engineering and purchasing facility in Taipei, Taiwan. The Company also has a 95% interest in Shanghai KaiHong Electronics Co., Ltd. ("Diodes-China" or "KaiHong"), a manufacturing facility in Shanghai, China, and offices in Shanghai and Shenzhen, China. In March 2002, the Company opened a sales, warehousing and logistics subsidiary in Hong Kong ("Diodes-Hong Kong"). In addition, in December 2000, the Company acquired FabTech Incorporated ("Diodes-FabTech" or "FabTech"), a silicon wafer manufacturer located near Kansas City, Missouri. An office in Toulouse, France supports the Company's European sales expansion.

SALES, MARKETING AND DISTRIBUTION

The Company sells its products through its own internal and regional sales departments, as well as through representatives and distributors. The Company's sales team, aided by the sales force of approximately 30 independent sales representatives located throughout North America, Asia, and most recently Europe, supplies approximately 200 OEM accounts. In 2002, OEM customers accounted for approximately 69% of the Company's sales (67% in the first quarter of 2003), compared to approximately 66% in 2001. The increase was primarily due to wafer sales at Diodes-FabTech. OEM customers range from small, privately held electronics companies to Fortune 500 companies.

The Company's major OEM customers include industry leaders such as: Intel Corporation, Cisco Systems Incorporated, Sony Corporation, Nortel Networks Corporation, Delphi Automotive, Bose Corporation, Scientific Atlanta Incorporated, Samsung Electronics, Asustek Computer, Inc., Quanta and LG Electronics, Inc. The Company further supplies approximately 40 distributors (33% in the first quarter of 2003 and 31% of 2002 sales), who collectively sell to approximately 10,000 customers on the Company's behalf. The Company's worldwide distribution network includes Arrow Electronics, Inc., Avnet, Inc., Digi-Key Corporation, Future Electronics Ltd., Jaco Electronics, Inc., Reptron Electronics, Inc., and All American Semiconductor, Inc., among others. The Company is not dependent on any one customer to support its level of sales. For the fiscal year ended December 31, 2002, not one OEM customer accounted for more than 14% (10% in the first quarter of 2003) of the Company's sales, while the largest distributor accounted for 4% of sales. The twenty largest customers accounted, in total, for approximately 61% (62% in the first quarter of 2003) of the Company's sales in 2002, compared to 55% in 2001.

The Company's products are sold primarily in North America, the Far East, and Europe, both directly to end-users and through electronic component distributors. In the first quarter of 2003, approximately 42%, 56%, and 2% of the Company's products were sold in North America, the Far East, and Europe, respectively, compared to approximately 49%, 48%, and 3% and compared to 54%, 45%, and 1% in 2002 and 2001, respectively. An increase in the percentage of sales in the Far East is expected as the Company significantly increased its sales presence there and believes there is greater potential to increase market share in that region due to the expanding base of electronic product manufacturers.

RELATED PARTIES

The Company conducts business with two related party companies, Lite-On Semiconductor Corporation ("LSC") and Xing International. LSC, a 36.5% shareholder, is the Company's largest shareholder, and Xing International is owned by the Company's 5% joint venture partner in Diodes-China. C.H. Chen, the Company's President and Chief Executive Officer, and a member of the Company's Board of Directors, is also Vice-Chairman of LSC. M.K. Lu, a member of the Company's Board of Directors, is President of LSC, while Raymond Soong, the Company's Chairman of the Board, is the Chairman of the Lite-On Group, a significant shareholder of LSC.

In the first quarter of 2003, the Company sold silicon wafers to LSC totaling 12.3% (13.7% in 2002) of the Company's sales, making LSC the Company's largest customer. Also for the first quarter of 2003, 19.6% (17.9% in 2002) of the Company's sales were from discrete semiconductor products purchased from LSC, making LSC the Company's largest outside vendor. A long-standing sales agreement exists where the Company is the exclusive North American distributor for certain of LSC product lines. In addition, the Company leases warehouse space from LSC for its operations in Hong Kong. All such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

In December 2000, the Company acquired the wafer foundry, FabTech, Inc., from LSC. As part of the purchase price, at March 31, 2003, LSC holds a subordinated, interest-bearing note for approximately $8.125 million. In May 2002, the Company renegotiated the terms of the note to extend the payment period from two years to four years, and therefore, payments of approximately $208,000 plus interest began in July 2002. In connection with the terms of the acquisition, LSC entered into a volume purchase agreement to purchase wafers from FabTech. In addition, as per the terms of the stock purchase agreement, the Company has entered into several management incentive agreements with members of FabTech's management. The agreements provide members of FabTech's management guaranteed annual payments as well as contingent bonuses based on the annual profitability of FabTech, subject to a maximum annual amount. Any portion of the guaranteed and contingent liability paid by FabTech is reimbursed by LSC.

