United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 2002.
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
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)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Par Value $0.66 2/3

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

The aggregate market value of the 5,043,541 shares of Common Stock held by non-affiliates of the registrant, based on the closing price of the Common Stock on the Nasdaq National Market on June 28, 2002 of $8.53 per share, was approximately $43,021,405.

The number of shares of the registrant's Common Stock outstanding as of March 14, 2003 was 9,483,764 including 1,075,672 shares of treasury stock.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2003 annual meeting of stockholders are incorporated by reference into Part III of this Report. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2002.

PART I

Item 1. Business

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; PowermiteR3, 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.

Lite-On Semiconductor Corporation ("LSC"), formerly Lite-On Power Semiconductor Corporation ("LPSC"), is the Company's largest stockholder, holding approximately 36.5% of the outstanding shares. LSC is a member of The Lite-On Group of companies of the Republic of China. The Lite-On Group, with worldwide sales of approximately $4.5 billion, is a leading manufacturer of power semiconductors, computer peripherals, and communication products. In December 2000, LPSC merged with Dyna Image Corporation of Taipei, Taiwan, the world's largest contact image sensor ("CIS") manufacturer. CISs are primarily used in fax machines, scanners and copy machines. C.H. Chen, the Company's President and Chief Executive Officer, is Vice Chairman of the combined company, which is called LSC.

Strategy

The Company's business strategy is to become a vertically integrated manufacturer and supplier of discrete semiconductors, to expand the geographic reach of its sales organization into high growth and/or under serviced markets, and to pursue manufacturing efficiency across its product lines.

The Company intends to control the manufacturing and manage the distribution process, from product concept to manufacturing, packaging, and distribution. The anticipated benefits to this strategy include:

- Better control of product quality;
- Faster time-to-market for new products;
- Ability to customize devices to customer requirements;
- Ability to develop and market devices that are differentiated in the marketplace with proprietary processes and designs; and,
- Improved access to wafers and devices in limited supply conditions.

The Company believes that this strategy will enable it to develop stronger relationships with existing customers and distributors, participate at new customers and in new markets, shift its sales mix to include higher margin devices, and create greater differentiation for the Diodes brand.

In order to become a vertically integrated manufacturer and supplier, the Company integrates six areas of operations: sales, marketing, product development, wafer foundry, package development, and assembly/testing.

Historically, discrete semiconductors have been characterized by a slower rate of innovation and lower value-added than integrated circuits ("ICs"). However, the Company believes that changes in the consumer electronics, communications and computing industries have created a need for renewed innovation in discrete semiconductor technology. The proliferation of mobile, battery-powered devices has placed a premium on smaller size and lower energy consumption. The Company's product development efforts are focused on devices that reduce size and power consumption, increase performance and simplify board design.

In December 2000, the Company acquired FabTech Incorporated in order to develop higher technology products that command higher margins, as well as to fulfill its silicon wafer requirements. Diodes-FabTech has the manufacturing equipment, facilities and technology to produce finished wafers ready for assembly, as well as the experienced engineering team required to develop higher technology products. These new high technology products are widening the Company's product line while increasing its value to customers.

In 2002, the Company continued to increase its rate of new product introductions and developed a number of products that it believes to be differentiated in the marketplace. While many competitors are able to devote vastly greater resources to research and development activities, the Company believes that its product focus, customer-driven development approach and rapid development cycle will enable it to develop products that provide higher value to its customers. The Company's research and development activities are oriented towards improving on industry standard devices at the process, wafer and packaging level. In addition, the Company's applications engineers work with customers to develop applications specific packaging and device configurations to meet their specific needs.

In addition to becoming a vertically integrated manufacturer and supplier, the Company intends to continue to expand its existing sales force in Asia and Europe. The Company significantly expanded its Asian sales force to capture market share in Taiwan, China, Hong Kong, Singapore and other Southeast Asia markets, as well as Korea. The Company also is developing sales channels in Europe to capture market share in countries such as England, France, Germany, Italy and Israel, among others. The Company targets original equipment manufacturers ("OEMs") directly, as well as leveraging its expanded distribution network.

In 2002, the Company invested approximately $7.7 million in plant and equipment at its Diodes-China manufacturing facility, bringing the total amount invested to approximately $52.9 million. The Company will continue to invest in Diodes-China as new packaging opportunities arise. Diodes-China is the Company's packaging and testing facility in Mainland China. Diodes-China uses chips or die from silicon wafers and manufactures them into various packaged finished devices.

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.

Beginning in the second half of 1999, and continuing through the first three quarters of 2000, industry demand significantly exceeded industry capacity. In addition, OEM customers and distributors increased their purchasing and inventory levels in anticipation of further increases in end-product demand. The Company's gross profit margin reached a peak of 34.9% in the third quarter of 2000.

Then, as semiconductor manufacturers, including the Company, continued to increase manufacturing capacity, the global economy slowed causing a sharp decline in sales beginning in the fourth quarter of 2000. The semiconductor industry as a whole experienced a sharp inventory correction primarily in two key markets, communications and computers. The effect on the Company of these unforeseen economic and market conditions, and the risks of becoming a fully integrated manufacturer were amplified with the December 2000 completion of the wafer facility acquisition because of the fixed costs associated with the additional manufacturing facility.

Although the Company's market share increased in 2001, average selling prices for discrete products decreased approximately 23% and silicon wafer pricing fell approximately 12%. Due to decreased demand in 2001, the Company also experienced reduced capacity utilization of its manufacturing facilities and demand-induced changes in product mix, both of which had a negative impact on gross margins. Due to market conditions, capacity utilization at Diodes-FabTech decreased to 45%, while Diodes-China's utilization was 52%, during the third quarter of 2001.

During 2001, the Company responded to the downturn by implementing programs to cut operating costs, including reducing its worldwide workforce by 26%, primarily at the FabTech and Diodes-China manufacturing facilities. Some improvement was seen in the fourth quarter of 2001 when capacity utilization increased to 65% and 60% for Diodes-China and Diodes-FabTech, respectively, but gross margins still ended the year at 15.2%.

Year 2002 continued to be a year where demand improved, the Company's manufacturing capacity utilization increased, and pricing pressures eased somewhat. Average selling prices decreased approximately 8% for discrete products and 1% for wafer products. Gross margins increased from 16.2% in the first quarter to a high of 26.0% in the third quarter when Diodes-China's capacity utilization reached approximately 88% and Diodes-FabTech approximately 83%. The gross margin was 23.0% for the year.

The Company continues to actively adjust its cost structure as dictated by market conditions. Long-term, the Company believes that it will continue to generate value for shareholders and customers, not just from its expanded Diodes-China manufacturing and Diodes-FabTech's foundry assets, but also by the addition of an enhanced technology component to the Company. This is a multi-year initiative that will increase the Company's ability to serve its customers' needs, while establishing the Company at the forefront of the next generation of discrete technologies.

In December 2002, the Company completed its implementation of Oracle's Enterprise Resource Planning ("ERP") software. The Company anticipates increased efficiency through improved management of its global supply chain, manufacturing, planning and financial reporting.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company has applied the new rules on accounting for goodwill beginning in the first quarter of 2002. An independent appraiser, retained by the Company, performed the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002, and January 1, 2003, and has determined that the goodwill is fully recoverable. Application of the non-amortization provisions of the Statements is expected to result in an increase in net income of approximately $288,000 per year, assuming no impairment adjustment.

Products

Technology in the semiconductor industry is ever changing and the products traditionally sold by the Company have been mature products. But the additions of state-of-the-art surface-mount manufacturing capability at Diodes-China and our newly acquired wafer fabrication facility, Diodes-FabTech, have enabled the Company to advance technologically with the industry leaders, and to move ahead in technical advances in both silicon technology and product implementation. These new technologies will offer higher profit and growth potential.

Product Technology

Semiconductors come in two basic configurations: discrete semiconductors and integrated circuits ("ICs"). The Company is engaged in the manufacture, sale, and distribution of discrete semiconductors, which are fixed-function components such as:

Schottky Rectifiers	Standard Recovery Rectifiers	Transient Voltage Suppressors ("TVS")
Schottky Diodes	Bridge Rectifiers	NPN Transistors
Super-Fast & Ultra-Fast Recovery Rectifiers	Switching Diodes	PNP Transistors
Fast Recovery Rectifiers	Zener Diodes	MOSFET - N-Channel
MOSFET - P-Channel		

In terms of function, IC's are far more complex than discrete semiconductors. They are multi-function devices of the sort found in computer memory boards and central processing units. IC's, characterized by rapid changes in both production and application, and the desire to put ever-more intelligence into ever-smaller packages, have required the development of manufacturing techniques that are highly sophisticated and expensive.

Discrete semiconductors, which effectively tie integrated circuits to their surrounding environments and enable them to work, come in hundreds of permutations and vary according to voltage, current, power handling capability and switching speed. In a standard industry classification, those discrete semiconductors operating at less than one watt are referred to as low-power semiconductors, while those operating at greater than one watt are termed power semiconductors. Both types of semiconductors are found in a wide assortment of commercial instrumentation and communication equipment, in consumer products like televisions and telephones, and in automotive, computer and industrial electronic products.

Arrays bridge the gap between discrete semiconductors and IC's. Arrays consist of more than one discrete semiconductor housed in a single package. The Company added about 100 new 6-pin surface mount array part numbers to its semiconductor offering. With the flexibility of domestic engineering and fast-reaction manufacturing facilities in the Far East, the Company is finding interest in its offering of Application Specific Multi-Chip Circuit arrays.

Silicon wafers are the basic raw material used in producing all types of semiconductors. Many highly sophisticated and tightly controlled processes are used to develop finished semiconductor wafers from the raw starting material. They include high precision lapping and polishing, photo lithography, chemical vapor deposition of epitaxy, doping and oxidation processes, plasma deposition, ion implantation, metal plating, sintering and sputtering, chemical etching, annealing and reaction. Finished wafers are then cut into very small dice in order to be assembled into the appropriate surface mount or leaded package at the semiconductor assembly factory.

Product Packaging

Almost as important as the technology of the discrete component, is the component packaging. The industry trend is to fit discrete components into ever-smaller and more efficient surface-mount packages. Smaller packaging provides a reduction in board space, height, and weight and is well suited for battery-powered, hand-held and wireless applications such as cellular phones, pagers, modems, notebook and palmtop computers and accessories where space is at a premium. The objective is to fit the same functionality and power handling features into smaller packages. The Company's packaging capabilities include:

Surface Mount:

SOT-23	SOT-523	SMA
SOT-25	SOD-523	SMB
SOT-26	SC-59	SMC
SOT-143	SC-75	DPAK
SOT-563	DO216AA	D2PAK
SOD-123		MELF
SOD-323		MiniMELF
SOT-363		Powermite3

Leaded:

DO-15	DO-201AD	A-405
DO-35	TO-220AC	TO-3P
DO-41	TO-220AB	Numerous Bridge Rectifier Packages

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 communications 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 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.

FabTech purchases polished silicon wafers and then, by using various technologies and patents, in conjunction with many chemicals and gases, fabricates several layers on the wafers, including epitaxial silicon, ion implants, dielectrics and metals, with various patterns. Depending upon these layers and the die size (which is determined during the photolithography process and completed at the customer's packaging site where the wafer is sawn into square or rectangular die), different types of wafers with various currents, voltages and switching speeds are produced.

At Diodes-China, silicon wafers are received and inspected in a highly controlled environment awaiting the assembly operation. At the first step of assembly, the wafers are mounted in a supporting ring, and using automatic machinery, the wafers are sawn with very thin, high speed diamond blades into tiny semiconductor "dice", numbering as many as 200,000 per 5" diameter wafer. Dice are then loaded onto a handler, which automatically places the dice, one by one, onto lead frames, which are package specific, where they are bonded using various technologies to the lead frame pad. Next, automatic wire bonders make the necessary electrical connections from the die to the leads of the lead frame, using micro-thin gold wire. The fully automatic assembly machinery then molds the epoxy case around the die and lead frame to produce the desired semiconductor product. Next is the trim, form, test, mark and re-test operation. Finally the parts are placed into special carrier housings and a cover tape seals the parts in place. The taped parts are then spooled onto reels and boxed for shipment.

Each step of the process is precisely controlled and monitored to assure world-class quality. Samples of each device type are periodically subjected to rigorous 1,000 hour high reliability testing to assure that the devices will meet all customers' expectations in the most demanding applications.

As evidence of our total commitment to product quality and customer satisfaction, the Company's management has developed and continually maintains processes, procedures and standards of performance that earn our Company widely recognized quality certifications. Our corporate headquarters received official ISO 9002 Certification of Registration in 1997 from Underwriters Laboratories (UL), the leading third-party certification organization in the United States and the largest in North America. Diodes-China and Diodes-Taiwan received official ISO 9002 Certification of Registration from DNV in 1997. Diodes-China also earned QS-9000 and ISO 14001 certifications in 2000, validating high-level quality management in the automotive supply industry, and our compliance with official environmental standards, respectively. Diodes-FabTech received ISO 9001 certification in 1997, and QS 9000 certification with AEC-A100 Supplement in 1998 from BSI, an international standards, testing, registration and certification organization.

ISO 9000 certifications consist of a series of paradigms for the establishment of systems and protocols to facilitate the creation and maintenance of superior quality-control techniques. The Company's commitment to ongoing external validation demonstrates dedication to continual reviews and renewal of our mission, strategies, operations and service levels. With its underlying premise that true product quality requires a total quality system, ISO certification is often required of vendors seeking to establish relationships with OEMs doing business in intensely competitive global markets.

All of the products sold by the Company, as well as the materials used by the Company in its manufacturing operations, are available both domestically and abroad. In 2002, the largest external supplier of products to the Company was LSC, a related party. Approximately 18% and 15% of the Company's sales were from product manufactured by LSC in 2002 and 2001, respectively. Also, in 2002 and 2001, approximately 6% and 4%, respectively of the Company's sales were from product manufactured by companies owned by Xing International, the 5% minority partner in Diodes-China, and a related party. In addition, sales of products manufactured by Diodes-China and Diodes-FabTech, the Company's manufacturing subsidiaries, were approximately 34% and 25% in 2002, respectively, versus 27% and 15% in 2001, respectively. The Company anticipates that Diodes-China will become an increasingly valuable supplier. No other manufacturer of discrete semiconductors accounted for more than 8% and 7% of the Company's sales in 2002 and 2001, respectively.

The Company's Diodes-China manufacturing facility receives wafers from FabTech, among others. Output from the FabTech facility includes wafers used in the production of Schottky barrier diodes, fast recovery epitaxial diodes (FREDs), and other widely used value-added products. Schottky barrier diodes are employed in the manufacture of the power supplies found in personal computers, telecommunications devices and other applications where high frequency, low forward voltage and fast recovery are required.

Until October 2000, Diodes-Taiwan manufactured product for sale to Diodes-North America and to trade customers. The Company moved its Taiwan manufacturing to China because the Taiwan manufactured products were lower technology products, fairly labor intensive, and the cost savings of moving the manufacturing to the Company's qualified minority partner in Diodes-China were attractive and necessary to meet market demand. In connection with the manufacturing move, the Company sold approximately $150,000 of equipment to the minority partner of Diodes-China. Diodes-Taiwan continues as the Company's Asia-Pacific sales, logistics and distribution center. Diodes-China participates in final testing, inspection and packaging of these products, formerly manufactured by Diodes-Taiwan.

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.

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, 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 (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% of the Company's sales, while the largest distributor accounted for 4% of sales. The twenty largest customers accounted, in total, for approximately 61% 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 2002, approximately 49%, 48%, and 3% of the Company's products were sold in North America, the Far East, and Europe, respectively, compared to 54%, 45%, and 1% in 2001, respectively. See Note 12 of "Notes to Consolidated Financial Statements" for a description of the Company's geographic and segment information. 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.

Through Diodes-Taiwan, the Company employs a general manager who acts as the Far East purchasing liaison with respect to product procurement from other vendors located in the Far East. Diodes-Taiwan also sells product to customers in Taiwan, Korea, and Singapore, among others Asia-Pacific countries.

In June 2001, the Company expanded its sales force into Europe with a regional manager and distribution network to serve the UK, France, Germany, Italy and Israel, among others.

In March 2002, the Company opened a sales, warehousing, and logistics office in Hong Kong to strengthen its competitive market position in Asia. Because more communication and personal computer companies are moving to

China, having sales and warehousing direct out of Hong Kong enables the Company to provide shorter lead times on orders and better service to this growing customer base.

Through ongoing sales and customer service efforts, the Company continues to develop business relationships with companies who are considered leaders in their respective market segments. The Company's marketing efforts also have benefited from an ongoing program to develop strategic alliances with manufacturers, such as LSC, among others, to better control its destiny in terms product technology, quality and especially the availability of the products it sells.

Over the years, there has been a tendency among some larger manufacturers to limit or de-emphasize the production and marketing of discrete components in favor of integrated and hybrid circuits. With fewer service-oriented sources of discrete components available to OEMs, the Company has captured additional market share. The Company's products primarily include catalog items, but also include units designed to specific customer requirements.

Competition

Numerous semiconductor manufacturers and distributors serve the discrete semiconductor components market where competition is intense. Some of the larger companies include Fairchild Semiconductor Corporation, International Rectifier Corporation, Rohm Electronics, Phillips Electronics, On Semiconductor Corporation, and Vishay Intertechnology, Inc., many of which have greater financial, marketing, distribution, brand name recognition and other resources than the Company. Accordingly, in response to market conditions, the Company from time to time may reposition product lines or decrease prices, which may adversely affect the Company's profit margins on such product lines. Competitiveness in sales of the Company's products is determined by the price and quality of the product, and the ability of the Company to provide delivery and customer service in keeping with the customers' needs. The Company believes that it is well equipped to be competitive in respect to these requirements.

Engineering and Research and Development

The Company's engineering and research and development consist of customer/applications engineers and product development engineers who assist in determining the direction of the Company's future product lines. Their primary function is to work closely with market-leading customers to further refine, expand and improve the Company's product range within the Company's product types and packages. In addition, customer requirements and acceptance of new package types are assessed and new, higher density and more energy-efficient packages are developed to satisfy customers' needs. Working with customers to integrate multiple types of technologies within the same package, the Company's applications engineers reduce the required number of components and, thus, circuit board size requirements, while increasing the component technology to a higher level.

Product engineers work directly with the semiconductor wafer design and process engineers at Diodes-FabTech who craft die designs needed for products that precisely match our customer's requirements. Further, Diodes-FabTech's R&D engineers are developing higher technology products, which are expected to propel the Company to leadership positions in our focused areas. Direct contact with the Company's manufacturing facilities allows the manufacturing of products that are in line with current technical requirements. With the addition of FabTech, the Company has the capability to capture the customer's electrical and packaging requirements through its customer/applications engineers and product development engineers, and then transfer those requirements to Diodes-FabTech's R&D and engineering department, so that the customer's requirements can be translated, designed, and manufactured with full control, even to the elemental silicon level.

Patents

Patents have begun to be more significant to our business. Developing and maintaining a competitive advantage requires that the Company pursue patent protection for certain devices and processes, particularly those developed or in development at Diodes-FabTech. The Company currently holds five patents and has seven patents pending in technologies ranging from ruggedized Schottky devices to thirty-five hundred volt Ultra-Fast devices. To protect our intellectual property from being copied by competitors, the Company will continue to aggressively pursue patent protection.

Inventory

In general, the Company maintains sufficient inventories of standard products at its U.S. facility and Diodes-Taiwan and Diodes-Hong Kong facilities to permit rapid delivery of customers' orders. In addition, the Company continuously coordinates with strategic alliances and subcontractors to support product demand. The Company implemented a program in coordination with its distributors, enabling the Company to transfer inventory from distributors to OEM customers to better manage the Company's on-hand inventory.

The Company's inventory is composed of discrete semiconductors and silicon wafers, which are, for the most part, standardized in electronic related industries. Historically, finished goods inventory turns over approximately four times annually. Due to a concentrated effort to reduce inventory, inventory turns increased to approximately 5.5 times at December 31, 2002. The Company has no special inventory or working capital requirements that are not in the ordinary course of business.

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.

Employees

As of December 31, 2002, the Company employed a total of 958 employees. At such date, Diodes-North America had 74 full-time employees, Diodes-Taiwan had an additional 56 employees, Diodes-China had a total of 645 employees, and Diodes-FabTech had a total of 183 employees. None of the Company's employees is subject to a collective bargaining agreement. The Company considers its relations with its employees to be good.

Imports and Import Restrictions

During 2002, the Company's U.S. operations, which accounted for approximately 49% of the Company's total sales, imported substantially all of its products, of which approximately 17% was imported from Mainland China and approximately 12% from Taiwan. The balance of the imports is primarily from Germany, Japan, India, the Philippines, England and Korea. As a result, the Company's operations are subject to the customary risks of doing business abroad, including, but not limited to, the difficulty and expense of maintaining foreign sourcing channels, cultural and institutional barriers to trade, fluctuations in currency exchange rates, restrictions on the transfer of funds and the imposition of tariffs, political instability, transportation delays, expropriation, import and export controls and other non-tariff barriers (including export licenses and changes in the allocation of quotas), as well as the uncertainty regarding the future relationship between China and Taiwan, and other U.S. and foreign regulations that may apply to the export and import of the Company's products, and which could have a material adverse effect on the Company. Any significant disruption in the Company's Taiwanese or Chinese sources of supply or in the Company's relationship with its suppliers located in Taiwan or China could have a material adverse effect on the Company.