In the first quarter of 2003, the Company sold silicon wafers to companies owned by Xing International totaling 1.3% (1.5% in 2002) of the Company's sales. Also for the first quarter of 2003, 5.1% (5.6% in 2002) of the Company's sales were from discrete semiconductor products purchased from companies owned by Xing International. In addition, Diodes-China leases its manufacturing facilities from, subcontracts a portion of its manufacturing process (metal plating) to, and pays a consulting fee to Xing International. All such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

MANUFACTURING AND SIGNIFICANT VENDORS

The Company's Far East subsidiary, Diodes-China, manufactures product for sale primarily to North America and Asia. Diodes-China's manufacturing focuses on SOT-23 and SOD-123 products, as well as sub-miniature packages such as SOT-363, SOT-563, and SC-75. These surface-mount devices ("SMD") are much smaller in size and are used in the computer and communication industries, destined for cellular phones, notebook computers, pagers, PCMCIA cards, modems, and garage door transmitters, among others. Diodes-China's state-of-the-art facilities have been designed to develop even smaller, higher-density products as electronic industry trends to portable and hand-held devices continue. Although Diodes-China purchases silicon wafers from Diodes-FabTech, the majority are currently purchased from other wafer vendors. The Company plans to increase the number of Diodes-FabTech wafers used at Diodes-China over the next several years.

Acquired in December 2000 from LSC, FabTech's wafer foundry is located in Lee's Summit, Missouri. FabTech manufactures primarily 5-inch silicon wafers, which are the building blocks for semiconductors. FabTech has full foundry capabilities, including processes such as silicon epitaxy, silicon oxidation, photolithography and etching, ion implantation and diffusion, low pressure and plasma enhanced chemical vapor deposition, sputtered and evaporated metal deposition, wafer backgrinding, and wafer probe and ink.

The Company also purchases products for sale to its customers from several outside vendors other than the related party vendors mentioned previously. Although the Company believes alternative sources exist for the products of any of its suppliers, the loss of any one of its principal suppliers or the loss of several suppliers in a short period of time could have a materially adverse effect on the Company until an alternate source is located and has commenced providing such products or raw materials.

RECENT RESULTS

The discrete semiconductor industry has historically been subject to severe pricing pressures. At times, although manufacturing costs have decreased, excess manufacturing capacity and over-inventory have caused selling prices to decrease to a greater extent than manufacturing costs. To compete in this highly competitive industry, the Company has committed substantial new resources to the further development and implementation of sales and marketing functions, and expanded manufacturing capabilities. Emphasizing the Company's focus on customer service, additional sales personnel and programs have been added, primarily in Asia, and most recently Europe. In order to meet customers' needs at the design stage of end-product development, the Company also continues to employ additional applications engineers who work directly with customers to assist them in "designing in" the correct products to produce optimum results. Regional sales managers in the U.S., working closely with manufacturers' representative firms and distributors, have also been added to help satisfy customers' requirements. In addition, the Company continues to develop relationships with major distributors who inventory and sell the Company's products.

The first quarter of 2003 presented a number of challenges, which included pricing pressures for commodity products, seasonal softness in consumer electronics and computers, and geopolitical issues.

Despite all of the obstacles, revenue rose nearly 9.4% from the first quarter of 2002 and 2.7% sequentially. We continued to improve our capacity utilization and manufacturing efficiency in both North American and China. For the quarter, our manufacturing facility in China ran at an average of above 90% capacity, up from 58% in the first quarter of 2002 and 84% in the fourth quarter of 2002. Diodes-FabTech ran at an average of above 80%, up from 68% in the prior-year quarter and 75% in the fourth quarter of last year.

On a sequential basis, these manufacturing efficiencies were offset by fluctuations in the mix of our more mature products and competitive pricing on wafers, which caused the slight overall gross profit percentage decrease. Going forward, we expect margins will reflect the contribution of new higher-margin proprietary products, however, product mix will have a significant influence on gross profit.

In addition, in the quarter, Asian market sales grew to 56% of sales, we continued to secure new product design wins and new products grew to 11% of sales.

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 Exchange Act as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("the SEC"). To support our global customer-base, particularly in Asia and Europe, our website is language-selectable into English, Chinese, Japanese, Korean and German, giving us an effective marketing tool for world-wide markets. With its extensive online Product (Parametric) Catalog with advanced search capabilities, our website facilitates quick and easy product selection. Our website provides easy access to world-wide sales contacts and customer support, and incorporates a distributor-inventory check to provide component inventory availability and a small order desk for overnight sample fulfillment. Our website also provides access to current and complete investor financial information, including SEC filings and press releases, as well as stock quotes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, inventory reserves and income taxes, among others. Our estimates are based upon historical experiences, market trends and financial forecasts and projections, and upon various other assumptions that management believes to be reasonable under the circumstances and at that certain point in time. Actual results may differ, significantly at times, from these estimates under different assumptions or conditions.

The Company's significant accounting policies are described in Note 1 to the financial statements included in Item 14 of the Annual Report on Form 10-K, filed with the SEC for the year ended December 31, 2002.

We believe the following critical accounting policies and estimates, among others, affect the significant estimates and judgments we use in the preparation of our consolidated financial statements:

REVENUE RECOGNITION

Revenue is recognized when the product is actually shipped to both end users and electronic component distributors. The Company reduces revenue in the period of sale for estimates of product returns, distributor price adjustments and other allowances. Actual returns and adjustments could be different from our estimates and provisions, resulting in future adjustments to revenues.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management evaluates the collectability of our accounts receivable based upon a combination of factors, including the current business environment and historical experience. If we are aware of a customer's inability to meet its financial obligations to us, we record an allowance to reduce the receivable to the amount we reasonably believe we will be able to collect from the customer. For all other customers, we record an allowance based upon the amount of time the receivables are past due. If actual accounts receivable collections differ from these estimates, an adjustment to the allowance may be necessary with a resulting effect to bad debt expense.