The Company transacts business with foreign suppliers primarily in United States dollars. To a limited extent, and from time to time, the Company contracts (e.g., a portion of the equipment purchases for the Diodes-China expansion) in foreign currencies, and, accordingly, its results of operations could be materially affected by fluctuations in currency exchange rates. Due to the limited number of contracts denominated in foreign currencies and the complexities of currency hedges, the Company has not engaged in hedging to date. If the volume of contracts written in foreign currencies increases, and the Company does not engage in currency hedging, any substantial change in the value of such currencies could have a material adverse effect on the Company's results of operations. Management believes that the current contracts written in foreign currencies are not significant enough to justify the costs inherent in currency hedging.

Imported products are also subject to United States customs duties and, in the ordinary course of business, the Company, from time to time, is subject to claims by the United States Customs Service for duties and other charges. The Company attempts to reduce the risk of doing business in foreign countries by, among other things, contracting in U.S. dollars, and, when possible, maintaining multiple sourcing of product groups from several countries.

Related Parties

The Company conducts business with two related party companies, 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 2002, the Company sold silicon wafers to LSC totaling 13.7% (7.7% in 2001) of the Company's sales, making LSC the Company's largest customer. Also for 2002, 17.9% (15.2% in 2001) of the Company's sales were from discrete semiconductor products purchased from LSC, making LSC the Company's largest outside vendor. The Company has a long-standing sales agreement 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 December 31, 2002, LSC holds a subordinated, interest-bearing note for approximately $8.5 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 2002, the Company sold silicon wafers to companies owned by Xing International totaling 1.5% (0.6% in 2001) of the Company's sales. Also for 2002, 5.6% (4.4% in 2001) 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.

Reporting Segment

For financial reporting purposes, the Company is deemed to engage in one industry segment - discrete semiconductors. See Note 12 of "Notes to Consolidated Financial Statements" for a description of the Company's geographic information.

Environmental Matters

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.

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.

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 Annual Report on Form 10-K 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K are subject to, in addition to the other matters described in this Annual Report on Form 10-K, 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:

- 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; and,
- longer customer payment terms.

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 December 31, 2002, accumulated and undistributed earnings of Diodes-China is approximately $26.2 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 obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, under the direction of the Board of Directors, the Company began to record deferred taxes on a portion of the earnings of Diodes-China. As of December 31, 2002, the Company has recorded $850,000 in deferred taxes.

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 December 31, 2002, the interest rate swap agreement applies to $4.8 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.

Financial Information About Foreign and Domestic Operations and Export Sales

With respect to foreign operations, see Notes 1, 11 and 12 of "Notes to Consolidated Financial Statements."

Item 2. Properties

The Company's primary physical properties during the year ended December 31, 2002 were as follows:

A. The Company's headquarters and product distribution center is located in an industrial building at 3050 East Hillcrest Drive, Westlake Village, CA 91362 USA, and consists of approximately 30,900 square feet. The Company is the primary lessee under a lease that has been extended five years and expires in 2006, at an amount of $28,500 per month, with a 5-year option.

B. Regional sales offices located in the U.S., leased at less than $1,000 per month, at the following locations:

1. One Overlook Drive, Suite 8, Amherst, NH 03031

2. 160-D East Wend, Lemont, IL 60439
3. 18430 Brookhurst Street, Suite 201A, Fountain Valley, CA 92708

C. Industrial premises consisting of approximately 9,000 square feet and located at 5Fl. 501-16 Chung-Cheng Road, Hsin-Tien City, Taipei, Taiwan, Republic of China. These premises, owned by Diodes-Taiwan, are used as a warehousing facility.

D. Industrial premises consisting of approximately 7,000 square feet and located at 2Fl. 501-15 Chung-Cheng Road, Hsin-Tien City, Taipei, Taiwan, Republic of China. These premises, owned by Diodes-Taiwan, are used as sales, warehouse and administrative offices.

E. Industrial building located at No. 999 Chen Chun Road, Xingqiao Town, Songjiang County, Shanghai, People's Republic of China. This building, consisting of approximately 9,000 square meters, is the corporate headquarters, product distribution and manufacturing facility for Diodes-China. The building is under a lease that expires in 2017 from a company owned by the 5% joint venture partner at a monthly rate of approximately $35,000 per month.

F. Regional offices located in Mainland China, leased at less than $1,000 per month, at the following locations:

1. Room 313, 555 Building, No. 555, West Nanjing Road, Shanghai, China
2. Room 1726, 17/F, No. 2008, Shenzhen Kerry Centre Renminnan Road, Shenzhen, China

G. Industrial building located at 777 N. Blue Parkway Suite 350, Lee's Summit, MO 64086 USA. Acquired in December 2000, Diodes-FabTech's 5-inch wafer foundry includes a 16,000 sq. ft. clean room within a 70,000 sq. ft. manufacturing facility formerly owned by AT&T, under a lease that expires in 2009, at an amount of $120,000 per month.

H. Industrial building located at Number 102, 1st Floor, International Plaza, 20 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. These premises are leased from Lite-On Semiconductors, Ltd. at a rate of $2,000 per month, and are used as sales, warehousing and logistics offices.

I. Sales and administrative offices located at 22, Avenue Paul Sejourne F-31000 Toulouse, France, leased at less than $500 per month.

The Company believes its current facilities are adequate for the foreseeable future. See Notes 3 and 13 of "Notes to Consolidated Financial Statements."

Item 3. Legal Proceedings

The Company is, from time to time, involved in litigation incidental to the conduct of its business. The Company does not believe that any currently pending litigation, to which it is a party, will have a material effect on its financial condition or results of operations.

The Company received a claim from one of its former U.S. landlords regarding potential ground-water contamination at a site in which the Company engaged in manufacturing from 1967 to 1973. The landlord has alleged that the Company may have some responsibility for cleanup costs. The Company does not anticipate that this event will have a material effect on its financial results.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders by the Company during the last three months of the year ending December 31, 2002.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded on the Nasdaq National Market ("Nasdaq") under the symbol "DIOD." Prior to June 19, 2000, the Company's Common Stock was traded on the American Stock Exchange ("AMEX") under the symbol "DIO." In July 2000, the Company effected a 50% stock dividend in the form of a three-for-two stock split. The ex-dividend date was July 17, 2000. The following table shows the range of high and low closing sales prices per share, adjusted for the three-for-two stock split, for the Company's Common Stock for each fiscal quarter from January 1, 2001 as reported by Nasdaq.

Calendar Quarter Ended	Closing Sales Price of Common Stock	
	High	Low
First quarter (through March 14) 2003	$ 12.300	$ 9.560
Fourth quarter 2002	10.870	6.120
Third quarter 2002	9.450	7.080
Second quarter 2002	9.500	7.470
First quarter 2002	8.490	7.020
Fourth quarter 2001	7.800	4.500
Third quarter 2001	9.900	4.450
Second quarter 2001	11.000	6.250
First quarter 2001	15.500	8.375

On March 14, 2003, the closing sales price of the Company's Common Stock as reported by Nasdaq was $9.56, and there were approximately 3,000 stockholders of record. Stockholders are urged to obtain current market quotations for the Common Stock.

No cash dividends have been declared to stockholders during the past three years, and the Company does not expect to declare cash dividends in the foreseeable future. The payment of dividends is within the discretion of the Company's Board of Directors, and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, and general business conditions. In addition, the Company's bank credit agreement currently includes covenants restricting dividend payments.

Item 6. Selected Financial Data

The following selected financial data for the fiscal years ended December 31, 1998 through 2002 is qualified in its entirety by, and should be read in conjunction with, the other information and financial statements, including the notes thereto, appearing elsewhere herein (in 000's except per share data). Certain 1998 through 2001 amounts as presented in the accompanying financial statements have been reclassified to conform to 2002 financial statement presentation. These reclassifications had no impact on previously reported net income or stockholders' equity.

	Year Ended December 31,				
Income Statement Data	1998	1999	2000	2001	2002
Net sales	$ 60,121	$ 78,245	$ 116,079	$ 93,210	$ 115,821
Gross profit	15,402	20,948	37,427	14,179	26,603
Selling, general and administrative expenses	11,016	13,670	18,814	13,711	16,300
Research and development expenses	--	--	141	592	1,472
Income (loss) from operations	4,386	7,278	18,472	(124)	8,831
Interest expense, net	281	292	940	2,074	1,183
Other income	93	182	501	777	203
Income (loss) before taxes and minority interest	4,198	7,168	18,033	(1,421)	7,851
Income tax benefit (provision)	(1,511)	(1,380)	(2,496)	1,769	(1,729)
Minority interest in joint venture earnings	(14)	(219)	(642)	(224)	(320)
Net income	2,673	5,569	14,895	124	5,802
Earnings per share (1):					
Basic	$ 0.35	$ 0.73	$ 1.85	$ 0.02	$ 0.71
Diluted	$ 0.33	$ 0.68	$ 1.62	$ 0.01	$ 0.65
Number of shares used in computation (1):					
Basic	7,544	7,625	8,071	8,144	8,185
Diluted	8,057	8,204	9,222	8,881	8,865

	As of December 31,				
Balance Sheet Data	1998	1999	2000	2001	2002
Total assets	$ 45,389	$ 62,407	$ 112,950	$ 103,258	$ 105,010
Working capital	16,639	15,903	17,291	19,798	20,830
Long-term debt, net of current portion	5,991	4,672	15,997	21,164	12,583
Stockholders' equity	27,460	34,973	51,253	51,124	57,679

(1) Adjusted for the effect of a 3-for-2 stock split in July 2000.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the Company's financial condition and results of operations should be read together with the consolidated financial statements and the notes to consolidated financial statements included elsewhere in this Form 10-K. Except for the historical information contained herein, the matters addressed in this Item 7 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 above under the heading "Cautionary Statement for Purposes of the "Safe Harbor" Provision of the Private Securities Litigation Reform Act of 1995" and elsewhere in this Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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; PowermiteR3, 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, 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 (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% of the Company's sales, while the largest distributor accounted for 4% of sales. The twenty largest customers accounted, in total, for approximately 61% 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 2002, approximately 49%, 48%, and 3% of the Company's products were sold in North America, the Far East, and Europe, respectively, compared to 54%, 45%, and 1% in 2001, respectively. See Note 12 of "Notes to Consolidated Financial Statements" for a description of the Company's geographic and segment information. 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, 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 2002, the Company sold silicon wafers to LSC totaling 13.7% (7.7% in 2001) of the Company's sales, making LSC the Company's largest customer. Also for 2002, 17.9% (15.2% in 2001) of the Company's sales were from discrete semiconductor products purchased from LSC, making LSC the Company's largest outside vendor. The Company has a long-standing sales agreement 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 December 31, 2002, LSC holds a subordinated, interest-bearing note for approximately $8.5 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 2002, the Company sold silicon wafers to companies owned by Xing International totaling 1.5% (0.6% in 2001) of the Company's sales. Also for 2002, 5.6% (4.4% in 2001) 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 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.

Diodes-FabTech purchases polished silicon wafers, and then by using various technologies, in conjunction with many chemicals and gases, fabricates several layers on the wafers, including epitaxial silicon, ion implants, dielectrics, and metals, with various patterns. Depending upon these layers and the die size (which is determined during the photolithography process and completed at the customer's packaging site where the wafer is sawn into square or rectangular die), different types of wafers with various currents, voltages, and switching speeds are produced.

All of the products sold by the Company, as well as the materials used by the Company in its manufacturing operations, are available both domestically and abroad. In 2002, the largest external supplier of products to the Company was LSC, a related party. Approximately 18% and 15% of the Company's sales were from product manufactured by LSC in 2002 and 2001, respectively. Also, in 2002 and 2001, approximately 6% and 4%, respectively of the Company's sales were from product manufactured by companies owned by Xing International, the 5% minority partner in Diodes-China, and a related party. In addition, sales of products manufactured by Diodes-China and Diodes-FabTech, the Company's manufacturing subsidiaries, were approximately 34% and 25% in 2002, respectively, versus 27% and 15% in 2001, respectively. The Company anticipates that Diodes-China will become an increasingly valuable supplier. No other manufacturer of discrete semiconductors accounted for more than 8% and 7% of the Company's sales in 2002 and 2001, respectively.

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.

Beginning in the second half of 1999, and continuing through the first three quarters of 2000, industry demand significantly exceeded industry capacity. In addition, OEM customers and distributors increased their purchasing and inventory levels in anticipation of further increases in end-product demand. The Company's gross profit margin reached a peak of 34.9% in the third quarter of 2000.

Then, as semiconductor manufacturers, including the Company, continued to increase manufacturing capacity, the global economy slowed causing a sharp decline in sales beginning in the fourth quarter of 2000. The semiconductor industry as a whole experienced a sharp inventory correction primarily in two key markets, communications and computers. The effect on the Company of these unforeseen economic and market conditions, and the risks of becoming a fully integrated manufacturer were amplified with the December 2000 completion of the wafer facility acquisition because of the fixed costs associated with the additional manufacturing facility.

Although the Company's market share increased in 2001, average selling prices for discrete products decreased approximately 23% and silicon wafer pricing fell approximately 12%. Due to decreased demand in 2001, the Company also experienced reduced capacity utilization of its manufacturing facilities and demand-induced changes in product mix, both of which had a negative impact on gross margins. Due to market conditions, capacity utilization at Diodes-FabTech decreased to 45%, while Diodes-China's utilization was 52%, during the third quarter of 2001.

During 2001, the Company responded to the downturn by implementing programs to cut operating costs, including reducing its worldwide workforce by 26%, primarily at the FabTech and Diodes-China manufacturing facilities. Some improvement was seen in the fourth quarter of 2001 when capacity utilization increased to 65% and 60% for Diodes-China and Diodes-FabTech, respectively, but gross margins still ended the year at 15.2%.

Year 2002 continued to be a year where demand improved, the Company's manufacturing capacity utilization increased, and pricing pressures eased somewhat. Average selling prices decreased approximately 8% for discrete products and 1% for wafer products. Gross margins increased from 16.2% in the first quarter to a high of 26.0% in the third quarter when Diodes-China's capacity utilization reached approximately 88% and Diodes-FabTech approximately 83%. The gross margin was 23.0% for the year.

The Company continues to actively adjust its cost structure as dictated by market conditions. Long-term, the Company believes that it will continue to generate value for shareholders and customers, not just from its expanded Diodes-China manufacturing and Diodes-FabTech's foundry assets, but also by the addition of an enhanced technology component to the Company. This is a multi-year initiative that will increase the Company's ability to serve its customers' needs, while establishing the Company at the forefront of the next generation of discrete technologies.

In December 2002, the Company completed its implementation of Oracle's Enterprise Resource Planning ("ERP") software. The Company anticipates increased efficiency through improved management of its global supply chain, manufacturing, customer service, planning and financial analysis.

Income taxes

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, 1996 through 2003. Earnings were subject to 0% tax rates from 1996 through 2001, and 12% in 2002. Earnings in 2003 will be taxed at 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 2002. 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.

In accordance with United States tax law, the Company receives credit against its U.S. Federal tax liability for corporate taxes paid in Taiwan and China. The repatriation of funds from Taiwan and China to the Company may be subject to state income taxes. In the years ending December 31, 2000 and 2001, Diodes-Taiwan distributed dividends of approximately $1.5 million and $2.6 million respectively, which is included in Federal and state taxable income.

As of December 31, 2002, accumulated and undistributed earnings of Diodes-China was approximately $26.2 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, at that time, considered this investment to be permanent, and had no plans 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 in preparation of a possible dividend distribution. As of December 31, 2002, the Company has recorded $850,000 in deferred taxes and has made no distributions.

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.

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.

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 financials obligations to us, we record an allowance to reduce the receivable to the amount we reasonable 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

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					Percentage Dollar Increase (Decrease)			
	Year Ended December 31,					Year Ended December 31,			
	1998	1999	2000	2001	2002	'98 to '99	'99 to '00	'00 to '01	'01 to '02
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	30.1 %	48.4 %	(19.7) %	24.3 %
Cost of goods sold	(74.4)	(73.2)	(67.8)	(84.8)	(77.0)	28.1	37.3	0.5	12.9
Gross profit	25.6	26.8	32.2	15.2	23.0	36.0	78.7	(62.1)	87.6
Operating expenses	(18.3)	(17.5)	(16.3)	(15.3)	(15.3)	24.1	37.6	(27.1)	18.9
Income (loss) from operations	7.3	9.3	15.9	(0.1)	7.6	65.9	153.8	(100.7)	7,221.8
Interest expense, net	(0.5)	(0.4)	(0.8)	(2.2)	(1.0)	3.9	221.9	120.6	(43.0)
Other income	0.2	0.2	0.4	0.8	0.2	95.7	175.3	55.1	(73.9)
Income (loss) before taxes and minority interest	7.0	9.2	15.5	(1.5)	6.8	70.7	151.6	(107.9)	652.5
Income tax benefit (provision)	(2.6)	(1.8)	(2.2)	1.9	1.5	(8.7)	80.9	(29.1)	197.7
Minority interest	0.0	(0.3)	(0.6)	(0.2)	(0.3)	1,464.3	193.2	(65.1)	42.9
Net income	4.4	7.1	12.8	0.1	5.0	108.3	167.5	(99.2)	4,579.0

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

Year 2002 Compared to Year 2001

Net sales for 2002 increased $22,611,000 to $115,821,000 from $93,210,000 for 2001. The 24.3% increase was due primarily to a 24.6% increase in units sold as a result of increased demand for the Company's products, as well as an easing of pricing pressures. Although selling prices stabilized compared to 2001, suggesting an easing of pricing pressures, there can be no assurance this trend will continue for 2003. Average selling prices in 2002 decreased approximately 8% for discrete products and 1% for wafer products.

Gross profit for 2002 increased 87.6% to $26,603,000 from $14,179,000 for 2001. Of the $12,424,000 increase, $8,984,000 was due to the increase in gross profit margin from 15.2% in 2001 to 23.0% in 2002, while $3,440,000 was due to the 24.3% increase in net sales. Gross profit increases for wafer products was the primary contributor to the gross profit increase in 2002. Gross profit in 2001 was adversely affected by higher fixed costs associated with the Company's wafer fabrication facility, reduced capacity utilization at both the wafer facility and the China manufacturing facility, as well as by demand induced product mix changes and inventory pricing adjustments at distributors related to lower market prices.

For 2002, selling, general and administrative expenses ("SG&A") increased $2,589,000 to $16,300,000 from $13,711,000 for 2001. The 18.9% increase in SG&A was due primarily to higher sales commissions associated with the 24.3% increase in sales, and higher wages and benefits expenses. SG&A also increased due to higher corporate and administrative expenses, including insurance expense partly offset by reduced goodwill amortization expense per the new account pronouncements. SG&A, as a percentage of sales, decreased to 14.1% for 2002 from 14.7% last year.

Research and development expenses ("R&D") increased to $1,472,000, or 1.3% of sales, in 2002 from $592,000, or 0.6% of sales, in 2001. R&D expenses are primarily related to new product development at the silicon wafer level. The Company plans to further expand its investment in R&D in 2003 to develop new specialized products.

Net interest expense for 2002 decreased $891,000 to $1,183,000 from $2,074,000 in 2001, due primarily to a decrease in the use the Company's credit facilities. In 2002, the Company paid down its credit facilities by $14.6 million, from $36.0 million to $21.4 million.

Other income for 2002 decreased approximately $574,000 compared to last year, primarily due to (i) a severance payment as per a separation agreement, (ii) discontinuance of income Diodes-FabTech was receiving from an external company's use of its testing facilities, and (iii) currency exchange losses primarily in Asia.

The Company recorded a provision for income taxes in the amount of $1,729,000 for the year 2002, compared to an income tax benefit of $1,769,000 for 2001, due primarily to increased income in the U.S. at higher tax rates. Included in the tax provision in 2002 is $810,000 in deferred taxes recorded for a portion of the 2002 earnings at Diodes-China.

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 2002 is primarily the result of increased gross profit margins due to increased capacity utilization. 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 December 31, 2002, the Company had a 95% controlling interest in the joint venture.

The Company generated net income of $5,802,000 (or $0.71 basic earnings per share and $0.65 diluted earnings per share) in 2002, as compared to $124,000 (or $0.02 basic earnings per share and $0.01 diluted earnings per share) for 2001. This $5,678,000 increase is due primarily to the 24.3% sales increase at gross profit margins of 23.0% compared to gross profit margins of 15.2% in 2001.

Year 2001 Compared to Year 2000

Net sales for 2001 decreased $22,869,000 to $93,210,000 from $116,079,000 for 2000. The 19.7% decrease was due primarily to (i) a 6.7% decrease in units sold, and (ii) a decrease in average selling prices of 22.7%, both as a result of decreased demand attributable to a slower economy, above normal customer inventories and market pricing pressures. Average selling prices in 2001 decreased approximately 22.7%.

Gross profit for 2001 decreased 62.1% to $14,179,000 from $37,427,000 for 2000. Of the $23,248,000 decrease, $15,874,000 was due to the decrease in gross profit margin from 32.2% in 2000 to 15.2% in 2001, while $7,374,000 was due to the 19.7% decrease in net sales. Gross profit for 2001 was adversely affected by higher fixed costs associated with the Company's wafer fabrication facility, reduced capacity utilization at both the wafer facility and the China manufacturing facility, as well as by demand induced product mix changes and inventory pricing adjustments at distributors related to lower market prices.

For 2001, selling, general and administrative expenses ("SG&A") decreased $5,103,000 to $13,711,000 from $18,814,000 for 2000. The 27.1% decrease in SG&A was due primarily to lower sales commissions associated with the 19.7% decrease in sales, and lower wages and benefits expenses resulting from a work-force reduction which began in the fourth quarter of 2000. SG&A also decreased due to lower corporate and administrative expenses, partly offset by the inclusion of SG&A expenses and goodwill amortization associated with the December 2000 FabTech acquisition. SG&A, as a percentage of sales, decreased to 14.7% for 2001 from 16.2% last year.