INVENTORY RESERVES

Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out method. On an on-going basis, we evaluate our inventory for obsolescence and slow-moving items. This evaluation includes analysis of sales levels, sales projections and purchases by items. Based upon this analysis we accrue a reserve for obsolete and slow-moving inventory. If future demand or market conditions are different than our current estimates, an inventory adjustment may be required, and would be reflected in cost of goods sold in the period the revision is made.

ACCOUNTING FOR INCOME TAXES

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of the Company's assets and liabilities. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities. Management continually evaluates its deferred tax asset as to whether it is likely that the deferred tax assets will be realized. If management ever determined that its deferred tax asset was not likely to be realized, a write-down of the asset would be required and would be reflected as an expense in the accompanying period.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2003

The following table sets forth, for the periods indicated, the percentage that certain items in the statement of income bear to net sales and the percentage dollar increase (decrease) of such items from period to period.

	PERCENT OF NET SALES THREE MONTHS ENDED MARCH 31,		PERCENTAGE DOLLAR INCREASE (DECREASE)
	2002	2003	`02 TO `03
Net sales	100.0 %	100.0 %	9.4 %
Cost of goods sold	(83.8)	(75.4)	(1.6)
Gross profit	16.2	24.6	66.5
Operating expenses	(15.2)	(15.0)	8.1
Income from operations	1.0	9.6	936.1
Interest expense, net	(1.3)	(0.8)	(27.8)
Other income	0.1	0.2	162.5
Income (loss) before taxes and minority interest	(0.2)	9.0	5,593.8
Income tax benefit (provision)	1.1	(2.1)	309.2
Income before minority interest	0.9	6.9	717.8
Minority interest	(0.1)	(0.4)	148.7
Net income	0.8	6.5	824.5

The following discussion explains in greater detail the consolidated operating results and financial condition of the Company for the three months ended March 31, 2003 compared to the three months ended March 31, 2002. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

	2002	2003
NET SALES	$ 26,924,000	$ 29,453,000

Net sales increased approximately $2.5 million, or 9.4%, for the three months ended March 31, 2003, compared to the same period last year, due primarily to a 12.7% increase in units sold as a result of increased demand, primarily in the Far East, as well as an easing of pricing pressures. The Company's average selling prices ("ASP") for discrete devices increased approximately 1.8% from the same three-month period last year, but decreased 0.5% from the fourth quarter of 2002. ASP's for wafer products decreased 7.5% from the same period last year, and 3.7% from the fouth quarter of 2002.

	2002	2003
COST OF GOODS SOLD	$ 22,572,000	$ 22,205,000
GROSS PROFIT	$ 4,352,000	$ 7,248,000
GROSS PROFIT MARGIN PERCENTAGE	16.2%	24.6%

Cost of goods sold decreased approximately $0.4 million, or 1.6%, for the three months ended March 31, 2003 compared to the year ago period, due primarily to increased efficiencies and lower manufacturing costs. As a percent of sales, cost of goods sold decreased from 83.8% for the three months ended March 31, 2002 to 75.4% for the three months ended March 31, 2003 due to higher factory utilizations. Gross profit increased approximately $2.9 million, or 66.5%, for the three months ended March 31, 2003 compared to the year ago period. Of the $2.9 million increase, approximately $0.4 million was due to the 9.4% increase in sales, while $2.5 million was due to the increase in gross margin percentage from 16.2% to 24.6%. The higher gross margin percentage was due primarily to increased capacity utilization, cost containment and sales of higher margin products. For the first quarter of 2003, Diodes-China's average capacity utilization was above 90%, up from 84% in the fourth quarter of 2002 and 58% in the first quarter of 2002, and Diodes-FabTech had improved to above 80% from 75% in the fourth quarter of 2002 and 68% in the first quarter of 2002.

	2002	2003
TOTAL OPERATING EXPENSES	$ 4,078,000	$ 4,409,000

Operating expenses, which include selling, general, administrative expenses ("SG&A") and research and development expenses ("R&D"), for the three months ended March 31, 2003 increased approximately $0.3 million, or 8.1%, compared to the same period last year, due primarily to increased selling expenses, commissions and incentives and insurance costs. The Company anticipates its R&D expenditures will increase, both in absolute dollars and as a percentage of sales, as part of its strategy to develop more proprietary products aimed at improving gross margins. SG&A, as a percentage of sales, increased to 14.1% from 14.0% in the comparable period last year, while R&D decreased to 0.9% from 1.2% of sales. Total operating expenses, as a percentage of sales, decreased to 15.0% from 15.1% in the comparable period last year.

	2002	2003
INTEREST INCOME	$ 8,000	$ 4,000
INTEREST EXPENSE	$ 346,000	$ 248,000
NET INTEREST EXPENSE	$ 338,000	$ 244,000

Net interest expense for the three months ended March 31, 2003 decreased approximately $94,000 versus the first quarter last year, due primarily to a reduction in the Company's total debt of approximately $6.8 million from the same period last year. The Company's interest expense is primarily the result of the Company's borrowings to finance the FabTech acquisition, as well as the investment and expansion in the Diodes-China manufacturing facility.

	2002	2003
OTHER INCOME	$ 16,000	$ 42,000

Other income for the three months ended March 31, 2003 increased $26,000 from the first quarter of 2002, due primarily to a $107,000 gain on the sale of machinery at Diodes-China, as well as to a decrease of $45,000 related to the management incentive expense associated with the FabTech acquisition, partly offset by the discontinuance of $165,000 of income Diodes-FabTech was receiving from an external company's use of their testing facilities.

	2002	2003
INCOME TAX BENEFIT (PROVISION)	$ 295,000	$ (617,000)

Income taxes increased from a tax benefit in the first quarter of 2002 to a tax provision in the first quarter of 2003, due primarily to positive earnings at Diodes-FabTech. Included in the tax provision for the three months ended March 31, 2003 is $210,000 in deferred taxes recorded for a portion of the 2003 earnings at Diodes-China.

	2002	2003
MINORITY INTEREST IN JOINT VENTURE	$ 39,000	$ 97,000

Minority interest in joint venture represents the minority investor's share of the Diodes-China joint venture's income for the period. The increase in the joint venture earnings for the three months ended March 31, 2003 is primarily the result of increased capacity utilization and the associated increase in gross margins. The joint venture investment is eliminated in consolidation of the Company's financial statements, and the activities of Diodes-China are included therein. As of March 31, 2003, the Company had a 95% controlling interest in the joint venture.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements arise from the funding of its working capital needs, primarily inventory, work-in-process and accounts receivable. The Company's primary sources for working capital and capital expenditures are cash flow from operations, borrowings under the Company's bank credit facilities and borrowings from principal stockholders. Any withdrawal of support from its banks or principal stockholders could have serious consequences on the Company's liquidity. The Company's liquidity is dependent, in part, on customers paying within credit terms, and any extended delays in payments or changes in credit terms given to major customers may have an impact on the Company's cash flow. In addition, any abnormal product returns or pricing adjustments may also affect the Company's source of short-term funding.

At March 31, 2003 the Company had cash and cash equivalents totaling $8.5 million, a $1.3 million increase from December 31, 2002, primarily as a result of the Company increasing its short-term bank borrowing. Cash provided by operating activities for the three months ended March 31, 2003 was $2.4 million compared to $4.2 million for the same period in 2002. The primary sources of cash flows from operating activities for the first three months of 2003 were $2.6 million in depreciation and amortization and $1.9 million in net income, while in 2002, the primary sources were a $3.3 million reduction in inventory and $2.3 million in depreciation and amortization and $2.3 million increase in accounts payable.

The primary use of cash flows from operating activities for the first three months of 2003 was an increase in inventories of $2.0 million and a decrease in accrued liabilities of $1.6 million, while the primary use of cash flows from operating activities in the same period in 2002 was a $3.3 million increase in accounts receivable. Accounts receivable days were 66 days at March 31, 2003, compared to 70 at December 31, 2002.

For the three months ended March 31, 2003, accounts receivable decreased 3.0% compared to the 9.4% increase in sales. The Company continues to closely monitor its credit terms, while at times providing extended terms, required primarily by Far East customers and major distributors.

The ratio of the Company's current assets to current liabilities was 1.64 at March 31, 2003 and 1.69 at December 31, 2002.

Inventories increased to $17.7 million from $15.7 million at December 31, 2002, primarily due to an increase in wafer and raw material inventory at Diodes-China. The Company made a strategic decision to increase inventory to position itself to capture demand for its new products. However, this did have a negative impact on inventory turns, which decreased to 5.1 turns from 5.5 turns at December 31, 2002.

Cash used by investing activities for the three months ended March 31, 2003 was $3.5 million, compared to $1.0 million during the same period in 2002. The primary investment in both years was for additional manufacturing equipment at the Diodes-China manufacturing facility.

On December 1, 2000, the Company purchased all the outstanding capital stock of FabTech Incorporated, a 5-inch wafer foundry located in Lee's Summit, Missouri from Lite-On Semiconductor Corporation ("LSC"), the Company's largest stockholder. The acquisition purchase price consisted of approximately $5 million in cash and an earn-out of up to $30 million if FabTech meets specified earnings targets over a four-year period. In 2001 and 2002, these earnings targets were not met, and, therefore, no earn-out was paid. In addition, FabTech was obligated to repay an aggregate of approximately $19 million in debt, consisting of (i) approximately $13.6 million note payable to LSC, (ii) approximately $2.6 million note payable to the Company, and (iii) approximately $3.0 million note payable to a financial institution, which amount was repaid on December 4, 2000 with the proceeds of a capital contribution by the Company. The acquisition was financed internally and through bank credit facilities.

In June 2001, according to the Company's U.S. bank covenants, Diodes-FabTech was not permitted to make regularly scheduled principal and interest payments to LSC on the remaining $10.0 million payable related to the FabTech acquisition note, but was, however, able to renegotiate with LSC the terms of the note. Under the terms of the amended and restated subordinated promissory note, payments of approximately $417,000 plus interest were scheduled to begin again in July 2002, provided the Company met the terms of its U.S. bank's covenants. In May 2002, the Company renegotiated the terms of the note to extend the payment period from two years to four years, and therefore, payments of approximately $208,000 plus interest began in July 2002.

Cash provided by financing activities was $2.3 million for the three months ended March 31, 2003, as the Company borrowed on its revolving line of credit, primarily to fund a inventory increase, compared to cash used by financing activities of $5.2 million in the same period of 2002.

In February 2003, the Company and its U.S. bank renewed its $7.5 million revolving credit line, extending it for two years, and obtained an additional $2.0 million credit facility to be used for capital expenditure requirements at its wafer fabrication facility. This $2.0 million facility increases the Company's total credit facility to $47.7 million, with the total available and unused credit of $33.4 million.