Research and development expenses ("R&D") increased to $592,000, or 0.6% of sales, in 2001 from $141,000, or 0.1% of sales, in 2000. R&D expenses are primarily related to new product development at the silicon wafer level.

Net interest expense for 2001 increased $1,134,000, due primarily to an increase use of the Company's credit facility to support the expansion of Diodes-China and the acquisition of FabTech.

Other income for 2001 increased approximately $276,000 compared to the previous year, primarily due to high-technology grants received by Diodes-China, rental income generated by Diodes-FabTech for the use of some of its testing facilities, and currency exchange gains at the Company's subsidiaries in Taiwan and China, partially offset by management incentives associated with the FabTech acquisition. 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. In 2001, the contingent bonuses were not earned or paid. The total guaranteed commitment is $375,000 per year. Although the $375,000 is reimbursed by LSC (the previous owner of FabTech) to the Company, because LSC is a principal shareholder in the Company, the $375,000 per year is accounted for as an expense.

The Company recorded an income tax benefit in the amount of $1,769,000 for the year 2001, compared to an income tax provision of $2,496,000 for 2000. The reported income tax rate as a percentage of pretax income differs from the statutory combined federal and state tax rates of approximately 40% due primarily to (i) currently the effective tax rate of Diodes-China is approximately 12%, and deferred U.S. federal and state income taxes are not provided on these earnings, and (ii) deferred income tax benefits at a rate of 37.5% have been recognized on losses incurred at Diodes-FabTech.

Minority interest in joint venture represents the minority investor's share of the Diodes-China joint venture's income for the period. The decrease in the joint venture earnings for 2001 is primarily the result of decreased gross profit margins due to excess capacity and demand-induced product mix changes. 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 December 31, 2001, the Company had a 95% controlling interest in the joint venture.

The Company generated net income of $124,000 (or $0.02 basic earnings per share and $0.01 diluted earnings per share) in 2001, as compared to $14,895,000 (or $1.85 basic earnings per share and $1.62 diluted earnings per share) for 2000. This $14,771,000 or 99.2% decrease is due primarily to the 19.6% sales decrease at gross profit margins of 14.9% compared to gross profit margins of 31.6% in 2000, partly offset by a decrease of $4,652,000 in operating expenses.

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.

Cash provided by operating activities in 2002 was $20.2 million compared to $14.9 million in 2001 and $10.2 million in 2000. The primary sources of cash flows from operating activities in 2002 were depreciation and amortization of $9.7 million and net income of $5.8 million. The primary sources of cash flows from operating activities in 2001 were a decrease in inventories of $14.0 million and depreciation and amortization of $8.7 million. The primary sources of cash flows from operating activities in 2000 were net income of $14.9 million and depreciation and amortization of $5.0 million. The primary use of cash flows from operating activities in 2002 was an increase in accounts receivable of $4.8 million. The primary use of cash flows from operating activities in 2001 was a decrease in accrued liabilities of $3.5 million and an increase in deferred income taxes of $3.0 million. The primary use of cash flows from operating activities in 2000 was an increase in inventories of $9.3 million and an increase in accounts receivable of $2.2 million.

For the year ended December 31, 2002, accounts receivable increased 27.0% compared to the 24.3% increase in sales due to a slowing trend in payments, primarily from major distributors and Far East customers. The Company continues to closely monitor its credit terms, while at times providing extended terms, required primarily by Far East customers. The ratio of the Company's current assets to current liabilities on December 31, 2002 was 1.7 to 1, compared to a ratio of 1.7 to 1 and 1.4 to 1 as of December 31, 2001 and 2000, respectively.

Cash used by investing activities was $6.9 million in 2002, compared to $8.5 million in 2001 and $21.4 million in 2000. The primary investments were for additional manufacturing equipment and expansion at the Diodes-China manufacturing facility, as well as the FabTech acquisition payments in 2000 and 2001.

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, 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 used by financing activities was $14.0 million in 2002, as the Company reduced its overall debt, compared to cash provided by financing activities of $2.5 million in 2001 and $12.1 million in 2000. In 2002, the Company paid down its total credit facilities by $14.6 million, from $36.0 million to $21.4 million. At December 31, 2002, the Company's total bank credit facility of $45.7 million encompasses one major U.S. bank, three banks in Mainland China and four in Taiwan. As of December 31, 2002, the total credit lines were $15.8 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 December 31, 2002, the available credit was $7.5 million, $22.0 million, and $1.9 million, for the U.S. facility, the Chinese facilities, and the Taiwanese facilities, respectively.

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.

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 December 31, 2002.

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 25% 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. During 2001 and 2002, variable interest rates decreased resulting in an interest rate swap liability of $150,000 as of December 31, 2002. As a matter of policy, the Company does not enter into derivative transactions for trading or speculative purposes.

Total working capital increased approximately 5.2% to $20.8 million as of December 31, 2002, from $19.8 million as of December 31, 2001. 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 0.82 at December 31, 2002, from 1.02 at December 31, 2001. 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, Diodes-FabTech equipment requirements, and the Company's implementation of the ERP software package. 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. 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 for the manufacturing facilities will be in excess of the $6.9 million spent in 2002.

Inflation did not have a material effect on net sales or net income in fiscal years 2000 through 2002. A significant increase in inflation could affect future performance.

A table of the Company's contractual obligations as of December 31, 2002 follows:

Contractual Obligations	Payments due by period (in 000's) Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	$ 18,416	$ 5,833	$ 11,333	$ 1,250	$ 0
Capital lease	3,253	230	460	460	2,103
Operating leases	12,883	2,309	4,275	3,885	2,414
Total obligations	$ 34,552	$ 8,372	$ 16,068	$ 5,595	$ 4,517

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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. The interest rate swap agreement applies to $4.8 million of the Company's long-term debt at December 31, 2002 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 approximately 61% of its assets in Mainland China and Taiwan at December 31, 2002. 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 8. Financial Statements and Supplementary Data

See "Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K" for the Company's Consolidated Financial Statements and the notes and schedules thereto filed as part of this Annual Report on Form 10-K.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not Applicable.

PART III

Item 10: Directors and Executive Officers of the Registrant, Item 11: Executive Compensation, Item 12: Security Ownership of Certain Beneficial Owners and Management, and Item 13: Certain Relationships and Related Transactions, are omitted since the Company intends to file a definitive proxy statement, in connection with its annual meeting of stockholders, with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the Company's fiscal year ended December 31, 2002. The information required by those items is set forth in that proxy statement and such information is incorporated by reference in this Form 10-K.

Item 14. Controls and Procedures

Within the 90 days prior to the filing date of this Annual Report on Form 10-K for the year ended December 31, 2002, the Company's Chief Executive Officer, C.H. Chen, and the Chief Financial Officer, Carl 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.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Financial Statements and Schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements and note thereto.

(b) Reports on Form 8-K

None.

(c) Exhibits

See the Index to Exhibits at page 64 of this Annual Report on Form 10-K for exhibits filed or incorporated by reference.

(d) Financial Statements of Unconsolidated Subsidiaries and Affiliates

Not Applicable.

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Diodes Incorporated and Subsidiaries

We have audited the accompanying consolidated balance sheets of Diodes Incorporated and Subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diodes Incorporated and Subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations and cash flows for each of the years in the three year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

MOSS ADAMS LLP
/s/ Moss Adams LLP
Los Angeles, California
January 27, 2003

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	2001	2002
ASSETS		
CURRENT ASSETS		
Cash	$ 8,103,000	$ 7,284,000
Accounts receivable		
Customers	16,250,000	19,387,000
Related parties	1,486,000	3,138,000
	17,736,000	22,525,000
Allowance for doubtful accounts	(343,000)	(353,000)
	17,393,000	22,172,000
Inventories	17,813,000	15,711,000
Deferred income taxes	4,368,000	4,338,000
Prepaid expenses and other	954,000	1,172,000
Prepaid income taxes	312,000	261,000
Total current assets	48,943,000	50,938,000
PROPERTY, PLANT AND EQUIPMENT, net	44,925,000	44,693,000
DEFERRED INCOME TAXES, non-current	3,672,000	3,205,000
OTHER ASSETS		
Goodwill	5,090,000	5,090,000
Other	628,000	1,084,000
TOTAL ASSETS	$ 103,258,000	$ 105,010,000

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

DECEMBER 31,	2001	2002
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	$ 6,503,000	$ 3,025,000
Accounts payable		
Trade	5,952,000	9,039,000
Related parties	3,295,000	3,361,000
Accrued liabilities	5,062,000	8,693,000
Current portion of long-term debt		
Related party	2,500,000	2,500,000
Other	5,833,000	3,333,000
Current portion of capital lease obligations	--	157,000
Total current liabilities	29,145,000	30,108,000
LONG-TERM DEBT, net of current portion		
Related party	7,500,000	6,250,000
Other	13,664,000	6,333,000
CAPITAL LEASE OBLIGATIONS, net of current portion	--	2,495,000
MINORITY INTEREST IN JOINT VENTURE	1,825,000	2,145,000
STOCKHOLDERS' EQUITY		
Class A convertible preferred stock - par value $1 per share; 1,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - par value $.66 2/3 per share; 30,000,000 shares authorized; 9,227,664 and 9,292,764 shares issued at 2001 and 2002, respectively	6,151,000	6,195,000
Additional paid-in capital	7,310,000	8,060,000
Retained earnings	39,882,000	45,684,000
	53,343,000	59,939,000
Less:		
Treasury stock - 1,075,672 shares of common stock, at cost	1,782,000	1,782,000
Accumulated other comprehensive loss	437,000	478,000
	2,219,000	2,260,000
Total stockholders' equity	51,124,000	57,679,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 103,258,000	$ 105,010,000

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31,	2000	2001	2002
NET SALES	$ 116,079,000	$ 93,210,000	$ 115,821,000
COST OF GOODS SOLD	78,652,000	79,031,000	89,218,000
Gross profit	37,427,000	14,179,000	26,603,000
OPERATING EXPENSES			
Research and development expenses	141,000	592,000	1,472,000
Selling, general and administrative expenses	18,814,000	13,711,000	16,300,000
Total operating expenses	18,955,000	14,303,000	17,772,000
Income (loss) from operations	18,472,000	(124,000)	8,831,000
OTHER INCOME (EXPENSES)			
Interest income	392,000	59,000	38,000
Interest expense	(1,332,000)	(2,133,000)	(1,221,000)
Other	501,000	777,000	203,000
Income (loss) before income taxes and minority interest	18,033,000	(1,421,000)	7,851,000
INCOME TAX BENEFIT (PROVISION)	(2,496,000)	1,769,000	(1,729,000)
Income before minority interest	15,537,000	348,000	6,122,000
MINORITY INTEREST IN EARNINGS OF JOINT VENTURE	(642,000)	(224,000)	(320,000)
NET INCOME	$ 14,895,000	$ 124,000	$ 5,802,000
EARNINGS PER SHARE			
Basic	$ 1.85	$ 0.02	$ 0.71
Diluted	$ 1.62	$ 0.01	$ 0.65
Number of shares used in computation			
Basic	8,707,960	8,144,090	8,184,599
Diluted	9,221,949	8,880,603	8,864,993

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2000, 2001, AND 2002

	Common Stock							
	Shares	Shares in Treasury	Amount	Common stock in treasury	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE, December 31, 1999	9,008,157	1,075,672	6,006,000	(1,782,000)	5,886,000	24,863,000		34,973,000
Exercise of stock options including $1,048,000 income tax benefit	193,506		128,000		1,257,000			1,385,000
Net income for the year ended December 31, 2000	--	--	--	--	--	14,895,000	--	14,895,000
BALANCE, December 31, 2000	9,201,663	1,075,672	6,134,000	(1,782,000)	7,143,000	39,758,000	--	51,253,000
Comprehensive income, net of tax								
Net income for the year ended December 31, 2001						124,000		124,000
Translation adjustments							(349,000)	(349,000)
Change in unrealized loss on derivative instruments, net of tax of $59,000							(88,000)	(88,000)
Total comprehensive income								(313,000)
Exercise of stock options including $62,000 income tax benefit	26,001	--	17,000	--	167,000	--	--	184,000
BALANCE, December 31, 2001	9,227,664	1,075,672	6,151,000	(1,782,000)	7,310,000	39,882,000	(437,000)	51,124,000
Comprehensive income, net of tax								
Net income for the year ended December 31, 2001						5,802,000		5,802,000
Translation adjustments							(40,000)	(40,000)
Change in unrealized loss on derivative instruments, net of tax of $400							(1,000)	(1,000)
Total comprehensive income								5,761,000
Management fee from LSC					375,000			375,000
Exercise of stock options including $98,000 income tax benefit	65,100	--	44,000	--	375,000	--	--	419,000
December 31, 2002	9,292,764	1,075,672	$ 6,195,000	$(1,782,000)	$8,060,000	$45,684,000	$ (478,000)	$57,679,000

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2000	2001	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 14,895,000	$ 124,000	$ 5,802,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,003,000	8,670,000	9,747,000
Minority interest earnings	642,000	224,000	320,000
Loss on disposal of property, plant and equipment	13,000	239,000	217,000
Changes in operating assets and liabilities:			
Accounts receivable	(2,161,000)	2,660,000	(4,779,000)
Inventories	(9,277,000)	13,975,000	2,102,000
Prepaid expenses and other	38,000	(399,000)	(674,000)
Deferred income taxes	(1,195,000)	(2,978,000)	646,000
Accounts payable	445,000	(2,471,000)	3,153,000
Accrued liabilities	267,000	(3,486,000)	3,481,000
Income taxes payable (refundable)	1,538,000	(1,620,000)	149,000
Net cash provided by operating activities	10,208,000	14,938,000	20,164,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary, net of cash acquired	(4,709,000)	--	--
Purchases of property, plant and equipment	(16,968,000)	(8,477,000)	(6,951,000)
Proceeds from sales of property, plant and equipment	288,000	--	3,000
Net cash used by investing activities	(21,389,000)	(8,477,000)	(6,948,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances (repayments) on line of credit, net	1,496,000	(1,247,000)	(3,478,000)
Net proceeds from the issuance of common stock	337,000	122,000	321,000
Management incentive reimbursement from LSC	--	--	375,000
Proceeds from long-term debt	12,801,000	7,000,000	--
Repayments of long-term debt	(2,534,000)	(8,360,000)	(11,080,000)
Repayments of capital lease obligations	--	--	(133,000)
Net cash provided (used) by financing activities	12,100,000	(2,485,000)	(13,995,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	--	(349,000)	(40,000)
INCREASE (DECREASE) IN CASH	919,000	3,627,000	(819,000)
CASH, beginning of year	3,557,000	4,476,000	8,103,000
CASH, end of year	$ 4,476,000	$ 8,103,000	$ 7,284,000

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

YEARS ENDED DECEMBER 31,	2000	2001	2002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 1,243,000	$ 2,123,000	$ 1,229,000
Income taxes	$ 2,151,000	$ 2,992,000	$ 965,000
Non-cash activities:			
Tax benefit related to stock options credited to paid-in capital	$ 1,048,000	$ 62,000	$ 98,000
Building acquired through capital lease obligation	--	--	$ 2,785,000
Assets acquired in purchase of FabTech:			
Cash	$ 441,000		
Accounts receivable	2,837,000		
Inventory	5,936,000		
Prepaid expenses and other	286,000		
Deferred tax asset	1,962,000		
Plant and equipment	12,510,000		
	$ 23,972,000		
Liabilities assumed in purchase of FabTech:			
Line of credit	$ 3,017,000		
Accounts payable	1,736,000		
Accrued liabilities	2,352,000		
Income tax payable	2,000		
Long-term debt	13,549,000		
	$ 20,656,000		

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

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations - Diodes Incorporated and its subsidiaries manufacture and distribute discrete semiconductor devices to manufacturers in the communications, computing, industrial, consumer electronics and automotive markets. The Company's products include small signal transistors and MOSFETs, transient voltage suppressors (TVSs), zeners, Schottkys, diodes, rectifiers, bridges and silicon wafers. The products are sold primarily throughout North America and Asia.

Principles of consolidation - The consolidated financial statements include the accounts of the parent company, Diodes Incorporated (Diodes-North America), its wholly-owned subsidiaries; Diodes Taiwan Corporation, Ltd. (Diodes-Taiwan), Diodes Hong Kong, Ltd. (Diodes-Hong Kong) and FabTech, Inc. (FabTech or Diodes-FabTech); and its majority (95%) owned subsidiary, Shanghai KaiHong Electronics Co., Ltd. (Diodes-China). Diodes acquired FabTech on December 1, 2000. See Note 16 for a summary of the acquisition and proforma financial information.

All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition - Revenue is recognized when the product is shipped to both end users and electronic component distributors. The Company reduces revenue in the period of sale for estimates of product returns and other allowances. Allowances for doubtful accounts approximated $343,000 and $353,000, for the years ended December 31, 2001 and 2002, respectively.

In fiscal 2001 and 2002, Diodes-China received high-technology grants from the local Chinese government of approximately $453,000 and $365,000, respectively. The grants are unrestricted and are available upon receipt to fund the operations of Diodes-China. The Company recognizes this grant income when received. Grants are reported within "other income" on the accompanying statements of income.

Product warranty - The Company generally warrants its products for a period of one year from the date of sale. Costs of warranty are expensed as incurred and historically have not been significant.

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

Property, plant and equipment - Property, plant and equipment are depreciated using straight-line and accelerated methods over the estimated useful lives, which range from 20 to 55 years for buildings and 3 to 10 years for machinery and equipment. Leasehold improvements are amortized using the straight-line method over 3 to 5 years.

Goodwill - Beginning in fiscal 2002 with the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, goodwill is no longer amortized, but instead tested for impairment at least annually. As a result of the Company's adoption of SFAS No. 142, an independent appraiser retained by the Company, performed the required impairment tests of goodwill as of January 1, 2002 and 2003, and has determined that the goodwill is fully recoverable. Prior to fiscal 2002, goodwill was amortized using the straight-line method over its estimated period of benefit.

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on long-lived assets - Certain long-lived assets of the Company are reviewed at least annually as to whether their carrying values have become impaired in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Management considers assets to be impaired if the carrying value exceeds the undiscounted projected cash flows from operations. If impairment exists, the assets are written down to fair value or the projected discounted cash flows from related operations. As of December 31, 2002, the Company expects the remaining carrying value of assets to be recoverable.

Income taxes - Income taxes are accounted for 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. Income taxes are further explained in Note 9.

Concentration of credit risk - Financial instruments which potentially subject the Company to concentrations of credit risk include trade accounts receivable. Credit risk is limited by the dispersion of the Company's customers over various geographic areas, operating primarily in the electronics manufacturing and distribution industries. The Company performs on-going credit evaluations of its customers and generally requires no collateral from its customers. Historically, credit losses have not been significant.

The Company maintains cash balances at major financial institutions in the United States, Taiwan, and China. Accounts at each institution in the United States are insured by the Federal Deposit Insurance Corporation up to $100,000. Taiwan dollars held in accounts in Taiwan are insured by the Central Deposit Insurance Company with no maximum limit. Foreign currency held in accounts in Taiwan are not insured. Accounts in China and Hong Kong are also not insured.

Stock split - On July 14, 2000, the Company effected a three-for-two stock split for shareholders of record as of June 28, 2000 in the form of a 50% stock dividend. All share and per share amounts in the accompanying financial statements and footnotes reflect the effect of this stock split.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per share - Earnings per share are based upon the weighted average number of shares of common stock and common stock equivalents outstanding, net of common stock held in treasury. Earnings per share is computed using the "treasury stock method" under Financial Accounting Standards Board Statement No. 128.

For the year ended December 31, 2002, options exercisable for 824,000 shares of common stock have been excluded from the computation of diluted earnings per share because their effect is currently anti-dilutive.

	Year Ended December 31		
	2000	2001	2002
Net income for earnings per share computation	$ 14,895,000	$ 124,000	$ 5,802,000
Basic			
Weighted average number of common shares outstanding during the year	8,070,960	8,144,090	8,184,599
Basic earnings per share	$ 1.85	$ 0.02	$ 0.71
Diluted			
Weighted average number of common shares outstanding used in calculating basic earnings per share	8,070,960	8,144,090	8,184,599
Add additional shares issuable upon exercise of stock options	1,150,989	736,513	680,394
Weighted average number of common shares used in calculating diluted earnings per share	9,221,949	8,880,603	8,864,993
Diluted earnings per share	$ 1.62	$ 0.01	$ 0.65

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation - The Company has a stock-based employee compensation plan, which is described more fully in Note 10. 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. In accordance with the disclosure provisions of SFAS No. 148, 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.

For the years ended December 31,		Amounts Per Share	
		Basic	Diluted
2000			
Net income	$ 14,895,000	$ 1.85	$ 1.62
Additional compensation for fair value of stock options	(1,033,000)	(0.13)	(0.11)
Proforma net income	$ 13,862,000	$ 1.72	$ 1.50
2001			
Net income	$ 124,000	$ 0.02	$0.01
Additional compensation for fair value of stock options	(1,052,000)	(0.13)	(0.12)
Proforma net income (loss)	$ (928,000)	$(0.11)	$(0.10)
2002			
Net income	$ 5,802,000	$ 0.71	$ 0.65
Additional compensation for fair value of stock options	(1,133,000)	(0.14)	(0.13)
Proforma net income	$ 4,669,000	$ 0.57	$ 0.53

Derivative financial instrument - The Company uses 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. The interest rate swap agreement applies to $4.8 million of the Company's long-term debt and expires November 30, 2004. Market value of the swap as of December 31, 2002 is included in "Accumulated Other Comprehensive Income (Loss)". 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.