At March 31, 2003, the Company's total bank credit facility of $47.7 million encompasses one major U.S. bank, three banks in Mainland China and four in Taiwan. As of March 31, 2003, the total credit lines were $17.8 million, $25.0 million, and $4.9 million, for the U.S. facility secured by substantially all assets, the unsecured Chinese facilities, and the unsecured Taiwanese facilities, respectively. As of March 31, 2003, the available credit was $6.0 million, $22.0 million, and $1.9 million, for the U.S. facility, the Chinese facilities, and the Taiwanese facilities, respectively. In 2002, the Company paid down its total credit facilities by $14.6 million, from $36.0 million to $21.4 million, and at March 31, 2003 total debt was $23.5 million due to the $3.5 million increase in the short-term borrowings.

The agreements have certain covenants and restrictions, which, among other matters, require the maintenance of certain financial ratios and operating results, as defined in the agreements, and prohibit the payment of dividends. The Company was in compliance with its covenants as of March 31, 2003.

The Company has used its credit facilities primarily to fund the expansion at Diodes-China and for the FabTech acquisition, as well as to support its operations. The Company believes that the continued availability of these credit facilities, together with internally generated funds, will be sufficient to meet the Company's current foreseeable operating cash requirements.

The Company has entered into an interest rate swap agreement with a major U.S. bank which expires November 30, 2004, to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt. The interest rate under the swap agreement is fixed at 6.8% and is based on the notional amount. The swap contract is inversely correlated to the related hedged long-term debt and is therefore considered an effective cash flow hedge of the underlying long-term debt. The level of effectiveness of the hedge is measured by the changes in the market value of the hedged long-term debt resulting from fluctuation in interest rates. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

Total working capital increased approximately 1.2% to $21.1 million as of March 31, 2003, from $20.8 million as of December 31, 2002. The Company believes that such working capital position will be sufficient for foreseeable operations and growth opportunities. The Company's total debt to equity ratio decreased to 0.81 at March 31, 2003, from 0.82 at December 31, 2002. It is anticipated that this ratio may increase should the Company use its credit facilities to fund additional inventory sourcing opportunities.

The Company has no material plans or commitments for capital expenditures other than in connection with manufacturing expansion at Diodes-China and Diodes-FabTech equipment requirements. However, to ensure that the Company can secure reliable and cost effective inventory sourcing to support and better position itself for growth, the Company is continuously evaluating additional internal manufacturing expansion, as well as additional outside sources of products. The Company believes its financial position will provide sufficient funds should an appropriate investment opportunity arise and thereby, assist the Company in improving customer satisfaction and in maintaining or increasing market share. As of March 31, 2003, based upon plans for new product introductions, product mixes, capacity restraints on certain product lines and equipment upgrades, the Company expects that year 2003 capital expenditures will be in the $12 to $14 million range as the Company approaches higher capacity utilizations and brings new products into production.

Inflation did not have a material effect on net sales or net income in the first three months of 2003. A significant increase in inflation could affect future performance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary business objective is the maximization of operating income given an acceptable level of risk. Our objective is exposed to three primary sources of market risk: foreign currency risk, interest rate risk, and political risk. No material changes to any of these risks have occurred since December 31, 2002. For a more detailed discussion of market risk, refer to Part II, Item 7A of our 2002 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

FOREIGN CURRENCY RISK. The Company faces exposure to adverse movements in foreign currency exchange rates, primarily in Asia. The Company's foreign currency risk may change over time as the level of activity in foreign markets grows and could have an adverse impact upon the Company's financial results. Certain of the Company's assets, including certain bank accounts and accounts receivable, and liabilities exist in non-U.S. dollar denominated currencies, which are sensitive to foreign currency exchange fluctuations. These currencies are principally the Chinese Yuan, the Taiwanese dollar, the Japanese Yen, and the Hong Kong dollar. Because of the relatively small size of each individual currency exposure, the Company does not employ hedging techniques designed to mitigate foreign currency exposures. Therefore, the Company could experience currency gains and losses.

INTEREST RATE RISK. The Company has credit agreements with U.S. and Far East financial institutions at interest rates equal to LIBOR or similar indices plus a negotiated margin. A rise in interest rates could have an adverse impact upon the Company's cost of working capital and its interest expense. The Company entered into an interest rate swap agreement to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt. At December 31, 2002, the interest rate swap agreement applies to $4.2 million of the Company's long-term debt and expires November 30, 2004. The swap contract is inversely correlated to the related hedged long-term debt and is therefore considered an effective cash flow hedge of the underlying long-term debt. The level of effectiveness of the hedge is measured by the changes in the market value of the hedged long-term debt resulting from fluctuation in interest rates. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

POLITICAL RISK. The Company has a significant portion of its assets in Mainland China and Taiwan. The possibility of political conflict between the two countries or with the United States could have an adverse impact upon the Company's ability to transact business through these important business segments and to generate profits.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this Quarterly Report on Form 10-Q for the first quarter ended March 31, 2003, the Company's Chief Executive Officer, C.H. Chen, and the Chief Financial Officer, Carl C. Wertz, with the participation of the Company's management, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the date of the evaluation, the Company's disclosure controls and procedures are effective in making known to them material information relating to the Company (including its consolidated subsidiaries) required to be included in this report.

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 objections 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.

There were no significant changes in the Company's internal controls, or in other factors that could significantly affect internal controls, known to the Chief Executive Officer or the Chief Financial Officer, subsequent to the date of the evaluation.