Beginning December 31, 2000, the Company adopted FAS No. 133. However, the effect of the adoption was insignificant as the Company held no derivative financial instruments as of December 31, 2000. During fiscal 2001, the Company entered into a swap agreement and variable interest rates decreased during the period resulting in an interest rate swap liability of $150,000 as of December 31, 2002.

Functional currencies and foreign currency translation - Through its subsidiaries, the Company maintains operations in Taiwan and China. Through June 30, 2001, the functional currency of Diodes-Taiwan was the U.S. dollar. Effective July 1, 2001, the Company changed the functional currency of Diodes-Taiwan to the local currency (NT dollar) in Taiwan. As a result of this change, the translation of the balance sheet and statement of income of Diodes-Taiwan from the local currency into the reporting currency (US dollar) results in translation adjustments, the effect of which is reflected in the accompanying statement of comprehensive income and on the balance sheet as a separate component of shareholders' equity. Included in net income are foreign currency exchange gains (losses) of approximately $266,000, $74,000 and $(82,000) for the years ended December 31, 2000, 2001 and 2002, respectively.

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional currencies and foreign currency translation (Continued) - The Company believes this reporting change most appropriately reflects the current economic facts and circumstances of the operations of Diodes-Taiwan. The Company continues to use the U.S. dollar as the functional currency in Diodes-China and Diodes-Hong Kong, as substantially all monetary transactions are made in that currency, and other significant economic facts and circumstances currently support that position. As these factors may change in the future, the Company will periodically assess its position with respect to the functional currency of Diodes-China and Diodes-Hong Kong.

Comprehensive income - Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. The components of other comprehensive income include foreign currency translation adjustments and changes in the unrealized loss on derivative instruments from swap liability.

Recently issued accounting pronouncements and proposed accounting changes - During 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 147 ("Acquisitions of Certain Financial Institutions - an amendment of FASB Statements Nos. 72 and 144 and FASB Interpretation No. 9"), No. 146 ("Accounting for Costs Associated with Exit or Disposal Activities") and No. 145, ("Rescission of FAS Nos. 4, 44, and 64, Amendment of FAS No. 13, and Technical Corrections as of April 2002"). SFAS No. 147 does not apply to the Company. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. SFAS No. 145 is effective for financial statements issued after May 15, 2002. Management does not believe the adoption of SFAS No. 145 and SFAS No. 146 will have material impact on the financial statements.

In December 2002, the FASB issued SFAS No. 148 ("Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123"), which amends SFAS No. 123. SFAS No. 148, which is effective as of December 31, 2002, provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation and amends certain disclosure provisions of SFAS No. 123. SFAS No. 148 does not permit the use of the original Statement No. 123 prospective method of transition for changes to the fair value based method made in fiscal years beginning after December 15, 2003. Management has implemented the required disclosure provisions of SFAS No. 148 as of December 31, 2002.

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 as of December 31, 2002.

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications - Certain 2001 and 2000 amounts as well as unaudited quarterly financial data presented in the accompanying financial statements have been reclassified to conform with 2002 financial statement presentation. These reclassifications had no impact on previously reported net income or stockholders' equity.

NOTE 2 - INVENTORIES

	2001	2002
Finished goods	$ 12,030,000	$ 9,808,000
Work-in-progress	1,848,000	1,521,000
Raw materials	6,311,000	6,444,000
	20,189,000	17,773,000
Less: reserves	(2,376,000)	(2,062,000)
	$ 17,813,000	$ 15,711,000

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

	2001	2002
Buildings and leasehold improvements	$ 2,353,000	$ 5,153,000
Construction in-progress	2,972,000	5,639,000
Machinery and equipment	57,767,000	61,657,000
	63,092,000	72,449,000
Less accumulated depreciation and amortization	(18,429,000)	(28,018,000)
	44,663,000	44,431,000
Land	262,000	262,000
	$ 44,925,000	$ 44,693,000

The Company is in the process of implementing an Enterprise Resource Planning software system for which approximately $1,636,000 and $2,511,000 is capitalized within construction in-progress in 2001 and 2002, respectively.

NOTE 4 - GOODWILL

No goodwill was acquired or impaired during the year ended December 31, 2002. As of December 31, 2002, U.S. operations goodwill was $5,090,000, and Asian operations goodwill was zero. The following tables show the effect of SFAS No. 142 on net income and earnings per share for the years ended December 31, 2000, 2001, and 2002.

	Years ending December 31,								
	2000			2001			2002		
	Amount	Per Share Amount Basic	Per Share Amount Diluted	Amount	Per Share Amount Basic	Per Share Amount Diluted	Amount	Per Share Amount Basic	Per Share Amount Diluted
Reported net income	$ 14,895,000	$ 1.85	$ 1.62	$ 124,000	$ 0.02	$ 0.01	$ 5,802,000	$ 0.71	$ 0.65
Add: Goodwill amortization	62,000	0.01	0.01	288,000	0.03	0.03	-	-	-
Adjusted net income	$ 14,957,000	$ 1.86	$ 1.63	$ 412,000	$ 0.05	$ 0.04	$ 5,802,000	$ 0.71	$ 0.65

NOTE 5 - BANK CREDIT AGREEMENTS AND LONG-TERM DEBT

Lines of credit - The Company maintains credit facilities with several financial institutions through its affiliated entities in the United States and Asia. The credit available under the various facilities as of December 31, 2002, totals $45,700,000, as follows:

2002 Credit Facility	Terms	Outstanding at December 31, 2001	2002
$17,500,000	Collateralized by all assets, variable interest (prime rate) due monthly	$ 12,898,000	$ 6,666,000
$25,000,000	Unsecured, interest at LIBOR plus 0.8% (approximately 2.2% at December 31, 2002) due quarterly	9,483,000	3,000,000
$3,200,000	Unsecured, variable interest at prime plus 0.25% (approximat1y 4.5% at December 31, 2002) due monthly	1,720,000	3,025,000
		24,101,000	12,691,000
Less: due after 12 months (included in long-term debt table below)		(17,598,000)	(9,666,000)
		$ 6,503,000	$ 3,025,000

NOTE 5 - BANK CREDIT AGREEMENTS AND LONG-TERM DEBT (Continued)

Long-term debt - The balances remaining as of December 31 consist of the following:

	2001	2002
Note payable to a customer for advances made to the Company. Amount was repaid quarterly by price concessions, and no balance was remaining as of December 31, 2002.	$ 1,899,000	$ -
Note payable to LSC, a major stockholder of the Company (see Note 10), due in equal monthly installments of $208,000 plus interest beginning July 31, 2002, through June 30, 2006. The unsecured note bears interest at LIBOR plus 1% (approximately 2.4% at December 31, 2002) and is subordinated to the interest of the Company's primary lender.	10,000,000	8,750,000
Term note portion of $25,000,000 line of credit facility due in 2003.	7,000,000	3,000,000
Term note portion of $17,500,000 bank credit facility, secured by substantially all assets, due in aggregate monthly principal payments of $120,000 plus interest at LIBOR plus 2.1% (approximately 4.5% at December 31, 2002) through December 2002 and then $70,000 through December 2004. All outstanding balances were paid in 2002.	3,098,000	-
Term note portion of $17,500,000 bank credit facility, secured by substantially all assets, due in aggregate monthly principal payments of $208,000 plus interest at 6.8% fixed by hedge contract through December 2004.	7,500,000	6,666,000
	29,497,000	18,416,000
Current portion	8,333,000	5,833,000
	$ 21,164,000	$ 12,583,000

The credit facilities contain certain covenants and restrictions, which, among other matters, require the maintenance of certain financial ratios and attainment of certain financial results.

During 2002, the average and maximum borrowings on revolving line of credit were $1,905,000 and $3,996,000, respectively. The weighted average interest rate and outstanding borrowings was 4.7% in 2002.

NOTE 5 - BANK CREDIT AGREEMENTS AND LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for future years ending December 31 are:

2003	$ 5,833,000
2004	8,833,000
2005	2,500,000
2006	1,250,000
	$ 18,416,000

The Company has entered into an interest rate swap agreement with a bank, which expires November 30, 2004. The Company has entered into this agreement to hedge its interest exposure. The interest rate under the swap agreement is fixed at 6.8% and is based on the notional amount, which was $4,792,000 at December 31, 2002.

NOTE 6 - CAPITAL LEASE OBLIGATIONS

Future minimum lease payments under capital lease agreements are summarized as follows:

For years ending December 31,

2003	$ 230,000
2004	230,000
2005	230,000
2006	230,000
2007	230,000
Thereafter	2,103,000
	3,253,000
Less: interest	(601,000)
Present value of minimum lease payments	2,652,000
Less: Current portion	(157,000)
Long-term portion	$ 2,495,000

At December 31, 2002, property under capital leases had a cost of $2,785,000. The related accumulated depreciation and amortization amounted to $186,000 at December 31, 2002.

NOTE 7 - ACCRUED LIABILITIES

	2001	2002
Employee compensation and payroll taxes	$ 1,777,000	$ 3,915,000
Sales commissions	243,000	250,000
Refunds to product distributors	168,000	225,000
Other	1,484,000	2,147,000
Equipment purchases	1,390,000	2,156,000
	$ 5,062,000	$ 8,693,000

NOTE 8 - VALUATION OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, working capital line of credit, and long-term debt. The Company estimates the carrying amounts of all financial instruments described above to approximate fair value based upon current market conditions, maturity dates, and other factors.

NOTE 9 - INCOME TAXES

The components of the income tax provisions are as follows:

	2000	2001	2002
Current tax provision (benefit)			
Federal	$ 1,376,000	$ -	$ -
Foreign	2,314,000	1,132,000	1,231,000
State	1,000	1,000	1,000
	3,691,000	1,133,000	1,232,000
Deferred tax expense (benefit)	(1,195,000)	(2,902,000)	497,000
Total income tax provision (benefit)	$ 2,496,000	$ (1,769,000)	$ 1,729,000

NOTE 9 - INCOME TAXES (Continued)

Reconciliation between the effective tax rate and the statutory tax rates for the years ended December 31, 2000, 2001 and 2002 are as follows:

	2000		2001		2002	
	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings
Federal tax	$ 6,131,000	34.0	$ (483,000)	34.0	$ 2,669,000	34.0
State franchise tax, net of Federal benefit	1,046,000	5.8	(82,000)	5.8	455,000	5.8
Foreign income tax rate difference	(4,572,000)	(25.4)	(1,204,000)	84.7	(1,409,000)	(18.0)
Other	(109,000)	(0.6)	-	-	14,000	0.2
Income tax provision (benefit)	$ 2,496,000	13.8	$(1,769,000)	124.5	$ 1,729,000	22.0

In accordance with the current taxation policies of the Peoples Republic of China (PRC), Diodes-China was granted preferential tax treatment for the years ended December 31, 2000 through 2003. Earnings were subject to 0% tax rates in 2000 and 2001, and 12% in 2002. Earnings in 2003 will be taxed at 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 2002.

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.

In accordance with United States tax law, the Company receives credit against its U.S. Federal tax liability for corporate taxes paid in Taiwan and China. The repatriation of funds from Taiwan and China to the Company may be subject to state income taxes. In the years ending December 31, 2000 and 2001, Diodes-Taiwan distributed dividends of approximately $1.5 million and $2.6 million respectively, which is included in Federal and state taxable income.

As of December 31, 2002, accumulated and undistributed earnings of Diodes-China is approximately $26.2 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, at that time, considered this investment to be permanent, and had no plans or obligation to distribute all or part of that amount from China to the United States. Beginning in April 2002, under the direction of the Board of Directors, the Company began to record deferred taxes on a portion of the 2002 earnings of Diodes-China in preparation of a possible dividend distribution. As of December 31, 2002, the Company has recorded $850,000 in deferred taxes and has made no distributions.

NOTE 9 - INCOME TAXES (Continued)

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 un-appropriated funds to the U.S. will require the recording of income tax provisions on the U.S. entity, thus reducing net income.

At December 31, 2001 and 2002, the Company's deferred tax assets and liabilities are comprised of the following items:

	2001	2002
Deferred tax assets, current		
Inventory cost	$ 1,087,000	$ 631,000
Accrued expenses and accounts receivable	552,000	706,000
Net operating loss carryforwards and other	2,729,000	3,001,000
	$4,368,000	$ 4,338,000
Deferred tax assets, non-current		
Plant, equipment and intangible assets	$ (3,055,000)	$ (2,784,000)
Net operating loss carryforwards and other	6,727,000	5,989,000
	$3,672,000	$ 3,205,000

NOTE 10 - STOCK OPTION PLANS

The Company has stock option plans for directors, officers, and key employees, which provide for non-qualified and incentive stock options. The Board of Directors determines the option price (not to be less than fair market value for the incentive options) at the date of grant. The options generally expire ten years from the date of grant and are exercisable over the period stated in each option. Approximately 881,000 shares were available for future grants under the plans as of December 31, 2002.

NOTE 10 - STOCK OPTION PLANS (Continued)

	Outstanding Options		
		Exercise Price Per Share	
	Number	Range	Weighted Average
Balance, December 31, 1999	1,661,496	$ 1.25-8.50	$ 4.28
Granted	512,100	14.88-23.92	22.16
Exercised	(193,506)	1.25-5.00	3.43
Canceled	(41,098)	5.00-23.92	12.17
Balance, December 31, 2000	1,938,992	1.25-23.92	8.90
Granted	226,200	6.23-8.32	8.27
Exercised	(26,001)	3.33-5.00	4.70
Canceled	(24,099)	6.67-23.92	19.93
Balance, December 31, 2001	2,115,092	1.25-23.92	8.78
Granted	338,100	8.53-9.57	8.58
Exercised	(65,100)	1.25-8.32	4.92
Canceled	(3,600)	8.32-8.53	8.43
Balance, December 31, 2002	2,384,492	$ 1.25-$23.92	$ 8.86

As of December 31, 2002, approximately 1,718,000 of options granted were exercisable. The following summarizes information about stock options outstanding at December 31, 2002:

	Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
Plan 1	$1.25 - $23.92	1,020,000	4.82 years	$9.33
Plan 2	$1.25 - $23.92	1,040,192	5.72 years	$8.50
Plan 3	$8.58 - $9.50	324,300	9.32 years	$8.49
		2,384,492		

The Company also has an incentive bonus plan, which reserves shares of stock for issuance to key employees. As of December 31, 2002, 186,000 shares remain available for issuance under this plan. No shares were issued under this incentive bonus plan for years ended December 31, 2000 through 2002.

NOTE 10 - STOCK OPTION PLANS (Continued)

The proforma information disclosed in Note 1 recognizes as compensation the value of stock options granted using the Black-Scholes option pricing model which takes into account as of the grant date the exercise price and expected life of the option, the current price of underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the term of the option. The following is the average of the data used to calculate the fair value:

December 31,	Risk-free interest rate	Expected life	Expected volatility	Expected dividends
2002	4.00%	5 years	44.08%	N/A
2001	5.00%	5 years	79.55%	N/A
2000	5.00%	5 years	98.44%	N/A

NOTE 11 - RELATED PARTY TRANSACTIONS

Lite-On Semiconductor Corporation - In July 1997, Vishay Intertechnology, Inc. (Vishay) and the Lite-On Group, a Taiwanese consortium, formed a joint venture - Vishay/Lite-On Power Semiconductor Pte., LTD. (Vishay/LPSC) - to acquire Lite-On Power Semiconductor Corp. (LPSC), a then 37% shareholder of the Company and a member of the Lite-On Group of the Republic of China. The Lite-On Group is a leading manufacturer of power semiconductors, computer peripherals, and communication products.

In March 2001, Vishay agreed to sell its 65% interest in the Vishay/LPSC joint venture to the Lite-On Group, the 35% joint venture partner. Because of this transaction, the Lite-On Group, through LPSC, its wholly-owned subsidiary, indirectly owned approximately 37% of the Company's common stock. In December 2001, LPSC merged with Dyna Image Corporation of Taipei, Taiwan. Dyna Image is the world's largest manufacturer of Contact Image Sensors (CIS), which are used in fax machines, scanners, and copy machines. The combined company is now called Lite-On Semiconductor Corporation (LSC). The Company considers its relationship with LSC to be mutually beneficial and the Company and LSC will continue its strategic alliance as it has since 1991. The Company's subsidiaries buy product from and sell product to LSC. Net sales to and purchases from LSC were as follows for years ended December 31:

	2000	2001	2002
Net sales	$ 633,000	$ 7,435,000	$ 16,147,000
Purchases	12,898,000	8,002,000	14,183,000

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

As a result of the acquisition of FabTech from LSC (See Note 16), the Company is indebted to LSC in the amount of $8,750,000 as of December 31, 2002. Terms of the debt are indicated in Note 5. No interest expense is outstanding as of December 31, 2002 on this debt. Under the acquisition agreement, LSC has entered into a volume purchase agreement with FabTech pursuant to which LSC is obligated to purchase from FabTech, and FabTech is obligated to manufacture and sell to LSC, silicon wafers.

Other related parties - For the years ended December 31, 2001, and 2002, the Company purchased approximately $7,394,000 and $9,515,000, respectively, of its inventory purchases from companies owned by its 5% minority shareholder in Diodes-China.

Accounts receivable from and accounts payable to related parties were as follows as of December 31:

	2001	2002
Accounts receivable		
LSC	$ 1,414,000	$ 3,138,000
Other	72,000	-
	$ 1,486,000	$ 3,138,000
Accounts payable		
LSC	$ 2,854,000	$ 2,803,000
Other	441,000	558,000
	$ 3,295,000	$ 3,361,000

NOTE 12 - GEOGRAPHIC INFORMATION

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 and FabTech) located in the United States and the Asian operations (Diodes-Taiwan located in Taipei, Taiwan, Diodes-China located in Shanghai, China, and Diodes-Hong Kong located in Hong Kong, China).

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.

	Asia	U.S.A.	Consolidated
2002			
Total sales	$ 95,081,000	$ 66,338,000	$ 161,419,000
Intercompany sales	(39,592,000)	(6,006,000)	(45,598,000)
Net sales	$ 55,489,000	$ 60,332,000	$ 115,821,000
Assets	63,721,000	41,289,000	105,010,000
Property, plant & equipment	32,313,000	12,380,000	44,693,000
2001			
Total sales	$ 71,589,000	$ 53,705,000	$ 125,294,000
Intercompany sales	(28,978,000)	(3,106,000)	(32,084,000)
Net sales	$ 42,611,000	$ 50,599,000	$ 93,210,000
Assets	58,877,000	44,381,000	103,258,000
Property, plant & equipment	31,779,000	13,146,000	44,925,000
2000			
Total sales	$ 104,815,000	$ 64,744,000	$ 169,559,000
Intercompany sales	(50,781,000)	(2,699,000)	(53,480,000)
Net sales	$ 54,034,000	$ 62,045,000	$ 116,079,000
Assets	61,149,000	51,801,000	112,950,000
Property, plant & equipment	31,617,000	13,512,000	45,129,000

NOTE 13 - COMMITMENTS and CONTINGENCIES

Operating leases - The Company leases its offices, manufacturing plants and warehouses under operating lease agreements expiring through December 2010. The Company may, at its option, extend the lease for a five-year term upon termination. Rent expense amounted to approximately $503,000, $2,556,000, and $2,711,000, for the years ended December 31, 2000, 2001 and 2002, respectively.

Future minimum lease payments under non-cancelable operating leases for years ending December 31 are:

2003	$ 2,309,000
2004	2,178,000
2005	2,097,000
2006	2,106,000
2007	1,779,000
Thereafter	2,414,000
	$ 12,883,000

Environmental matters - The Company has 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. The landlord has alleged 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 adverse effect on its financial condition.

NOTE 14 - EMPLOYEE BENEFITS PLAN

The Company maintains a 401(k) profit sharing plan (the Plan) for the benefit of qualified employees at the North American locations. Employees who participate may elect to make salary deferral contributions to the Plan up to 17% of the employees' eligible payroll. The Company makes a contribution of $1 for every $2 contributed by the participant up to 6% of the participant's eligible payroll. In addition, the Company may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan. For the years ended December 31, 2000, 2001, and 2002, the Company's total contribution to the Plan was approximately $307,000, $198,000, and $593,000, respectively.

NOTE 15 - MANAGEMENT INCENTIVE AGREEMENTS

As part of the FabTech acquisition (see Note 16), the Company entered into management incentive agreements with several members of FabTech's management. The agreements provide guaranteed annual payments as well as contingent bonuses based on the annual profitability of FabTech and subject to a maximum annual amount. Future guaranteed and maximum payments provided for by the management incentive agreements for the years ended December 31, are:

	Guaranteed	Maximum Contingent	Total
2003	$ 375,000	$ 975,000	$ 1,350,000
2004	375,000	1,200,000	1,575,000
	$ 750,000	$ 2,175,000	$ 2,925,000

Any portion of the guaranteed and contingent liability paid by FabTech will be reimbursed by LSC.

NOTE 16 - BUSINESS ACQUISITION

On December 1, 2000, the Company purchased all of the outstanding capital stock of FabTech, Inc. from LSC (a then 37% shareholder of the Company). FabTech operates a 5-inch silicon wafer foundry in Lee's Summit, Missouri.

The acquisition was accounted for using the purchase method of accounting, whereby the assets and liabilities acquired were recorded at their estimated fair values. The terms of the stock purchase required an initial cash payment of approximately $5,150,000, including acquisition costs, and the assumption of $19 million in debt (including a $2.5 million loan made by Diodes-North America to FabTech). In addition, the agreement provides for a potential earnout of up to $30 million based upon FabTech attaining certain earnings targets over the four-year period immediately following the purchase. For the years 2000 through 2002, no earnout was paid out as the earnings targets were not met.