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. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed under "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 on this Annual Report on Form 10-K 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 the Company or statements made by its 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.

RISK FACTORS

VERTICAL INTEGRATION

We are in the process of vertically integrating our business. Key elements of this strategy include (i) expanding our manufacturing capacity, (ii) establishing wafer foundry and research and development capability through the acquisition of FabTech and (iii) establishing sales, marketing, product development, package development and assembly/testing operations in company-owned facilities or through the acquisition of established contractors. We have a limited history upon which an evaluation of the prospects of our vertical integration strategy can be based. There are certain risks associated with our vertical integration strategy, including:

o difficulties associated with owning a manufacturing business, including, but not limited to, the maintenance and management of manufacturing facilities, equipment, employees and inventories and limitations on the flexibility of controlling overhead;

- difficulties implementing our Enterprise Resource Planning system;
- difficulties expanding our operations in the Far East and developing new operations in Europe;
- difficulties developing and implementing a successful research and development team;
- difficulties developing proprietary technology; and,
- market acceptance of our proprietary technology.

The risks of becoming a fully integrated manufacturer are amplified in an industry-wide slowdown because of the fixed costs associated with manufacturing facilities.

ECONOMIC CONDITIONS

The discrete segment of the semiconductor industry is highly cyclical, and the value of our business may decline during the "down" portion of these cycles. During recent years, we, as well as many others in our industry, experienced significant declines in the pricing of, as well as demand for, our products and lower facilities utilization. The market for discrete semiconductors may experience renewed, possibly more severe and prolonged, downturns in the future. The markets for our products depend on continued demand in the communications, computer, industrial, consumer electronic and automotive markets, and these end-markets may experience changes in demand that could adversely affect our operating results and financial condition.

COMPETITION

The discrete semiconductor industry is highly competitive. We expect intensified competition from existing competitors and new entrants. Competition is based on price, product performance, product availability, quality, and reliability and customer service. We compete in various markets with companies of various sizes, many of which are larger and have greater resources or capabilities as it relates to financial, marketing, distribution, brand name recognition and other resources than we have and, thus, may be better able to pursue acquisition candidates and to withstand adverse economic or market conditions. In addition, companies not currently in direct competition with us may introduce competing products in the future. Some of our current major competitors are Fairchild Semiconductor Corporation, International Rectifier Corporation, Rohm Electronics, Phillips Electronics, On Semiconductor Corporation, and Vishay Intertechnology, Inc. We may not be able to compete successfully in the future, or competitive pressures may harm our financial condition or our operating results.

FOREIGN OPERATIONS

We expect revenues from foreign markets to continue to represent a significant portion of our total revenues. In addition, we maintain facilities or contracts with entities in the Philippines, Taiwan, Germany, Japan, England, India, and China, among others. There are risks inherent in doing business internationally, including:

- changes in, or impositions of, legislative or regulatory requirements, including tax laws in the United States and in the countries in which we manufacture or sell our products;
- trade restrictions, transportation delays, work stoppages, and economic and political instability;
- changes in import/export regulations, tariffs and freight rates;
- difficulties in collecting receivables and enforcing contracts;
- currency exchange rate fluctuations;
- restrictions on the transfer of funds from foreign subsidiaries to Diodes-North America;
- longer customer payment terms; and,
- the SARS epidemic.

VARIABILITY OF QUARTERLY RESULTS

We have experienced, and expect to continue to experience, a substantial variation in net sales and operating results from quarter to quarter. We believe that the factors that influence this variability of quarterly results include:

- general economic conditions in the countries where we sell our products;
- seasonality and variability in the computer and communications market and our other end markets;
- the timing of our and our competitors' new product introductions;
- product obsolescence;
- the scheduling, rescheduling and cancellation of large orders by our customers;

- the cyclical nature of demand for our customers' products;
- our ability to develop new process technologies and achieve volume production at our fabrication facilities;
- changes in manufacturing yields;
- adverse movements in exchange rates, interest rates or tax rates; and
- the availability of adequate supply commitments from our outside suppliers or subcontractors.

Accordingly, a comparison of the Company's results of operations from period to period is not necessarily meaningful and the Company's results of operations for any period are not necessarily indicative of future performance.

NEW TECHNOLOGIES

We cannot assure that we will successfully identify new product opportunities and develop and bring products to market in a timely and cost-effective manner, or that products or technologies developed by others will not render our products or technologies obsolete or noncompetitive. In addition, to remain competitive, we must continue to reduce package sizes, improve manufacturing yields and expand our sales. We may not be able to accomplish these goals.

PRODUCTION

Our manufacturing efficiency will be an important factor in our future profitability, and we cannot assure you that we will be able to maintain or increase our manufacturing efficiency. Our manufacturing processes require advanced and costly equipment and are continually being modified in an effort to improve yields and product performance. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, upgrading or expanding existing facilities or changing our process technologies, any of which could result in a loss of future revenues. Our operating results also could be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

FUTURE ACQUISITIONS

As part of our business strategy, we expect to review acquisition prospects that would implement our vertical integration strategy or offer other growth opportunities. While we have no current agreements and no active negotiations underway with respect to any acquisitions, we may acquire businesses, products or technologies in the future. In the event of future acquisitions, we could:

- use a significant portion of our available cash;
- issue equity securities, which would dilute current stockholders' percentage ownership;
- incur substantial debt;
- incur or assume contingent liabilities, known or unknown;
- incur amortization expenses related to intangibles; and
- incur large, immediate accounting write-offs.