As a condition to the purchase agreement, certain officers and management of FabTech will receive a total of $2,475,000 over four years. Of this amount, $975,000 was accrued by FabTech as incentive compensation for services rendered prior to the acquisition. The remaining $1,500,000 will be accrued ratably over four years following the acquisition, subject to the terms of the management incentive agreements (see Note 15). The amount of cash paid to the seller at closing was reduced by $975,000, and any portion of the guaranteed and contingent liability to be paid by FabTech will be reimbursed by LSC.

The excess of the purchase price over the fair value of assets acquired (goodwill) amounted to approximately $4,410,000, which beginning in fiscal 2002 is no longer being amortized, but instead will be tested for impairment annually in accordance with SFAS No. 142 as previously discussed.

NOTE 16 - BUSINESS ACQUISITION (Continued)

The results of operations of FabTech are included in the consolidated financial statements from the date of acquisition. The following represents the unaudited proforma results of operations as if Fab-Tech had been acquired at the beginning of 2000.

	Year Ended December 31, 2000
Net sales	$ 136,438,000
Net income	14,211,000
Earnings per share	
Basic	1.76
Diluted	1.54

The proforma results do not represent the Company's actual operating results had the acquisition been made at the beginning of 2000.

NOTE 17 - SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
Fiscal 2002				
Net sales	$ 26,924,000	$ 29,946,000	$ 30,287,000	$ 28,664,000
Gross profit	4,352,000	7,131,000	7,867,000	7,253,000
Net income	208,000	1,563,000	1,767,000	2,262,000
Earnings per share				
Basic	$ 0.03	$ 0.19	$ 0.22	$ 0.28
Diluted	0.03	0.18	0.20	0.25

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
Fiscal 2001				
Net sales	$ 25,109,000	$ 20,730,000	$ 21,937,000	$ 25,434,000
Gross profit	4,121,000	4,044,000	2,419,000	3,595,000
Net income (loss)	521,000	525,000	(847,000)	(75,000)
Earnings (loss) per share				
Basic	$ 0.06	$ 0.06	$ (0.10)	$ (0.01)
Diluted	0.06	0.06	(0.10)	(0.01)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
Fiscal 2000				
Net sales	$ 26,687,000	$ 32,173,000	$ 31,857,000	$ 25,362,000
Gross profit	8,437,000	10,489,000	11,121,000	7,380,000
Net income	3,140,000	4,320,000	4,650,000	2,785,000
Earnings per share				
Basic	$ 0.39	$ 0.54	$ 0.57	$ 0.34
Diluted	0.34	0.46	0.50	0.31

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders
Diodes Incorporated and Subsidiaries

Our audits of the consolidated financial statements of Diodes Incorporated and Subsidiaries referred to in our report dated January 27, 2003 appearing in item 8 in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in item 15(a) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

MOSS ADAMS LLP
/s/ Moss Adams LLP
Los Angeles, California
January 27, 2003

DIODES INCORPORATED AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COL A	COL B	COL C	COL D	COL E
Description	Balance at beginning of period	Additions charged to costs & expenses	Deductions	Balance at end of period
Year ended December 31,				
2000				
Allowance for doubtful accounts	$ 297,000	$ 22,000	$ 8,000	$ 311,000
Reserve for slow moving and obsolete inventory	1,818,000	1,445,000	562,000	2,701,000
2001				
Allowance for doubtful accounts	$ 311,000	$ 51,000	$ 19,000	$ 343,000
Reserve for slow moving and obsolete inventory	2,701,000	2,117,000	2,442,000	2,376,000
2002				
Allowance for doubtful accounts	$ 343,000	$ 45,000	$ 35,000	$ 353,000
Reserve for slow moving and obsolete inventory	2,376,000	1,248,000	1,562,000	2,062,000

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ C.H. Chen March 26, 2003
C.H. CHEN
President & Chief Executive Officer
(Principal Executive Officer)

By: /s/ Carl Wertz March 26, 2003
CARL WERTZ
Chief Financial Officer, Treasurer, and Secretary
(Principal Financial and Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant, and in the capacities indicated, on March 26, 2003.

/s/ Raymond Soong RAYMOND SOONG Chairman of the Board of Directors	/s/ C.H. Chen C.H. CHEN Director
/s/ Michael R. Giordano MICHAEL R. GIORDANO Director	/s/ M.K. Lu M.K. LU Director
/s/ Keh-Shew Lu KEH-SHEW LU Director	/s/ John M. Stich JOHN M. STICH Director
/s/ Shing Mao SHING MAO Director	

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

I, C.H. Chen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Diodes Incorporated;
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual 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 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 Annual 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 Annual Report (the "Evaluation Date"); and
   c) presented in this Annual 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 functions):
   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 Annual Report whether 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: March 26, 2003

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

I, Carl Wertz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Diodes Incorporated;
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual 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 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 Annual 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 Annual Report (the "Evaluation Date"); and
   c) presented in this Annual 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 functions):
   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 Annual Report whether 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: March 26, 2003

INDEX TO EXHIBITS

Number	Description	Sequential Page Number
3.1	Certificate of Incorporation of Diodes Incorporated (the "Company") dated July 29, 1968 (1)	
3.2	Amended By-laws of the Company dated August 14, 1987 (2)	
3.3	Amended Certificate of Incorporation of the Company dated June 12, 2000 (25)	
10.1	Stock Purchase and Termination of Joint Shareholder Agreement (3)	
10.2	1994 Credit Facility Agreement between the Company and Wells Fargo Bank, National Association (4)	
10.3 *	Company's 401(k) Plan - Adoption Agreement (5)	
10.4 *	Company's 401(k) Plan - Basic Plan Documentation #03 (5)	
10.5 *	Employment Agreement between the Company and Pedro Morillas (6)	
10.6 *	Company's Incentive Bonus Plan (7)	
10.7 *	Company's 1982 Incentive Stock Option Plan (7)	
10.8 *	Company's 1984 Non-Qualified Stock Option Plan (7)	
10.9 *	Company's 1993 Non-Qualified Stock Option Plan (7)	
10.10 *	Company's 1993 Incentive Stock Option Plan (5)	
10.11	$6.0 Million Revolving Line of Credit Note (8)	
10.12	Credit Agreement between Wells Fargo Bank and the Company dated November 1, 1995 (8)	
10.13	KaiHong Compensation Trade Agreement for SOT-23 Product (9)	
10.14	KaiHong Compensation Trade Agreement for MELF Product (10)	
10.15	Lite-On Power Semiconductor Corporation Distributorship Agreement (11)	
10.16	Loan Agreement between the Company and FabTech Incorporated (12)	
10.17	KaiHong Joint Venture Agreement between the Company and Mrs. J.H. Xing (12)	
10.18	Quality Assurance Consulting Agreement between LPSC and Shanghai KaiHong Electronics Company, Ltd. (13)	
10.19	Loan Agreement between the Company and Union Bank of California, N.A. (13)	
10.20	First Amendment to Loan Agreement between the Company and Union Bank of California, N.A. (14)	
10.21	Guaranty Agreement between the Company and Shanghai KaiHong Electronics Co., Ltd. (14)	
10.22	Guaranty Agreement between the Company and Xing International, Inc. (14)	
10.23	Fifth Amendment to Loan Agreement (15)	
10.24	Term Loan B Facility Note (15)	
10.25	Bank Guaranty for Shanghai KaiHong Electronics Co., LTD (16)	
10.26	Consulting Agreement between the Company and J.Y. Xing (17)	
10.27	Software License Agreement between the Company and Intelic Software Solutions, Inc. (18)	
10.28	Diodes-Taiwan Relationship Agreement for FabTech Wafer Sales (19)	
10.29	Separation Agreement between the Company and Michael A. Rosenberg (20)	
10.30	Stock Purchase Agreement dated as of November 28, 2000, among Diodes Incorporated, FabTech, Inc. and Lite-On Power Semiconductor Corporation (24)	
10.31	Volume Purchase Agreement dated as of October 25, 2000, between FabTech, Inc. and Lite-On Power Semiconductor Corporation (24)	
10.32	Credit Agreement dated as of December 1, 2000, between Diodes Incorporated and Union Bank of California (24)	
10.33	Subordination Agreement dated as of December 1, 2000, by Lite-On Power Semiconductor Corporation in favor of Union Bank of California (24)	
10.34	Subordinated Promissory Note in the principal amount of $13,549,000 made by FabTech, Inc. payable to Lite-On Power Semiconductor Corporation (24)	
10.35	Amended and Restated Subordinated Promissory Note between FabTech, Inc. and Lite-On Semiconductor Corp. (26)	
10.36	Diodes Incorporated Building Lease - Third Amendment (29)	
10.37	Document of Understanding between the Company and Microsemi Corporation (29)	
10.38	Swap Agreement between the Company and Union Bank of California (30)	
10.39	First Amendment and Waver between the Company and Union Bank of California (30)	
10.40	Second Amendment and Waver between the Company and Union Bank of California (30)	
10.41	Banking Agreement between Diodes-China and Everbright Bank of China (30)	
10.42	Banking Agreement between Diodes-China and Agricultural Bank of China (30)	
10.43	Banking Agreement between Diodes-Taiwan and Farmers Bank of China (30)	
10.44	Audit Committee Charter (31)	
10.45	2001 Omnibus Equity Incentive Plan (31)	

10.46	Sale and Leaseback Agreement between the Company and Shanghai Ding Hong Company, Ltd. (32)
10.47	Lease Agreement between the Company and Shanghai Ding Hong Company, Ltd. (32)
10.48	Third Amendment and Waiver to Union Bank Credit Agreement (33)
10.49	Revolving Credit Extension between the Company and Union Bank (34)
10.50	Amended and Restated Credit Agreement between the Company and Union Bank
10.51	$2.0 Million Non Revolving-To-Term Note between the Company and Union Bank
21	Subsidiaries of the Registrant
23.1	Consent of Independent Public Accountants
99.1	Certification Pursuant To 18 U.S.C. 1350 Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002
99.2	Certification Pursuant To 18 U.S.C. 1350 Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002
99.3	Diodes Incorporated Announces Launch of Comprehensive Line of Pre-biased Transistors
99.4	Diodes Incorporated Announces Conference Call, Updates Outlook for 2002 Year End and Q4 Financial Results
99.5	Diodes Incorporated Reports Fourth Quarter and Year-end 2002 Financial Results
99.6	Diodes Incorporated Introduces Line of Thyristor Surge Protective Devices
99.7	Diodes Incorporated Recognized as Supplier of the Year by Honeywell's System Sensor Division

(1) Previously filed as Exhibit 3 to Form 10-K filed with the Commission for fiscal year ended April 30, 1981, which is hereby incorporated by reference.
(2) Previously filed as Exhibit 3 to Form 10-K filed with the Commission for fiscal year ended April 30, 1988, which is hereby incorporated by reference.
(3) Previously filed with the Company's Form 8-K, filed with the Commission on July 1, 1994, which is hereby incorporated by reference.
(4) Previously filed as Exhibit 10.4 to Form 10-KSB/A filed with the Commission for fiscal year ended December 31, 1993, which is hereby incorporated by reference.
(5) Previously filed with Company's Form 10-K, filed with the Commission on March 31, 1995, which is hereby incorporated by reference.
(6) Previously filed as Exhibit 10.6 to Form 10-KSB filed with the Commission on August 2, 1994, for the fiscal year ended December 31, 1993, which is hereby incorporated by reference.
(7) Previously filed with Company's Form S-8, filed with the Commission on May 9, 1994, which is hereby incorporated by reference.
(8) Previously filed with Company's Form 10-Q, filed with the Commission on November 14, 1995, which is hereby incorporated by reference.
(9) Previously filed as Exhibit 10.2 to Form 10-Q/A, filed with the Commission on October 27, 1995, which is hereby incorporated by reference.
(10) Previously filed as Exhibit 10.3 to Form 10-Q/A, filed with the Commission on October 27, 1995, which is hereby incorporated by reference.
(11) Previously filed as Exhibit 10.4 to Form 10-Q, filed with the Commission on July 27, 1995, which is hereby incorporated by reference.
(12) Previously filed with Company's Form 10-K, filed with the Commission on April 1, 1996, which is hereby incorporated by reference.
(13) Previously filed with Company's Form 10-Q, filed with the Commission on May 15, 1996, which is hereby incorporated by reference.
(14) Previously filed with Company's Form 10-K, filed with the Commission on March 26, 1997, which is hereby incorporated by reference.
(15) Previously filed with Company's Form 10-Q, filed with the Commission on May 11, 1998, which is hereby incorporated by reference.
(16) Previously filed with Company's Form 10-Q, filed with the Commission on August 11, 1998, which is hereby incorporated by reference.
(17) Previously filed with Company's Form 10-Q, filed with the Commission on November 11, 1998, which is hereby incorporated by reference.
(18) Previously filed with Company's Form 10-K, filed with the Commission on March 26, 1999, which is hereby incorporated by reference.
(19) Previously filed with Company's Form 10-Q, filed with the Commission on August 10, 1999, which is hereby incorporated by reference.
(20) Previously filed with Company's Form 10-K, filed with the Commission on March 28, 2000, which is hereby incorporated by reference.
(21) Previously filed with Company's Form 10-Q, filed with the Commission on May 10, 2000, which is hereby incorporated by reference.

(22) Previously filed with Company's Form 10-Q, filed with the Commission on August 4, 2000, which is hereby incorporated by reference.

(23) Previously filed with Company's Form 10-Q, filed with the Commission on November 13, 2000, which is hereby incorporated by reference.

(24) Previously filed with Company's Form 8-K, filed with the Commission on December 14, 2000, which is hereby incorporated by reference.

(25) Previously filed with Company's Definitive Proxy Statement, filed with the Commission on May 1, 2000, which is hereby incorporated by reference.

(26) Previously filed with Company's Form 10-Q, filed with the Commission on August 7, 2001, which is hereby incorporated by reference.

(27) Previously filed with Company's Form 10-K, filed with the Commission on March 28, 2001, which is hereby incorporated by reference.

(28) Previously filed with Company's Form 10-Q, filed with the Commission on May 11, 2001, which is hereby incorporated by reference.

(29) Previously filed with Company's Form 10-Q, filed with the Commission on November 2, 2001, which is hereby incorporated by reference.

(30) Previously filed with Company's Form 10-K, filed with the Commission on March 31, 2002, which is hereby incorporated by reference.

(31) Previously filed with Company's Definitive Proxy Statement, filed with the Commission on April 27, 2001, which is hereby incorporated by reference.

(32) Previously filed with Company's Form 10-Q, filed with the Commission on May 15, 2002, which is hereby incorporated by reference.

(33) Previously filed with Company's Form 10-Q, filed with the Commission on August 14, 2002, which is hereby incorporated by reference.

(34) Previously filed with Company's Form 10-Q, filed with the Commission on November 14, 2002, which is hereby incorporated by reference.

* Constitute management contracts, or compensatory plans or arrangements, which are required to be filed pursuant to Item 601 of Regulation S-K.

Exhibit 10.50

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is made and entered into as of February ___, 2003, by and between DIODES INCORPORATED, a Delaware corporation ("Borrower"), with its principal place of business located at 3050 East Hillcrest Drive, Westlake Village, California 91362-3154, and UNION BANK OF CALIFORNIA, N.A., a national banking association ("Bank"), with an office located at 5855 Topanga Canyon Boulevard, Suite 200, Woodland Hills, California 91367.

RECITALS:

A. Borrower and Bank previously entered into that certain Credit Agreement dated as of December 1, 2000, as amended by that certain First Amendment and Waiver dated as of August 10, 2001, that certain Second Amendment and Waiver dated as of November 14, 2001, that certain Third Amendment and Waiver dated as of May 1, 2002, that certain Extension Letter dated June 18, 2002 and that certain Extension Letter dated October 16, 2002 (as so amended, the "Prior Agreement"), pursuant to which Bank agreed to (i) make available to Borrower a Revolving Credit Commitment providing for revolving loans by Bank to Borrower in the aggregate principal amount at any one time outstanding not to exceed Seven Million Five Hundred Thousand Dollars ($7,500,000), (ii) make various Term Loans to Borrower in the respective original principal amounts set forth in Schedule 2.3 annexed thereto, and (iii) make an Acquisition Loan to Borrower in the original principal amount of Ten Million Dollars ($10,000,000).

B. Pursuant to the terms and conditions of the Third Amendment and Waiver referred to in Recital A hereinabove, Borrower has prepaid in full all of the Term Loans described in Schedule 2.3 of the Prior Agreement.

C. Immediately prior to the date of this Agreement, the outstanding principal amount of the Acquisition Loan was Six Million One Hundred Eleven Thousand One Hundred Eleven and 22/100 Dollars ($6,111,111.22).

D. Borrower has requested that Bank agree to (i) extend the Revolving Credit Commitment Termination Date of the Revolving Credit Commitment from March 3, 2003 to June 1, 2005, (ii) make available to Borrower a new Nonrevolving-To-Term Loan Commitment, providing for Nonrevolving-To-Term Loans by Bank to Borrower during the period from the date of this Agreement to but excluding June 1, 2004 in the aggregate principal amount not to exceed Two Million Dollars ($2,000,000), which shall convert subject to the terms hereof on June 1, 2004 to a five (5) year fully amortizing term loan maturing on June 1, 2009, and (iii) amend the terms and conditions of the Prior Agreement in certain respects. Bank is willing to so extend the Revolving Credit Commitment Termination Date, so make available to Borrower such new Nonrevolving-To-Term Loan Commitment and so amend the terms and conditions of the Prior Agreement, subject, however, to the terms and conditions set forth hereinbelow.

AGREEMENT:

In consideration of the foregoing recitals and of the mutual covenants, conditions and provisions hereinafter set forth, Borrower and Bank hereby agree to amend and restate the Prior Agreement as follows, which covenants, conditions and provisions shall amend, restate and supersede the terms and conditions of the Prior Agreement.

SECTION 1. DEFINITIONS

As used herein, initially capitalized terms shall have the respective meanings set forth below or set forth in the Section or subsection defining such terms:

"Acquisition Loan Commitment" shall have the meaning assigned to that term in Section 2.2 hereof.

"Acquisition Note" shall have the meaning assigned to that term in Section 2.2 hereof.

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as a trustee, guardian or other fiduciary, ten percent (10%) or more of the stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person and (c) each of such Person's officers, directors, joint venturers, members and partners; provided, however, that in no case shall Bank be deemed to be an Affiliate of Borrower for purposes of this Agreement. For the purpose of this definition, "control" of a Person means the ability, directly or indirectly, to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

"Alternative Dispute Resolution Agreements" and "Alternative Dispute Resolution Agreement" shall mean, respectively, (a) the Alternative Dispute Resolution Agreements, each on Bank's standard form therefor, duly executed by Borrower, Guarantor and Subordinating Creditor, respectively, in favor of and with Bank, and (b) any one of such Alternative Dispute Resolution Agreements.

"Bank Expenses" shall mean (i) all reasonable costs and expenses paid or advanced by Bank which are required to be paid by Borrower or any of its Subsidiaries under this Agreement or any of the other Loan Documents; (ii) reasonable expenses incurred by Bank in auditing or examining the books and records of Borrower or any of its Subsidiaries and the Collateral following the occurrence and continuation of an Event of Default; (iii) taxes and insurance premiums of every nature and kind of Borrower or any of its Subsidiaries paid by Bank; (iv) appraisal, filing, recording, documentation, publication and search fees paid or incurred by Bank on behalf of Borrower or any of its Subsidiaries to correct any default or enforce any provision of this Agreement or any other Loan Document, or, if an Event of Default has occurred and is continuing, in gaining possession of, maintaining, handling, preserving, storing, shipping, appraising, selling, preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated; (v) costs and expenses of any suit or arbitration proceeding incurred by Bank in enforcing or defending this Agreement or any other Loan Document, or any portion thereof, and (vi) reasonable attorneys' fees and expenses incurred by Bank in amending, terminating, enforcing, defending or concerning this Agreement or any other Loan Document, or any portion thereof, whether or not suit is brought, such attorneys' fees to include the reasonable estimate of the allocated costs and expenses of in-house legal counsel and staff. All Bank Expenses paid or incurred by Bank shall be considered to be, and shall become a part of the Obligations and be secured by the Collateral, are payable upon demand, and if not reimbursed, shall immediately thereafter bear interest, together with all other amounts to be paid by Borrower pursuant hereto at the default rate provided for herein or in the Notes.

"Borrower Security Agreement" shall mean that certain amended and restated Security Agreement, on Bank's standard form therefor, duly executed by Borrower in favor of Bank.

"Business Day" shall mean a day other than a Saturday, a Sunday or a day on which commercial banks in the State of California are authorized or required by law to close.

"Capital Expenditures" shall mean all payments due (whether or not paid) during a fiscal period of Borrower and its Subsidiaries in respect of the cost of any fixed asset or improvement, or any replacement, substitution or addition thereto and which have a useful life of more than one (1) year, including without limitation those arising in connection with the direct or indirect acquisition of such assets by way of increased product or service charges or offset items or in connection with capital leases.

"Capital Expenditures Maintenance Amount" shall mean, for each fiscal year, an amount equal to Three Million Dollars ($3,000,000).

"Capital Lease Obligations" shall mean, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Cash" shall mean, when used in connection with any Person, all monetary and non-monetary items owned by such Person that are treated as cash in accordance with GAAP, consistently applied.

"Collateral" shall mean the security provided by Borrower and Guarantor pursuant to Sections 3.1 and 3.2 hereof.

"Conversion Date" shall have the meaning assigned to such term in Section 2.3 hereof.

"Current Ratio" shall mean, as of the last day of any fiscal quarter, calculated for Borrower and its Subsidiaries (other than any Foreign Subsidiaries) on a consolidated basis, the ratio of (a) current assets as of such date, less intercompany Indebtedness, to (b) current liabilities as of such date, less intercompany Indebtedness, in each case as determined in accordance with GAAP.

"Debt Service" shall mean, as of the last day of each fiscal quarter, the sum, without duplication, of (a) the amount of all scheduled principal payments in respect of Indebtedness of Borrower and its Subsidiaries during the four (4) consecutive fiscal quarters ended on that date, plus (b) interest expense of Borrower and its Subsidiaries paid or payable during the four (4) consecutive fiscal quarters ended on such date.

"Diodes Taiwan" shall mean Diodes Taiwan Co., Ltd., a wholly-owned Subsidiary of Borrower. -------------

"Disposition" shall mean the sale, transfer or other disposition in any single transaction or series of related transactions of any asset, or group of related assets, of Borrower or any of its Subsidiaries (a) which asset or assets constitute a line of business or substantially all of the assets of Borrower or such Subsidiary, or (b) the aggregate amount of the Net Cash Sales Proceeds of such assets is more than Five Hundred Thousand Dollars ($500,000), other than (i) inventory or other assets sold or otherwise disposed of in the ordinary course of business of Borrower or such Subsidiary, (ii) equipment sold or otherwise disposed of where substantially similar equipment in replacement thereof has theretofore been acquired, or thereafter within ninety (90) days is acquired, by Borrower or such Subsidiary and (iii) obsolete assets no longer useful in the business of Borrower or any of its Subsidiaries, whose carrying value on the books of Borrower or such Subsidiary is zero or de minimus.

"EBITDA" shall mean, for each fiscal quarter, the sum of (a) the net income of Borrower and its Subsidiaries for the four (4) consecutive fiscal quarters ending on such date, plus (b) any non-operating non-recurring loss reflected in such net income for the four (4) consecutive fiscal quarters ending on such date, minus (c) any non-operating non-recurring gain reflected in such net income for the four (4) consecutive fiscal quarters ending on such date, plus (d) interest expense of Borrower and its Subsidiaries for the four (4) consecutive fiscal quarters ending on such date, plus (e) the aggregate amount of federal and state taxes on or measured by income of Borrower and its Subsidiaries for the four (4) consecutive fiscal quarters ending on that date (whether or not payable during such fiscal period), minus (f) the aggregate amount of federal and state credits against taxes on or measured by income of Borrower and its Subsidiaries for the four (4) consecutive fiscal quarters ending on such date (whether or not usable during that fiscal period), plus (g) depreciation, amortization and all other non-cash expenses of Borrower and its Subsidiaries for the four (4) consecutive fiscal quarters ending on such date, in each case as determined in accordance with GAAP.

"Financial Statements" shall mean, with respect to any accounting period of any Person, statements of income and cash flow of such Person for such period, and balance sheets of such Person as of the end of such period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding annual audit, all prepared in reasonable detail and in accordance with GAAP. "Financial Statements" shall include the notes and schedules thereto.

"Fixed Charge Coverage Ratio" shall mean, as of the date of calculation, calculated for Borrower and its Subsidiaries on a consolidated basis, the ratio of (a) (i) EBITDA for the applicable fiscal period minus (ii) the Capital Expenditures Maintenance Amount and minus (iii) federal and state income tax expense during such applicable fiscal period minus (iv) the aggregate amount of dividends declared or paid by Borrower and its Subsidiaries during such applicable fiscal period minus (v) the aggregate amount paid by Borrower and its Subsidiaries to their shareholders in respect of treasury stock during such applicable fiscal period to (b) Debt Service for such applicable fiscal period.

"Foreign Subsidiaries" and "Foreign Subsidiary" shall mean, respectively, (a) Subsidiaries of a Person organized and existing under the laws of a country or jurisdiction other than the United States of America or any state thereof, and (b) any one of such Subsidiaries."

"Foreign Subsidiary Indebtedness" shall mean Indebtedness of the Foreign Subsidiaries of Borrower. -------------------------------

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"Guarantor" shall mean FabTech, Inc., a Delaware corporation. ---------

"Guarantor Security Agreement" shall mean that certain amended and restated Security Agreement, on Bank's standard form therefor, duly executed by Guarantor in favor of Bank.

"Guaranty" shall mean that certain Continuing Guaranty dated as of December 1, 2000, duly executed by Guarantor in favor of and with Bank, pursuant to which Guarantor unconditionally guaranteed the payment by Borrower of the Obligations, provided, however, that Guarantor's liability thereunder for Obligations representing principal shall not exceed Twenty-Six Million Two Hundred Eighty-Eight Thousand Three Hundred Thirty-Three and 38/100 Dollars ($26,288,333.38).

"Guaranty Obligation" shall mean, as to any Person, any (a) guarantee by such Person of Indebtedness of, or other obligation performable by, any other Person or (b) assurance given by such Person to an obligee of any other Person with respect to the performance of an obligation by, or the financial condition of, such other Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well" or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term "Guaranty Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business and customary indemnities given in connection with asset sales in the ordinary course of business.

"Indebtedness" shall mean, as to any Person (without duplication), (a) indebtedness of such Person for borrowed money or for the deferred purchase price of property (excluding (i) Subordinated Indebtedness and (ii) trade and other accounts payable in the ordinary course of business in accordance with ordinary trade terms and accrued liabilities incurred in the ordinary course of business, including any contingent obligation of such Person for any such indebtedness), (b) indebtedness of such Person of the nature described in clause (a) that is non-recourse to the credit of such Person but is secured by assets of such Person, to the extent of the fair market value of such assets as determined in good faith by such Person, (c) Capital Lease Obligations of such Person, (d) indebtedness of such Person arising under bankers' acceptance facilities or under facilities for the discount of accounts receivable of such Person, (e) any direct or contingent obligations of such Person under letters of credit issued for the account of such Person and (f) any net obligations of such Person under any interest rate protection agreements.

"Insolvency Proceeding" shall mean and include any proceeding commenced by or against Borrower or any of its Subsidiaries under any provision of the Bankruptcy Code, or under any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, and compositions or extensions with some or all creditors.

"Leverage Ratio" shall mean, as of the last day of any fiscal quarter, determined for Borrower and its Subsidiaries on a consolidated basis, the ratio of (a) all Indebtedness of Borrower and its Subsidiaries on that date to (b) EBITDA for the four (4) consecutive fiscal quarters ended on such date.

"Lien" shall mean any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Loan Documents" shall mean and include this Agreement, the Notes, the Guaranty, the Security Agreements, the Alternative Dispute Resolution Agreements, the Subordination Agreement and all other documents, instruments and agreements, and all related riders, exhibits, resolutions, authorizations, financing statements and certificates delivered to Bank in connection with this Agreement.

"Loans" and "Loan" shall mean, respectively, (a) the loans to be made by Bank to Borrower pursuant to Section 2 hereof and (b) any one of such Loans.

"Net Cash Issuance Proceeds" shall mean, with respect to the issuance of any debt security or equity security by Borrower or any of its Subsidiaries, the Cash proceeds received by or for the account of Borrower or any of its Subsidiaries in consideration of such issuance, net of (a) underwriting discounts and commissions actually paid to any Person not an Affiliate of Borrower and (b) professional fees and disbursements actually paid in connection therewith.

"Net Cash Sales Proceeds" shall mean, with respect to any Disposition, the sum of (a) the Cash proceeds received by or for the account of Borrower and its Subsidiaries from such Disposition plus (b) the amount of Cash received by or for the account of Borrower and its Subsidiaries upon the sale, collection or other liquidation of any proceeds that are not Cash from such Disposition, in each case net of (i) any amount required to be paid to any Person owning an interest in the assets disposed of, (ii) any amount applied to the repayment of Indebtedness secured by a Lien permitted under Section 7.1 hereof on the asset disposed of, (iii) any transfer tax, income tax or other taxes payable as a result of such Disposition, (iv) professional fees and expenses, fees due to any governmental agency, brokers' commissions and other out-of-pocket costs of sale actually paid to any Person that is not an Affiliate of Borrower attributable to such Disposition, and (v) any reserves established in accordance with GAAP in connection with such Disposition.

"Net Profit After Taxes" shall mean, for any fiscal period, the after-tax income of Borrower and its Subsidiaries for such fiscal period, as determined in accordance with GAAP. For the purposes of determining Borrower's compliance with Section 6.8 hereof, 'Net Profit After Taxes' shall not include any income adjustments required as a result of the recent GAAP pronouncement on goodwill.

"Nonrevolving-To-Term Loan Commitment" shall have the meaning assigned to that term in Section 2.3 hereof.

"Nonrevolving-To-Term Note" shall have the meaning assigned to that term in Section 2.3 hereof.

"Notes" and "Note" shall mean, respectively, (a) the Revolving Note, the Acquisition Note and the Nonrevolving-To-Term Note, and (b) any of such Notes.

"Obligations" shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Borrower or any of its Subsidiaries to Bank of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to be come due, now existing or hereafter arising pursuant to the terms of this Agreement, any other Loan Document or any other agreement or instrument, including without limitation any Indebtedness of Borrower which Bank obtains by assignment or otherwise, and all Bank Expenses.

"Permitted Guaranty Obligations" shall mean:

(a) Guaranty Obligations existing on the date of this Agreement, and refinancings, renewals, extensions or amendments that do not increase the amount thereof;

(b) Guaranty Obligations under the Loan Documents; and

(c) Guaranty Obligations owed to Borrower or any of its Subsidiaries.

"Permitted Indebtedness" shall mean:

(a) the Obligations;

(b) Indebtedness owed to Borrower or any of its Subsidiaries;

(c) trade payables and other contractual obligations to suppliers and customers incurred in the ordinary course of business;

(d) Indebtedness of Borrower or any of its Subsidiaries incurred to finance the purchase of equipment constituting a Capital Expenditure permitted by Section 7.10 of this Agreement;

(e) other Indebtedness existing on the date of this Agreement and reflected in the Financial Statement of Borrower and its Subsidiaries for the fiscal year ended December 31, 2002, and refinancings, renewals, extensions or amendments that do not increase the amount thereof;

(f) Indebtedness of Guarantor reflected in the Financial Statement of Guarantor for the fiscal year ended December 31, 2002, and refinancings, renewals, extensions or amendments that do not increase the amount thereof;

(g) lease obligations permitted under Section 7.12 of this Agreement;

(h) the Subordinated Indebtedness;

(i) Indebtedness consisting of debt securities for which the Net Cash Issuance Proceeds will be applied as a mandatory prepayment pursuant to Section 2.7 of this Agreement;

(j) other Indebtedness not referred to hereinabove; provided, however, that the aggregate outstanding principal amount of such Indebtedness shall not exceed Five Million Dollars ($5,000,000) at any time; and

(k) Foreign Subsidiary Indebtedness; provided, however, that the aggregate outstanding principal amount of such Foreign Subsidiary Indebtedness shall not exceed Thirty-One Million Dollars ($31,000,000) at any time.

"Permitted Liens" shall mean:

(a) Liens for taxes not yet payable or Liens for taxes being contested in good faith and by proper proceedings diligently pursued, provided that adequate reserves shall have been made therefor on the applicable Financial Statement, the Lien shall have no effect on the priority of Bank's security interest in the Collateral and a stay of enforcement of any such Lien shall be in effect;

(b) Liens in favor of Bank;

(c) Liens upon equipment granted in connection with the acquisition of such equipment by Borrower or any of its Subsidiaries after the date hereof (including, without limitation, pursuant to capital leases); provided, however, that (i) the cost of such acquisition constitutes a Capital Expenditure permitted by Section 7.10 of this Agreement, (ii) the Indebtedness incurred to finance each such acquisition is permitted by this Agreement, and (iii) each such Lien attaches only to the equipment acquired with the Indebtedness secured thereby, and the proceeds and products thereof;

(d) reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions or encumbrances affecting real property which do not in the aggregate materially detract from the value of the real property or materially interfere with their use in the ordinary conduct of the business of Borrower or any of its Subsidiaries;

(e) deposits under workmen's compensation, unemployment insurance, social security and other similar laws applicable to Borrower or any of its Subsidiaries; and

(f) Liens relating to statutory obligations of Borrower or any of its Subsidiaries with respect to surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business.

"Person" shall mean any natural person, corporation, partnership, joint venture, limited liability company, firm, association, government, governmental agency, court or any other entity.

"Prior Agreement" shall have the meaning assigned to such term in Recital A of this Agreement.

"Revolving Credit Commitment" shall have the meaning assigned to that term in Section 2.1 hereof.

"Revolving Note" shall have the meaning assigned to that term in Section 2.1 hereof.

"Security Agreements" shall mean respectively, (a) the Borrower Security Agreement and the Guarantor Security Agreement, and (b) either of such Security Agreements.

"Stock Purchase" shall have the meaning assigned to such term in the Prior Agreement.

"Stock Purchase Agreement" shall have the meaning assigned to such term in the Prior Agreement.

"Subordinated Indebtedness" shall mean Guarantor's obligations to Subordinating Creditor under the Subordinated Note, which obligations shall be subordinated in right of payment to the obligations and liabilities of Guarantor to Bank under the Guaranty pursuant to the terms of the Subordination Agreement.

"Subordinated Note" shall mean that certain Amended and Restated Subordinated Promissory Note dated June 29, 2001, executed by Guarantor in favor of Subordinating Creditor, in the original principal amount of Thirteen Million Forty-Nine Thousand Dollars ($13,049,000), as such Subordinated Promissory Note is in effect on the date of this Agreement.

"Subordinating Creditor" shall mean Lite-On Power Semiconductor Corp., a Taiwan corporation. ----------------------

"Subordination Agreement" shall mean that certain Subordination Agreement dated December 1, 2000, by and between Subordinating Creditor and Bank, and acknowledged by Guarantor and Borrower, as amended by that certain First Amendment dated as of August 10, 2001 and that certain Second Amendment dated as of May 1, 2002, and as at any time further amended, supplemented or otherwise modified or restated.

"Subsidiary" of a Person shall mean any corporation, association, partnership, limited liability company, joint venture or other business entity, whether foreign or domestic, of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise requires, (a) references herein to a "Subsidiary" shall refer to a Subsidiary of Borrower and (b) references to "Subsidiaries" shall not include Guarantor to the extent that they relate to dates or periods prior to the consummation by Borrower of the Stock Purchase.

"Tangible Net Worth" shall mean, for any fiscal period of Borrower and its Subsidiaries, the net worth of Borrower and its Subsidiaries, decreased by patents, trademarks, trade names, goodwill and other similar intangible assets of Borrower and its Subsidiaries.

SECTION 2. AMOUNT AND TERMS OF CREDIT

2.1 Revolving Credit Commitment. Subject to the terms and conditions of this Agreement, from the date of this Agreement to but excluding June 1, 2005 (the "Revolving Credit Commitment Termination Date"), provided that no Event of Default then has occurred and is continuing, Bank will make loans (collectively, the "Revolving Loans" and individually, a "Revolving Loan") to Borrower as Borrower may request from time to time; provided, however, that the aggregate principal amount of all such Revolving Loans outstanding at any one time shall not exceed Seven Million Five Hundred Thousand Dollars ($7,500,000) (the "Revolving Credit Commitment"). Within the limits of time and amount set forth in this Section 2.1, Borrower may borrow, repay and reborrow Revolving Loans under the Revolving Credit Commitment. All Revolving Loans shall be requested before the Revolving Credit Commitment Termination Date, on which date all unpaid principal of and accrued interest on all Revolving Loans shall be due and payable. Borrower's obligation to repay the principal amount of all Revolving Loans, together with accrued interest thereon, shall be evidenced by a promissory note issued by Borrower in favor of Bank (the "Revolving Note") on the standard form used by Bank to evidence its commercial loans. The Revolving Note shall replace and supersede that certain replacement Revolving Note dated as of May 1, 2002, issued by Borrower in favor of Bank pursuant to the Prior Agreement. Bank shall enter the amount of each Revolving Loan, and any payments thereof, in its books and records, and such entries shall be prima facie evidence of the amount outstanding under the Revolving Credit Commitment. The failure of Bank to make any notation in its books and records shall not discharge Borrower of its obligation to repay in full with interest all amounts borrowed hereunder. The proceeds of the Revolving Loans shall be disbursed for the purposes set forth in Section 2.4(a) hereof pursuant to disbursement instructions provided to Bank on Bank's standard form therefor.

2.2 Acquisition Loan Commitment. Pursuant to the terms and conditions of the Prior Agreement, Bank made a term loan (the "Acquisition Loan") to Borrower in a single disbursement in the original principal amount of Ten Million Dollars ($10,000,000). Immediately prior to the date of this Agreement, the outstanding principal amount of the Acquisition Loan was Six Million One Hundred Eleven Thousand One Hundred Eleven and 22/100 Dollars ($6,111,111.22) (the "Acquisition Loan Commitment"). Borrower's obligation to repay the principal amount of the Acquisition Loan, together with accrued interest thereon, shall be evidenced by a promissory note (the "Acquisition Note") issued by Borrower in favor of Bank on the standard form used by Bank to evidence its commercial loans. The Acquisition Note shall replace and supersede that certain replacement Acquisition Note dated as of May 1, 2002, issued by Borrower in favor of Bank pursuant to the Prior Agreement. The Acquisition Note shall provide for payments of principal and interest as set forth therein. On December 1, 2004 (the "Acquisition Loan Maturity Date"), all unpaid principal of and accrued but unpaid interest on the Acquisition Loan shall be due and payable. The proceeds of the Acquisition Loan were disbursed for the purposes set forth in Section 2.4(b) hereof pursuant to disbursement instructions provided to Bank on Bank's standard form therefor.

2.3 Nonrevolving-To-Term Loan Commitment. During the period from the date of this Agreement to but excluding June 1, 2004 (the "Conversion Date"), Bank will make loans (collectively, the "Nonrevolving-To-Term Loans" and individually, a "Nonrevolving-To-Term Loan") to Borrower in an aggregate principal amount not to exceed Two Million Dollars ($2,000,000) (the "Nonrevolving-To-Term Loan Commitment"). On or before Borrower's request for a Nonrevolving-To-Term Loan hereunder, Borrower shall provide Bank with copies of one or more invoices reflecting the purchase price(s) for the new equipment being purchased with the proceeds of such Nonrevolving-To-Term Loan. Borrower acknowledges that the principal amount of each Nonrevolving-To-Term Loan shall not exceed eighty percent (80%) of the purchase price(s) of such new equipment, as reflected in the corresponding invoice(s). Borrower may borrow and repay, but once repaid may not reborrow, Nonrevolving-To-Term Loans under the Nonrevolving-To-Term Loan Commitment in accordance with the terms of the Nonrevolving-To-Term Note (as such term is defined hereinbelow). The outstanding principal amount of any and all Nonrevolving-To-Term Loans made by Bank to Borrower under the Nonrevolving-To-Term Loan Commitment shall bear interest only during the period from the date of this Agreement through and including the Conversion Date. On the Conversion Date, so long as no Event of Default has occurred and is then continuing, the aggregate principal amount of all Nonrevolving-To-Term Loans then outstanding under the Nonrevolving-To-Term Loan Commitment shall be converted to a fully amortizing five (5) year term loan, with principal payable in sixty (60) equal consecutive monthly installments, commencing on July 1, 2004, and with interest payable at the same time as principal, all as more particularly set forth in the Nonrevolving-To-Term Note. The Nonrevolving-To-Term Note shall mature on June 1, 2009, on which date all outstanding principal and interest thereunder shall be due and payable. Borrower's obligation to repay the Nonrevolving-To-Term Loans under the Nonrevolving-To-Term Loan Commitment, and the five (5) year fully amortizing term loan provided for hereinabove, together with accrued interest thereon, shall be evidenced by a single promissory note (the "Nonrevolving-To-Term Note"), issued by Borrower in favor of Bank on the standard form used by Bank to evidence its commercial loans. Bank shall enter the amount of each Nonrevolving-To-Term Loan, the amount of the five (5) year fully amortizing term loan, and the amount of each repayment in Bank's records and such entries shall be deemed to be the amount outstanding under the Nonrevolving-To-Term Loan Commitment. The failure of Bank to make any notation in its books and records shall not discharge Borrower of its obligation to repay in full with interest all amounts borrowed hereunder. The proceeds of the Nonrevolving-To-Term Loans and the five (5) year fully amortizing term loan shall be disbursed for the purposes set forth in Section 2.4(c) hereof pursuant to disbursement instructions provided to Bank on Bank's standard form therefor.

2.4 Purposes of the Loans.

(a) The proceeds of the Revolving Loans shall be used for Borrower's domestic working capital purposes only. Without limiting the generality of the foregoing sentence, Borrower shall not use the proceeds of any Revolving Loan directly or indirectly to finance the overseas operations or Capital Expenditures of Borrower or any of its Subsidiaries or to repay or prepay any Subordinated Indebtedness.

(b) The proceeds of the Acquisition Loan were used by Borrower to consummate the Stock Purchase in accordance with the terms and conditions of the

Stock Purchase Agreement.

(c) The proceeds of the Nonrevolving-To-Term Loans shall be used by Borrower to purchase new equipment for Borrower and Guarantor only, and the proceeds of the five (5) year fully amortizing term loan shall be used to repay in full the aggregate principal amount of all Nonrevolving-To-Term Loans outstanding on the Conversion Date.

2.5 Interest.

(a) Each Loan shall bear interest at the rate or rates provided for in the corresponding Note and selected by Borrower.