Such actions by us could harm our operating results and/or adversely influence the price of our Common Stock.

INTEGRATION OF ACQUISITIONS

During fiscal year 2000, we acquired FabTech, Inc. We may continue to expand and diversify our operations with additional acquisitions. If we are unsuccessful in integrating these companies or product lines with our operations, or if integration is more difficult than anticipated, we may experience disruptions that could have a material adverse effect on our business, financial condition and results of operations. Some of the risks that may affect our ability to integrate or realize any anticipated benefits from companies we acquire include those associated with:

- unexpected losses of key employees or customers of the acquired company;
- conforming the acquired company's standards, processes, procedures and controls with our operations;
- coordinating our new product and process development;

- hiring additional management and other critical personnel;
- increasing the scope, geographic diversity and complexity of our operations;
- difficulties in consolidating facilities and transferring processes and know-how;
- diversion of management's attention from other business concerns; and
- adverse effects on existing business relationships with customers.

BACKLOG

The amount of backlog to be shipped during any period is dependent upon various factors and all orders are subject to cancellation or modification, usually with minimal or no penalty to the customer. Orders are generally booked from one to twelve months in advance of delivery. The rate of booking new orders can vary significantly from month to month. The Company and the industry as a whole are experiencing a trend towards shorter lead-times (the amount of time between the date a customer places an order and the date the customer requires shipment). The amount of backlog at any date depends upon various factors, including the timing of the receipt of orders, fluctuations in orders of existing product lines, and the introduction of any new lines. Accordingly, the Company believes that the amount of backlog at any date is not meaningful and is not necessarily indicative of actual future shipments. The Company strives to maintain proper inventory levels to support customers' just-in-time order expectations.

PRODUCT RESOURCES

We sell products primarily pursuant to purchase orders for current delivery, rather than pursuant to long-term supply contracts. Many of these purchase orders may be revised or canceled without penalty. As a result, we must commit resources to the production of products without any advance purchase commitments from customers. Our inability to sell, or delays in selling, products after we devote significant resources to them could have a material adverse effect on our business, financial condition and results of operations.

QUALIFIED PERSONNEL

Our future success depends, in part, upon our ability to attract and retain highly qualified technical, sales, marketing and managerial personnel. Personnel with the necessary expertise are scarce and competition for personnel with these skills is intense. We may not be able to retain existing key technical, sales, marketing and managerial employees or be successful in attracting, assimilating or retaining other highly qualified technical, sales, marketing and managerial personnel in the future. If we are unable to retain existing key employees or are unsuccessful in attracting new highly qualified employees, our business, financial condition and results of operations could be materially and adversely affected.

EXPANSION

Our ability to successfully offer our products in the discrete semiconductor market requires effective planning and management processes. Our past growth, and our targeted future growth, may place a significant strain on our management systems and resources, including our financial and managerial controls, reporting systems and procedures. In addition, we will need to continue to train and manage our workforce worldwide.

SUPPLIERS

Our manufacturing operations depend upon obtaining adequate supplies of materials, parts and equipment on a timely basis from third parties. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of materials, parts and equipment in a timely manner or if the costs of materials, parts or equipment increase significantly. In addition, a significant portion of our total sales is from parts manufactured by outside vendors. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we generally use products, materials, parts and equipment available from multiple suppliers, we have a limited number of suppliers for some products, materials, parts and equipment. While we believe that alternate suppliers for these products, materials, parts and equipment are available, any interruption could materially impair our operations.

ENVIRONMENTAL REGULATIONS

We are subject to a variety of United States Federal, foreign, state and local governmental laws, rules and regulations related to the use, storage, handling, discharge or disposal of certain toxic, volatile or otherwise hazardous chemicals used in our manufacturing process. Any of these regulations could require us to acquire equipment or to incur substantial other expenses to comply with environmental regulations. If we were to incur substantial additional expenses, product costs could significantly increase, thus materially and adversely affecting our business, financial condition and results of operations. Any failure to comply with present or future environmental laws, rules and regulations could result in fines, suspension of production or cessation of operations, any of which could have a material adverse effect on our business, financial condition and results of operations.

The Company received a claim from one of its former U.S. landlords, regarding potential groundwater contamination at a site in which the Company engaged in manufacturing from 1967 to 1973, alleging that the Company may have some responsibility for cleanup costs. The Company does not anticipate that the ultimate outcome of this matter will have a material effect on its financial condition.

PRODUCT LIABILITY

One or more of our products may be found to be defective after we have already shipped such products in volume, requiring a product replacement or recall. We may also be subject to product returns, which could impose substantial costs and have a material and adverse effect on our business, financial condition and results of operations. Product liability claims may be asserted with respect to our technology or products. Although we currently have product liability insurance, there can be no assurance that we have obtained sufficient insurance coverage, or that we will have sufficient resources, to satisfy all possible product liability claims.

SYSTEM OUTAGES

Risks are presented by electrical or telecommunications outages, computer hacking or other general system failure. To try to manage our operations efficiently and effectively, we rely heavily on our internal information and communications systems and on systems or support services from third parties. Any of these systems are subject to failure. System-wide or local failures that affect our information processing could have material adverse effects on our business, financial condition, results of operations and cash flows. In addition, insurance coverage for the risks described above may be unavailable.