(b) Interest on the Loans shall be computed on the basis of the actual number of days during which the principal is outstanding thereunder divided by 360 which shall, for the purposes of computing interest, be considered one (1) year.

(c) Interest shall be payable on the outstanding principal amount of each Loan as set forth in the corresponding Note in accordance with Section 2.10 hereof.

2.6 Voluntary Prepayment. The principal Indebtedness evidenced by the Notes may, at any time and from time to time, voluntarily be paid or prepaid in whole or in part without penalty or premium in accordance with the terms of the Notes, except that, with respect to any voluntary prepayment under this Section 2.6, (a) the amount of any partial prepayment of a Loan shall not be less than One Hundred Thousand Dollars ($100,000) and shall be in an integral multiple of Fifty Thousand Dollars ($50,000) in excess thereof and (b) any payment or prepayment of all or any part of any Base Interest Rate Loan under and as defined in any Note on a day, other than the last day of the applicable Interest Period under and as defined in such Note, shall be subject to the payment of a prepayment fee as provided for in such Note. Principal sums so paid or prepaid shall be applied to those installments scheduled to repay the outstanding principal amount of the applicable Loan in the inverse order of maturity, but shall not postpone the due date or change the amount of any subsequent principal installment unless Bank shall otherwise agree in writing.

2.7 Mandatory Prepayments. The principal Indebtedness evidenced by the Notes shall be prepaid on or before the fifth Business Day following the receipt by Borrower or any of its Subsidiaries of (i) Net Cash Sales Proceeds from Dispositions, by an amount equal to one hundred percent (100%) of such Net Cash Sales Proceeds, (ii) Net Cash Issuance Proceeds from the issuance of debt securities of Borrower or any of its Subsidiaries (other than Indebtedness permitted by subsections (a) through (h) and subsection (j) of the definition of Permitted Indebtedness hereinabove), by an amount equal to one hundred percent (100%) of such Net Cash Issuance Proceeds and (iii) Net Cash Issuance Proceeds from the issuance of equity securities of Borrower or any of its Subsidiaries (except any issuance of equity securities to Borrower or to any of its Subsidiaries or to employees or former employees, directors and officers of Borrower pursuant to an exercise of stock options with respect to equity in Borrower), by an amount equal to one hundred percent (100%) of such Net Cash Issuance Proceeds.

2.8 Default Rate. If all or any portion of the principal amount of any Loan made under this Agreement shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue principal amount, and to the extent permitted by law overdue interest thereon, shall be payable on demand at a rate per annum equal to the rate which would otherwise be applicable plus five percent (5%), effective from the date that such amounts become overdue until paid in full.

2.9 Fees.

(a) On or before the date of this Agreement, Borrower shall pay to Bank a fee in connection with the extension of the Nonrevolving-To-Term Loan Commitment in the amount of Two Thousand Five Hundred Dollars ($2,500), which fee shall be nonrefundable. The payment of such fee shall constitute the payment in full by Borrower of all of the Bank Expenses due to Bank for the period prior to the date of this Agreement.

(b) On or before the date of this Agreement, Borrower shall pay to Bank a fee in connection with the renewal of the Revolving Credit Commitment and the documentation of this Agreement and the other Loan Documents in the amount of Two Thousand Dollars ($2,000), which fee shall be nonrefundable.

2.10 Bank's Right to Charge Deposit Account. Borrower authorizes Bank (irrevocably until the Obligations are paid in full and Bank's commitment to extend the Loans hereunder is terminated) from time to time to charge against account number 3030158082 maintained by Borrower with Bank any principal and/or interest due or past due in respect of the Obligations under this Agreement; provided that Bank shall not have any obligation to charge past due payments against such deposit account.

2.11 Revolving Credit Commitment Unused Fee. On the last Business Day of each fiscal quarter of each fiscal year, commencing March 31, 2003, and on the Revolving Credit Commitment Termination Date, Borrower shall pay to Bank a fee in respect of the Revolving Credit Commitment equal to the Applicable Percentage of the average daily unutilized amount of the Revolving Credit Commitment during such fiscal quarter or portion thereof. As used herein, the term "Applicable Percentage" shall mean (a) three-eighths of one percent (3/8 of 1%) per annum, if the Leverage Ratio as of the last day of such fiscal quarter was greater than 2.0 to 1.0, (b) three-tenths of one percent (3/10 of 1%) per annum, if the Leverage Ratio as of the last day of such fiscal quarter was less than or equal to 2.0 to 1.0 but greater than 1.5 to 1.0, (c) one-quarter of one percent (1/4 of 1%) per annum, if the Leverage Ratio as of the last day of such fiscal quarter was less than or equal to 1.5 to 1.0 but greater than 1.0 to 1.0, (d) one-fifth of one percent (1/5 of 1%) per annum, if the Leverage Ratio as of the last day of such fiscal quarter was less than or equal to 1.0 to 1.0 but greater than 0.75 to 1.0, and (e) three-twentieths of one percent (3/20 of 1%) per annum, if the Leverage Ratio as of the last day of such fiscal quarter was less than or equal to 0.75 to 1.0.

SECTION 3. COLLATERAL

3.1 Security Provided By Borrower. Borrower shall execute and deliver the Borrower Security Agreement to Bank, pursuant to which Borrower shall grant to Bank a security interest in all of Borrower's accounts, deposit accounts, instruments, chattel paper, documents, general intangibles, inventory, equipment and furniture, whether then owned or thereafter acquired by Borrower, all proceeds and insurance proceeds of the foregoing, all guaranties and other security therefor, and all of Borrower's present and future books and records relating thereto (including computer-stored information and all software relating thereto), and all contract rights with third parties relating to the maintenance of any such books, records and information, as security for the payment and performance of all obligations and liabilities of Borrower to Bank under the Prior Agreement and all documents, instruments and agreements executed by Borrower in connection therewith. The security interest granted to Bank pursuant to the Borrower Security Agreement shall be a first priority security interest, or such lesser priority as may be permitted by this Agreement. Each classification of personal property used hereinabove shall have the meaning given to it in the California Commercial Code. Nothing contained in this Section 3.1 or in the Borrower Security Agreement shall be deemed to grant Bank or confirm in favor of Bank a security interest in the assets of any Subsidiary of Borrower.

3.2 Security Provided By Guarantor. Borrower shall cause Guarantor to execute and deliver the Guarantor Security Agreement to Bank, pursuant to which Guarantor shall grant to Bank, as security for the payment and performance of all Obligations of Guarantor to Bank under the Guaranty, a security interest in all of Guarantor's accounts, deposit accounts, instruments, chattel paper, documents, general intangibles, inventory, equipment, furniture and fixtures, whether now owned or hereafter acquired by Guarantor, all proceeds and insurance proceeds of the foregoing, all guaranties and other security therefor, and all of Guarantor's present and future books and records relating thereto (including computer-stored information and all software relating thereto), and all contract rights with third parties relating to the maintenance of any such books, records and information. The security interest granted to Bank pursuant to the Guarantor Security Agreement shall be a first priority security interest, or such lesser priority as may be permitted by this Agreement.

3.3 Power of Attorney. Until the Obligations of Borrower are paid in full and Bank has no commitment to extend further Loans hereunder, Borrower hereby irrevocably makes, constitutes and appoints Bank (and any officers, employees or agents of Bank designated by Bank) as Borrower's true and lawful attorney, with power to sign Borrower's name on any documents or instruments which Bank believes should be executed, recorded and/or filed in order to perfect, or continue the perfection, of Bank's security interest in the Collateral or to liquidate or realize value from the Collateral after the occurrence of an Event of Default.

SECTION 4. CONDITIONS PRECEDENT

4.1 Conditions Precedent to Initial Loan. The obligation of Bank to make its initial Loan hereunder is subject to the fulfillment, to the satisfaction of Bank and its counsel, of each of the following conditions, to the extent that such conditions were not satisfied under the Prior Agreement:

(a) Notes. Bank shall have received the Notes, duly executed by Borrower to the order of Bank;

(b) Authorizations to Obtain Credit.

(i) Bank shall have received an Authorization to Obtain Credit, on Bank's standard form therefor, duly executed by the secretary of Borrower, attesting to the resolution of the board of directors of Borrower authorizing the execution and delivery of this Agreement, the Notes and all other Loan Documents required hereunder to which Borrower is a party and authorizing specific responsible officers of Borrower to execute same;

(ii) Bank shall have received an Authorization to Obtain Credit, on Bank's standard form therefor, duly executed by the secretary of Guarantor, attesting to the resolution of the board of directors of Guarantor authorizing the execution and delivery of the Guaranty and all other Loan Documents required hereunder to which Guarantor is a party and authorizing specific responsible officers of Guarantor to execute same; and

(iii) Bank shall have received an Authorization to Obtain Credit, on Bank's standard form therefor, duly executed by the secretary of Subordinating Creditor, attesting to the resolution of the board of directors of Subordinating Creditor authorizing the execution and delivery of the Subordination Agreement and all other Loan Documents required hereunder to which Subordinating Creditor is a party and authorizing specific responsible officers of Subordinating Creditor to execute same;

(c) Alternative Dispute Resolution Agreements. Bank shall have received the Alternative Dispute Resolution Agreements;

(d) No Material Adverse Change. No material adverse change shall have occurred in the business, operations, assets, prospects, earnings or condition (financial or otherwise) of Borrower;

(e) Authorizations to Disburse. Bank shall have received executed Authorizations to Disburse, each on Bank's standard form therefor, duly executed by Borrower, directing Bank to disburse the proceeds of the Loans as provided for herein;

(f) Collateral Documents. Bank shall have received the Borrower Security Agreement and the Guarantor Security Agreement, together with such UCC financing statements, fixture filings, UCC searches, tax lien and litigation searches, insurance certificates, waivers and consents, and other similar documents as Bank may require, and in such form as Bank may require, in order to evidence, perfect (in the priority required hereunder) and assure Bank's security interest in the Collateral;

(g) Subordination Agreement. Bank shall have received the Subordination Agreement, duly executed by Subordinating Creditor;

(h) Nonrevolving-To-Term Loan Commitment and Documentation Fee. Bank shall have received the fee in respect of the Nonrevolving-To-Term Loan Commitment and the documentation of this Agreement and the other Loan Documents, as provided for in Section 2.9 hereof; and

(i) Other Documents. Bank shall have received such other documents, instruments and agreements as Bank may reasonably require in order to effect fully the transactions contemplated by this Agreement.

4.2 Conditions Precedent to Subsequent Loans. The obligation of Bank to make each Loan hereunder subsequent to the initial Loan is subject to the fulfillment, at or prior to the time of the making of such Loan, of each of the following further conditions:

(a) Representations and Warranties. The representations and warranties contained in this Agreement shall be true, complete and accurate in all material respects on and as of such date (except to the extent that such representations and warranties relate solely to any earlier date); and

(b) No Event of Default. No Event of Default or event which, with the lapse of time or notice, or both, would be an Event of Default shall have occurred and be continuing on the date of such Loan, nor shall either result from the making of such Loan.

SECTION 5. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants that:

5.1 Principal Business Activity. The principal business of Borrower is the manufacturing and distribution of discrete semiconductor devices primarily for manufacturers in the computer and consumer products industries.

5.2 Authority to Borrow. The execution, delivery and performance of this Agreement, the Notes and all other Loan Documents to which Borrower is a party are not in contravention of any of the terms of any indenture, agreement or undertaking to which Borrower is a party or by which it or any of its property is bound or affected.

5.3 Financial Statements. The consolidated Financial Statement of Borrower and its Subsidiaries as at December 31, 2002, for the fiscal year of Borrower and its Subsidiaries ended on such date, has heretofore been furnished to Bank, and is true and complete and fairly represents the financial condition of Borrower and its Subsidiaries for the fiscal period covered thereby. Since December 31, 2002, there has been no material adverse change in the business, operations, assets, prospects, earnings or condition (financial or otherwise) of Borrower and its Subsidiaries, taken as a whole.

5.4 Adverse Change. Except for assets which may have been disposed of in the ordinary course of business, Borrower and its Subsidiaries have good and marketable title to all of the property reflected in the Financial Statement of Borrower and its Subsidiaries as at December 31, 2002 and to all property acquired by it since that date, free and clear of all Liens except those specifically set forth therein.

5.5 No Litigation. There is no litigation or proceeding pending or threatened against Borrower or any of its Subsidiaries, or any of their respective properties, the results of which, if decided adversely, are likely to have a material adverse effect on the financial condition, property or business of Borrower or any of its Subsidiaries or result in liability in excess of the insurance coverage of Borrower or any of its Subsidiaries.

5.6 No Event of Default. Borrower is not now in default in the payment of any of its material obligations, and there exists no event, condition or act which constitutes an Event of Default and no event, condition or act which with notice, the lapse of time, or both, would constitute an Event of Default.

5.7 Organization. Each of Borrower and Guarantor is duly organized and existing under the laws of the State of Delaware, without limitation as to its existence, and has the power and authority to carry on the business in which it is engaged and proposes to engage.

5.8 Power and Authority. Borrower has the corporate power and authority to enter into this Agreement and to execute and deliver the Notes and all of the other Loan Documents to which it is a party. Guarantor has the corporate power and authority to execute and deliver the Guaranty and any other Loan Document to which it is a party.

5.9 Qualification. Each of Borrower and Guarantor is duly qualified and in good standing as a foreign corporation wherever such qualification is required, except in those jurisdictions where the failure to so qualify would not have a material adverse effect on the business, operations, assets, prospects, earnings or condition (financial or otherwise) of Borrower or Guarantor.

5.10 ERISA. The defined benefit pension plans (as such term is defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) of Borrower and Guarantor, meet, as of the date hereof, the minimum funding standards of section 302 of ERISA, and no Reportable Event (as such term is defined in ERISA) or Prohibited Transaction (as such term is defined in ERISA) has occurred with respect to any such plan.

5.11 Regulation U. No action has been taken or is currently planned by Borrower, or any agent acting on its behalf, which would cause this Agreement or any Loan to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities and Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect. Borrower is not engaged principally, or as one of its most important activities, in the business of extending credit for the purpose of purchasing or carrying "margin stock" as that term is defined in Regulation U and none of the proceeds of any Loan hereunder have been or shall be used for the purpose, directly or indirectly, of purchasing or carrying any such margin stock.

5.12 No Current Limitation on Repatriation of Cash Profits. On the date of this Agreement, there is no limitation on the repatriation by Borrower of Cash from profits generated by its foreign Subsidiaries.

SECTION 6. AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, so long as this Agreement shall be in effect and until payment in full of all Obligations, including, without limitation, any accrued and unpaid interest thereon, and any other amounts due hereunder, Borrower shall perform each and all of the following covenants applicable to it:

6.1 Payment of Obligations. Borrower shall promptly pay and discharge, and cause each of its Subsidiaries to promptly pay and discharge, all taxes, assessments and other governmental charges and claims levied or imposed upon it or its property, or any part thereof; provided, however, that Borrower and its Subsidiaries shall have the right in good faith to contest any such taxes, assessments, charges or claims and, pending the outcome of such contest, to delay or refuse payment thereof, provided that such reserves as may be required by GAAP are established by them to pay and discharge any such taxes, assessments, charges and claims.

6.2 Maintenance of Existence. Each of Borrower and its Subsidiaries shall maintain and preserve its existence and assets and all rights, franchises and other authority necessary for the conduct of its business and shall maintain and preserve its property, equipment and facilities in good order, condition and repair. Bank may, at reasonable times, visit and inspect any of the properties of Borrower and its Subsidiaries.

6.3 Records. Each of Borrower and its Subsidiaries shall keep and maintain full and accurate accounts and records of its operations in accordance with GAAP and shall permit Bank to have access thereto, to make examination thereof, and to audit same during regular business hours.

6.4 Information Furnished. Borrower shall furnish or cause to be furnished to Bank:

(a) Quarterly Financial Statements. Within sixty (60) days after the close of each fiscal quarter, except for the last fiscal quarter of each fiscal year, a copy of the unaudited consolidated Financial Statements of Borrower and its Subsidiaries, on Form 10-Q, as of the close of such fiscal quarter, prepared in accordance with GAAP (except that such unaudited Financial Statements need not include footnotes and other informational disclosures);

(b) Annual Financial Statements. Within one hundred twenty (120) days after the close of each fiscal year of Borrower, a copy of the consolidated Financial Statements of Borrower and its Subsidiaries, on Form 10-K, as of the close of such fiscal year, prepared on an audited basis in accordance with GAAP by an independent certified public accountant selected by Borrower and reasonably satisfactory to Bank;

(c) Compliance Certificates. With each quarterly and annual Financial Statement furnished to Bank pursuant to Sections 6.4(a) and 6.4(b) hereinabove, a certificate of Borrower's chief financial officer or controller (i) setting forth in reasonable detail the calculations required to establish that Borrower was in compliance with its covenants set forth in Sections 6.5 through 6.8, Section 7.8 and (in the case of the annual Financial Statement only) Section 7.10 hereof during the period covered by such Financial Statement and (ii) stating that, except as explained in reasonable detail in such certificate, (A) all of the representations, warranties and covenants of Borrower contained in this Agreement and the other Loan Documents are correct and complete as at the date of such certificate, except for those representations and warranties which relate to a particular date and (B) no Event of Default then exists or existed during the period covered by such Financial Statement. If such certificate discloses that a representation or warranty is not correct or complete, that a covenant has not been complied with, or that an Event of Default exists or existed, such certificate shall set forth the action, if any, that Borrower has taken or proposes to take with respect thereto;

(d) Notice Of Limitation On Repatriation Of Cash Profits. Within thirty (30) days after obtaining knowledge of any change in law which would limit or otherwise restrict the repatriation by Borrower of Cash from profits generated by its foreign Subsidiaries, written notice of such change in law; and

(e) Other Information. Such other financial statements and information as Bank may reasonably request from time to time.

6.5 Leverage Ratio. Borrower and its Subsidiaries shall maintain a Leverage Ratio of not greater than 2.0 to 1.0 as of the last day of each fiscal quarter.

6.6 Fixed Charge Coverage Ratio. Borrower and its Subsidiaries shall maintain a Fixed Charge Coverage Ratio of not less than 1.35 to 1.0 as of the last day of each fiscal quarter.

6.7 Current Ratio. Borrower and its Subsidiaries (other than any Foreign Subsidiaries) shall maintain a Current Ratio of not less than 1.15 to 1.0 as of the last day of each fiscal quarter.

6.8 Net Profit After Taxes. Borrower and its Subsidiaries shall achieve Net Profit After Taxes of not less than Five Hundred Thousand Dollars for each fiscal quarter.

6.9 Insurance. Each of Borrower and Guarantor shall keep all of its insurable property, whether real, personal or mixed, insured by good and responsible companies selected by Borrower or Guarantor and approved by Bank against fire and such other risks as are customarily insured against by companies conducting similar business with respect to like properties. Each of Borrower and Guarantor shall furnish to Bank a statement of its insurance coverage, shall promptly furnish other or additional insurance deemed reasonably necessary by and upon the reasonable request of Bank to the extent that such insurance may be available and hereby assigns to Bank, as security for the payment of its Obligations, the proceeds of any such insurance. Bank will be named loss payee on all policies insuring the Collateral. Each of Borrower and Guarantor will maintain adequate worker's compensation insurance and adequate insurance against liability for damage to persons or property. Each policy shall require ten (10) days' written notice to Bank before such policy may be altered or cancelled.

6.10 Bank Expenses. Borrower shall pay or reimburse Bank for all Bank Expenses as and when such Bank Expenses become due.

6.11 Brokerage Fees. Neither Borrower nor any of its Subsidiaries shall pay, directly or indirectly, any fee, commission or compensation of any kind to any Person for any services in connection with this Agreement.

6.12 Notice of Default. Borrower shall give prompt written notice to Bank of any Event of Default under this Agreement and of any default under any other Loan Document, and shall give prompt written notice to Bank of any change in management, change in name, liquidation and of any other matter which has resulted in, or might result in, a material adverse change in the business, operations, assets, prospects, earnings or condition (financial or otherwise) of Borrower or any of its Subsidiaries.

6.13 Execution of Other Documents. Borrower shall promptly, and shall cause each of its Subsidiaries to promptly, upon demand by Bank, execute all such additional agreements, contracts, documents and instruments in connection with this Agreement as Bank may reasonably request in order to effect fully the purposes hereof.

6.14 Reports Under Pension Plans. Borrower shall furnish to Bank, as soon as possible and in any event within fifteen (15) days after Borrower knows or has reason to know that any event or condition described in Section 5.10 hereof has occurred, a statement of a responsible officer of Borrower describing such event or condition and the action, if any, which Borrower proposes to take with respect thereto.

SECTION 7. NEGATIVE COVENANTS

Borrower covenants and agrees that, so long as this Agreement shall be in effect and until payment in full of all Obligations, including, without limitation, any accrued and unpaid interest thereon, and any other amounts due hereunder, Borrower shall perform each and all of the following covenants applicable to it:

7.1 Liens. Borrower shall not create, incur, assume or permit to exist, or permit any of its Subsidiaries to create, incur, assume or permit to exist, directly or indirectly, any Lien on or with respect to any of its property, whether real, personal or mixed, and whether now owned or hereafter acquired, or upon the income or profits therefrom, except for Permitted Liens.

7.2 Dispositions. Borrower shall not make, or permit any of its Subsidiaries to make, any Disposition of its property, whether now owned or hereafter acquired, except (a) a Disposition by Borrower to any of its Subsidiaries and (b) a Disposition for which the Net Cash Sales Proceeds, when added to the aggregate Net Cash Sales Proceeds of all Dispositions made during the term of this Agreement, do not exceed Five Hundred Thousand Dollars ($500,000).