DOWNWARD PRICE TRENDS

Our industry is intensely competitive and prices for existing products tend to decrease steadily over their life cycle. There is substantial and continuing pressure from customers to reduce the total cost of using our parts. To remain competitive, we must achieve continuous cost reductions through process and product improvements. We must also be in a position to minimize our customers' shipping and inventory financing costs and to meet their other goals for rationalization of supply and production. Our growth and the profit margins of our products will suffer if our competitors are more successful than we are in reducing the total cost to customers of their products.

OBSOLETE INVENTORIES

The life cycles of some of our products depend heavily upon the life cycles of the end products into which our products are designed. Products with short life cycles require us to manage closely our production and inventory levels. Inventory may also become obsolete because of adverse changes in end-market demand. We may in the future be adversely affected by obsolete or excess inventories which may result from unanticipated changes in the estimated total demand for our products or the estimated life cycles of the end products into which our products are designed.

DEFERRED TAXES

As of March 31, 2003, accumulated and undistributed earnings of Diodes-China are approximately $28.1 million. Through March 31, 2002, the Company had not recorded deferred Federal or state tax liabilities (estimated to be $8.9 million) on these cumulative earnings since the Company considered this investment to be permanent, and had no plan or obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, the Company began to record deferred taxes on a portion of the 2002 earnings of Diodes-China, and had accrued $0.9 million at December 31, 2002. In 2003, the Company continued to record deferred taxes on a portion of the 2003 earnings of Diodes-China, recording $210,000 in deferred taxes during the first quarter of 2003.

The Company is evaluating the need to provide additional deferred taxes for the future earnings of Diodes-China to the extent such earnings may be appropriated for distribution to Diodes-North America, and as further investment strategies with respect to Diodes-China are determined. Should the Company's North American cash requirements exceed the cash that is provided through the domestic credit facilities, cash can be obtained from the Company's foreign subsidiaries. However, the distribution of any unappropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

FOREIGN CURRENCY RISK

The Company faces exposure to adverse movements in foreign currency exchange rates, primarily in Asia and, to a lesser extent, in Europe. The Company's foreign currency risk may change over time as the level of activity in foreign markets grows and could have an adverse impact upon the Company's financial results. Certain of the Company's assets, including certain bank accounts and accounts receivable, and liabilities exist in non-U.S. dollar denominated currencies, which are sensitive to foreign currency exchange fluctuations. These currencies are principally the Chinese Yuan, the Taiwanese dollar, the Japanese Yen, and the Hong Kong dollar. Because of the relatively small size of each individual currency exposure, the Company does not employ hedging techniques designed to mitigate foreign currency exposures. Therefore, the Company could experience currency gains and losses.

INTEREST RATE RISK

The Company has credit agreements with U.S. and Far East financial institutions at interest rates equal to LIBOR or similar indices plus a negotiated margin. A rise in interest rates could have an adverse impact upon the Company's cost of working capital and its interest expense. The Company entered into an interest rate swap agreement to hedge its exposure to variability in expected future cash flows resulting from interest rate risk related to a portion of its long-term debt. At March 31, 2003, the interest rate swap agreement applies to $4.2 million of the Company's long-term debt and expires November 30, 2004. The swap contract is inversely correlated to the related hedged long-term debt and is therefore considered an effective cash flow hedge of the underlying long-term debt. The level of effectiveness of the hedge is measured by the changes in the market value of the hedged long-term debt resulting from fluctuation in interest rates. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

POLITICAL RISK

The Company has a significant portion of its assets in Mainland China, Taiwan and Hong Kong. The possibility of political conflict between these countries or with the United States could have an adverse impact upon the Company's ability to transact business through these important business segments and to generate profits.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no matters to be reported under this heading.

ITEM 2. CHANGES IN SECURITIES

There are no matters to be reported under this heading.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no matters to be reported under this heading.

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

There are no matters to be reported under this heading.

ITEM 5. OTHER INFORMATION

There are no matters to be reported under this heading.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11	Computation of Earnings Per Share
Exhibit 99.8	Certification Pursuant to 18 U.S.C. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

The Company filed a Form 8-K on May 1, 2003 with the Securities and Exchange Commission under Item 7 and Item 9.

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/ Carl Wertz May 9, 2003

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CARL WERTZ
Chief Financial Officer, Treasurer and Secretary
(Duly Authorized Officer and Principal Financial and
Chief Accounting Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, C.H. Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ C.H. Chen
C. H. Chen
Chief Executive Officer

Date: May 9, 2003

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carl Wertz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Carl Wertz
Carl Wertz
Chief Financial Officer

Date: May 9, 2003

INDEX TO EXHIBITS

EXHIBIT - 11

DIODES INCORPORATED AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2002	2003
BASIC		
Weighted average number of common shares outstanding used in computing basic earnings per share	8,165,325	8,314,662
Net income	$ 208,000	$ 1,923,000
Basic earnings per share	$ 0.03	$ 0.23
DILUTED		
Weighted average number of common shares outstanding used in computing basic earnings per share	8,165,325	8,314,662
Assumed exercise of stock options	608,691	836,834
	8,774,016	9,151,496
Net income	$ 208,000	$ 1,923,000
Diluted earnings per share	$ 0.02	$ 0.21

EXHIBIT 99.8

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

The undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 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/ C.H. Chen
C.H. Chen
Chief Executive Officer
Date: May 9, 2003

/s/ Carl Wertz
Carl Wertz
Chief Financial Officer
Date: May 9, 2003

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.