7.3 Indebtedness. Borrower shall not create, incur or assume, or permit any of its Subsidiaries to create, incur or assume, any Indebtedness, other than Permitted Indebtedness.

7.4 Guaranty Obligations. Borrower shall not create, incur or assume, or permit any of its Subsidiaries to create, incur or assume, any Guaranty Obligations, other than Permitted Guaranty Obligations. Notwithstanding the foregoing sentence, Borrower may execute a guaranty of the indebtedness of Diodes Taiwan, in an amount not exceeding Five Million Dollars ($5,000,000).

7.5 Liquidation or Merger. Without the prior written consent of Bank, which consent shall not be unreasonably withheld, Borrower shall not, and shall not permit any of its Subsidiaries to, liquidate, dissolve or enter into any consolidation, merger, partnership or other combination, or purchase or lease all or the greater part of the assets or business of another Person.

7.6 Loans and Advances. Without the prior written consent of Bank, which consent shall not be unreasonably withheld, Borrower shall not make, or permit any of its Subsidiaries to make, any loans or advances or otherwise extend credit to any other Person, except that Borrower may extend trade credit in the ordinary course of business as currently conducted to any of its Subsidiaries.

7.7 Investments. Borrower shall not purchase the debt or equity of another Person except (a) for savings accounts and certificates of deposit of Bank and (b) direct U.S. Government obligations and commercial paper issued by corporations with the top ratings of Moody's Investors Service, Inc. or the Standard & Poor's Ratings Division of McGraw-Hill, Inc., provided that all such permitted investments shall mature within one (1) year of purchase.

7.8 Payment of Dividends. Except for dividends paid by foreign Subsidiaries of Borrower to Borrower, Borrower shall not declare or pay, or permit any of its Subsidiaries to declare or pay, directly or indirectly, any dividends, in cash, return of capital or any other form (other than dividends payable in its own common stock), or authorize or make any other distribution with respect to any of its stock now or hereafter outstanding.

7.9 Retirement of Stock. Borrower shall not redeem or retire, or permit any of its Subsidiaries to redeem or retire, any share of its capital stock.

7.10 Capital Expenditures. Borrower and its Subsidiaries shall not in any fiscal year make or incur any Capital Expenditure if after giving effect thereto, the aggregate amount of all Capital Expenditures by Borrower and its Subsidiaries in such fiscal year would exceed Sixteen Million Dollars ($16,000,000).

7.11 Transactions with Affiliates. Borrower shall not directly or indirectly enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any holder of ten percent (10%) or more of any class of equity securities of Borrower or with any Affiliate of Borrower on terms that are less favorable to Borrower or its Affiliates, as the case may be, than those terms which might be obtained at the time from third parties, or otherwise not obtained through good faith negotiation on an arm's length basis. Nothing contained in this Section 7.11 shall be deemed to prohibit or in any manner restrict Borrower from consummating the Stock Purchase in accordance with the terms and conditions of the Stock Purchase Agreement.

7.12 Operating Lease Obligations. Borrower and its Subsidiaries shall not permit their lease payments, as lessees, under existing and future operating leases to exceed Five Million Dollars ($5,000,000) in the aggregate in any one fiscal year. Each of such operating leases shall be of equipment or real property needed by Borrower or any of its Subsidiaries in the ordinary course of its business.

SECTION 8. EVENTS OF DEFAULT

8.1 Events of Default. The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default (collectively, "Events of Default" and individually, an "Event of Default") hereunder:

(a) Failure to Make Payments When Due. Borrower shall fail to pay any amount owing under this Agreement or under any other Loan Document (including principal, interest, fees and Bank Expenses) when such amount is due, whether at stated maturity, as a result of any mandatory repayment or prepayment requirement, by acceleration, by notice of prepayment or otherwise; or

(b) Breach of Representation or Warranty. Any representation or warranty made by Borrower or any of its Subsidiaries under this Agreement or any other Loan Document, or in any certificate or financial or other statement heretofore or hereafter furnished by Borrower or any of its Subsidiaries, shall prove to have been false, incorrect or incomplete in any material respect when made, effective or reaffirmed, as the case may be; or

(c) Violation of Covenants. Borrower or any of its Subsidiaries shall fail or neglect to perform, keep or observe any term, provision, condition, covenant, agreement, warranty or representation contained in this Agreement or any other Loan Document, and such failure shall not be cured within any applicable grace period provided for therein; or

(d) Insolvency Proceeding. Borrower or any of its Subsidiaries shall become insolvent or shall fail generally to pay its Indebtedness as such Indebtedness becomes due; or an Insolvency Proceeding shall be commenced by or against Borrower or any of its Subsidiaries and, in the case of an involuntary petition against Borrower or any of its Subsidiaries, such petition shall not be dismissed or discharged within ninety (90) days of commencement; or

(e) Dissolution or Liquidation. Borrower or any of its Subsidiaries shall voluntarily dissolve, liquidate or suspend its business in whole or in part; or there shall be commenced against Borrower or any of its Subsidiaries any proceeding for the dissolution or liquidation of Borrower or such Subsidiary and such proceeding shall not be dismissed or discharged within sixty (60) days of commencement; or

(f) Appointment of Receiver. Borrower or any of its Subsidiaries shall apply for or consent to the appointment, or commence any proceeding for the appointment, of a receiver, trustee, custodian or similar official for all or substantially all of its property; or any proceeding for the appointment of a receiver, trustee, custodian or similar official for all or substantially all of the property of Borrower or any of its Subsidiaries shall be commenced against Borrower or such Subsidiary and shall not be dismissed or discharged within sixty (60) days of commencement; or

(g) Judgments and Attachments. Borrower or any of its Subsidiaries, or any of their respective properties shall suffer any money judgment, writ, warrant of attachment or similar process involving the payment of money in excess of Five Hundred Thousand Dollars ($500,000) and such judgment, writ, warrant of attachment or similar process shall remain undischarged in accordance with its terms and the enforcement thereof shall be unstayed and either (i) an enforcement proceeding shall have been commenced and be pending by any creditor thereon or (ii) there shall have been a period of sixty (60) consecutive calendar days during which stays of such judgment, writ, warrant of attachment or similar process, by reason of pending appeals or otherwise, were not in effect; or

(h) Failure to Comply. Borrower or any of its Subsidiaries shall fail to comply with any order, non-monetary judgment, injunction, decree, writ or demand of any court or other public authority, and such order, non-monetary judgment, injunction, decree, writ or demand shall continue unsatisfied and in effect for a period of thirty (30) days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

(i) Notice Regarding Taxes. A notice of levy, notice to withhold or other legal process for taxes (other than property taxes) shall be filed or recorded against Borrower or any of its Subsidiaries, or against the property of Borrower or any of its Subsidiaries, and such notice or other legal process shall not be released, stayed, vacated, bonded or otherwise dismissed within sixty (60) days after the date of its filing or recording; or

(j) Borrower Change of Control. Subordinating Creditor shall at any time cease to be the owner of at least twenty percent (20%) of the issued and outstanding common stock of Borrower; or

(k) Breach of Any Loan Document. Any Loan Document shall be breached or become ineffective, or Borrower or any of its Subsidiaries shall disavow or attempt to revoke or terminate any Loan Document to which it is a party; or

(l) Default Under Other Agreements. Borrower or any of its Subsidiaries shall (i) fail under any agreement, document or instrument to pay the principal, or any principal installment, of any present or future Indebtedness for borrowed money of Five Hundred Thousand Dollars ($500,000) or more, or any guaranty of present or future Indebtedness for borrowed money of Five Hundred Thousand Dollars ($500,000) or more, when due (or within any stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise or (ii) fail to perform or observe any other term, covenant or other provision of any agreement, document or instrument binding upon Borrower or such Subsidiary if, as a result of such failure, any Person has the right to accelerate the indebtedness of Borrower or such Subsidiary in an amount in excess of Five Hundred Thousand Dollars ($500,000) or otherwise require the payment of any amount in excess of Five Hundred Thousand Dollars ($500,000) to be paid prior to the date when such amount would otherwise become due; or

(m) Insecurity. A material deterioration in the financial condition of Borrower or any of its Subsidiaries shall occur which results in Bank deeming itself, in good faith, insecure.

8.2 Remedies. Upon the occurrence of an Event of Default, unless such Event of Default shall have been remedied or waived in writing by Bank, Bank may, at its option, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, do one or more of the following at any time or times and in any order: (a) reduce the amount of or refuse to make any Loan under this Agreement; (b) declare any and all Obligations outstanding under this Agreement to be immediately due and payable, notwithstanding anything contained herein or in any Note or other Loan Document to the contrary (provided, however, that upon the occurrence of any Event of Default described in Section 8.1(d), (e) or (f) hereof, all Obligations shall automatically become due and payable); and (c) enforce payment of all Obligations of Borrower under this Agreement and the other Loan Documents. Notwithstanding anything to the contrary contained herein, Bank shall have no obligation to make any Loan to Borrower during any cure period provided for in Section 8.1 hereof.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1 Additional Remedies. The rights, powers and remedies given to Bank hereunder shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Bank by law against Borrower or any other Person, including but not limited to Bank's rights of setoff or banker's lien.

9.2 Nonwaiver. Any forbearance or failure or delay by Bank in exercising any right, power or remedy hereunder shall not be deemed a waiver thereof and any single or partial exercise of any right, power or remedy shall not preclude the further exercise thereof. No waiver shall be effective unless it is in writing and signed by an officer of Bank.

9.3 Inurement. The benefits of this Agreement shall inure to the successors and assigns of Bank and the permitted successors and assigns of Borrower. Borrower shall not assign any of its rights or obligations under this Agreement to any Person without Bank's prior written consent, and any assignment attempted without Bank's prior written consent shall be void.

9.4 Applicable Law; Jurisdiction. This Agreement and all other Loan Documents shall be governed and construed in accordance with the laws of the State of California. Borrower and Bank hereby submit to the jurisdiction of any court having jurisdiction in the matter in accordance with the Alternative Dispute Resolution Agreement executed by and between Borrower and Bank.

9.5 Severability. Should any one or more provisions of this Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

9.6 Integration Clause. Except for the other Loan Documents to which Borrower is a party, this Agreement constitutes the entire agreement between Bank and Borrower, and all prior communications, whether verbal or written, between Borrower and Bank shall be of no further effect or evidentiary value.

9.7 Construction. The Section and subsection headings herein are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

9.8 Amendments. This Agreement may be amended only in writing signed by all parties hereto.

9.9 Documentation. All documentation evidencing or pertaining to the Obligations under this Agreement and the other Loan Documents shall be on Bank's standard forms or otherwise in form and content acceptable to Bank. To the extent that the terms or conditions of this Agreement are inconsistent with the terms or conditions of such documentation, the terms and conditions of this Agreement shall prevail.

9.10 Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement. This Agreement shall become effective upon the receipt by Bank and Borrower of executed counterparts signed by each of them.

9.11 Setoff. Borrower hereby acknowledges and specifically grants Bank a security interest in, banker's lien upon, and right of recoupment and setoff respecting any and all deposit or other accounts maintained by Borrower with Bank, whether held in a general or special account or deposited for safekeeping or otherwise, and regardless of how such account may be titled, and any other property of Borrower held in the possession or custody of Bank or its agents. Borrower further acknowledges that the exercise of setoff, if any, shall require, and only be deemed to occur upon, the affirmative action of Bank. Bank agrees to notify Borrower promptly after any such setoff and application; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 10. NOTICES

10.1 Notices. Any notice or other communication provided for or allowed hereunder shall be considered to have been validly given if delivered personally, and evidenced by a receipt signed by an authorized agent or addressee, or 72 hours after being deposited in the United States mail, registered or certified, postage prepaid, return receipt requested, or 48 hours after being sent by Federal Express or other courier service, or, in the case of telecopied notice, when telecopied, receipt acknowledged, and addressed as provided below.

If to Borrower:
Diodes Incorporated
3050 East Hillcrest Drive
Westlake Village, California 91362-3154
Attention: Carl Wertz
Chief Financial Officer

Telephone No.: (805) 446-4800
Facsimile No.: (805) 381-3825

With a copy to:
Rosenthal & Smith
6345 Balboa Boulevard, Building 2, Suite 330
Encino, California 91316
Attention: Jerome B. Smith, Esq.

Telephone No.: (818) 344-9900
Facsimile No.: (818) 344-9986

If to Bank:
Union Bank of California, N.A.
Commercial Banking Group--Greater Los Angeles Division
445 South Figueroa Street, 10th Floor
Los Angeles, California 90071
Attention: John C. Kase
Vice President

Telephone No.: (213) 236-7329
Facsimile No.: (213) 236-7635

10.2 Change of Address. The addresses to which notices or demands are to be given may be changed from time to time by notice served as provided above.

THIS AGREEMENT is duly executed on behalf of the parties hereto as of the date first above written.

"Borrower"

DIODES INCORPORATED

By: /s/ Carl Wertz
Carl Wertz
Chief Financial Officer

"Bank"

UNION BANK OF CALIFORNIA, N.A.

By: /s/ John C. Kase
John C. Kase
Vice President

Exhibit 10.51

NON REVOLVING-TO-TERM NOTE

Borrower's Name:
Diodes Incorporated

Borrower's Address:
3050 East Hillcrest Drive
Westlake Village, California 91362-3154

Office:
30361

Loan Number:

Maturity Date:
June 1, 2009

Amount:
$2,000,000

Westlake Village, California $2,000,000 Dated as of February ___, 2003

FOR VALUE RECEIVED, on June 1, 2009 (the "Maturity Date"), the undersigned ("Borrower") promises to pay to the order of Union Bank of California, N.A., a national banking association ("Bank"), as indicated below, the principal sum of Two Million Dollars ($2,000,000), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below. This Nonrevolving-To-Term Note (this "Note") is the Nonrevolving-To-Term Note referred to in the Amended and Restated Credit Agreement (as such term is defined hereinbelow) and is governed by the terms and conditions thereof. Initially capitalized terms used herein which are not otherwise defined shall have the meanings assigned to such terms in the Amended and Restated Credit Agreement.

At any time prior to June 1, 2004 (the "Conversion Date"), Borrower may borrow under this Note; provided that at no time may Borrower reborrow any amounts repaid to Bank.

1. PAYMENTS

PRINCIPAL PAYMENTS. Borrower shall pay principal in sixty (60) equal consecutive monthly installments, each installment in an amount sufficient to fully amortize the aggregate outstanding principal amount hereunder on the Conversion Date by the Maturity Date, commencing on July 1, 2004 and continuing on first day of each month thereafter. On the Maturity Date, all outstanding principal hereunder shall be due and payable.

INTEREST PAYMENTS. Borrower shall pay interest on the outstanding principal amount hereof on the first day of each month, commencing March 1, 2003. Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this Note shall be made on the basis of a year of 360 days, for actual days elapsed.

(a) Base Interest Rate. At Borrower's option, amounts outstanding hereunder in minimum amounts of at least $100,000 shall bear interest at a rate, based on an index selected by Borrower, equal to Bank's LIBOR Rate for the Interest Period selected by Borrower plus the LIBOR Rate Margin.

The Base Interest Rate may not be changed, altered or otherwise modified until the expiration of the Interest Period selected by Borrower. The exercise of interest rate options by Borrower shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed at the Base Interest Rate and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Borrower from its obligations to repay in full with interest all amounts borrowed. In no event shall any Interest Period extend beyond the Acquisition Loan Maturity Date.

To exercise this option, Borrower may, from time to time with respect to principal outstanding on which a Base Interest Rate is not accruing, and on the expiration of any Interest Period with respect to principal outstanding on which a Base Interest Rate has been accruing, select an index offered by Bank for a Base Interest Rate Loan and an Interest Period by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the selected index, the Interest Period and the Origination Date selected (which Origination Date, for a Base Interest Rate Loan based on the LIBOR Rate, shall follow the date of such selection by no more than two (2) Business Days).

Bank will mail a written confirmation of the terms of the selection to Borrower promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If, on the date of the selection, the index selected is unavailable for any reason, the selection shall be void. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Borrower.

(b) Variable Interest Rate. All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at a rate per annum equal to the Reference Rate plus the Reference Rate Margin, which rate shall vary as and when the Reference Rate changes.

Borrower shall pay all amounts due under this Note in lawful money of the United States at Bank's San Fernando Valley Commercial Banking Office, or such other office as may be designated by Bank from time to time.

2. LATE PAYMENTS. If any payment required by the terms of this Note shall remain unpaid ten days after same is due, at the option of Bank, Borrower shall pay a fee of $100 to Bank.

3. INTEREST RATE FOLLOWING DEFAULT. In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this Note at a per annum rate equal to five percent (5%) in excess of the interest rate specified in paragraph 1.b above, calculated from the date of default until all amounts payable under this Note are paid in full.

4. PREPAYMENT

(a) Amounts outstanding under this Note bearing interest at a rate based on the Reference Rate may be prepaid in whole or in part at any time, without penalty or premium. Borrower may prepay amounts outstanding under this Note bearing interest at a Base Interest Rate in whole or in part provided Borrower has given Bank not less than five (5) Business Days' prior written notice of Borrower's intention to make such prepayment and pays to Bank the prepayment fee due as a result. The prepayment fee shall also be paid, if Bank, for any other reason, including acceleration or foreclosure, receives all or any portion of principal bearing interest at a Base Interest Rate prior to its scheduled payment date. The prepayment fee shall be an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Base Interest Rate applicable to the principal amount which is being prepaid, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360; and (iii) the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then an amount equal to the lesser of (A) the amount prepaid or (B) 50% of the sum of (1) the amount prepaid and (2) the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date). Present value under this Note is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

(b) In no event shall Bank be obligated to make any payment or refund to Borrower, nor shall Borrower be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under this prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive.

(c) Bank shall provide Borrower a statement of the amount payable on account of prepayment. Borrower acknowledges that (i) Bank establishes a Base Interest Rate upon the understanding that it apply to the Base Interest Rate Loan for the entire Interest Period, and (ii) Bank would not lend to Borrower without Borrower's express agreement to pay Bank the prepayment fee described above.

5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Default shall mean the occurrence of an Event of Default under and as defined in the Amended and Restated Credit Agreement. Upon the occurrence of any such Event of Default, Bank, in its discretion, may cease to advance funds hereunder and may declare any and all obligations under this Note immediately due and payable; provided, however, that upon the occurrence of an Event of Default under subsection (d), (e) or (f) of Section 8.1 of the Amended and Restated Credit Agreement, all principal and interest hereunder shall automatically become immediately due and payable.

6. ADDITIONAL AGREEMENTS OF BORROWER. If any amounts owing under this Note are not paid when due, Borrower promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the collection or enforcement of this Note. Borrower and any endorsers of this Note, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this Note. If this Note is signed by more than one party, the term "Borrower" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee Bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this Note shall accrue until the funds are deemed collected. In any action brought under or arising out of this Note, Borrower and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of California, as provided in any alternative dispute resolution agreement executed between Borrower and Bank, and consent to service of process by any means authorized by said state's law. The term "Bank" includes, without limitation, any holder of this Note. This Note shall be construed in accordance with and governed by the laws of the State of California. This Note hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Borrower and Bank.

7. CHANGE IN CIRCUMSTANCES

(a) Inability to Determine Rates. If, on or before the first day of any Interest Period for any Base Interest Rate Loan, Bank determines that the Base Interest Rate for such Interest Period cannot be adequately and reasonably determined due to the unavailability of funds in or other circumstances affecting the London interbank market, or the certificate of deposit market, as the case may be, which determination by Bank shall be conclusive and binding upon Borrower, Bank shall immediately give notice thereof to Borrower. After the giving of any such notice and until Bank shall otherwise notify Borrower that the circumstances giving rise to such condition no longer exist, Borrower's right to request, and Bank's obligation to offer, a Base Interest Rate Loan shall be suspended. Any Base Interest Rate Loan outstanding at the commencement of any such suspension which affects Base Interest Rate Loans of that type, shall be converted at the end of the then current Interest Period for that loan to a Reference Rate Loan unless such suspension has then ended.

(b) Illegality. If, after the date of this Note, the adoption of any applicable law, rule or regulation, or any change therein, or change in the interpretation or administration thereof by any governmental authority, central bank, comparable agency or other Person charged with the interpretation or administration thereof, or compliance by Bank with any request or directive (whether or not having the force of law) of any such authority (a "Change of Law") shall make it unlawful or impossible for Bank to make or maintain a Base Interest Rate Loan, Bank shall immediately notify Borrower of such Change of Law. After Borrower's receipt of such notice, Borrower's right to select, and Bank's obligation to offer, a Base Interest Rate Loan shall be terminated, and the undersigned shall (i) at the end of the current Interest Period for any Base Interest Rate Loan then outstanding, convert such loan to a Reference Rate Loan, or (ii) immediately repay or convert any Base Interest Rate Loan then outstanding if Bank shall notify Borrower that Bank may not lawfully continue to fund and maintain such Base Interest Rate Loan.

(c) Increased Costs. If, after the date of this Note, any Change of Law:

(i) shall subject Bank to any tax, duty or other charge with respect to a Base Interest Rate Loan or its obligation to make such Base Interest Rate Loan, or shall change the basis of taxation of payments by Borrower to Bank on such Base Interest Rate Loan or in respect to such Base Interest Rate Loan under this Note (except for changes in the rate of taxation on the overall net income of Bank); or

(ii) shall impose, modify or hold applicable any reserve, special deposit or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances or loans by, or any other acquisition of funds by Bank for any Base Interest Rate Loan (except for any reserve, special deposit or other requirement included in the determination of the Base Rate); or

(iii) shall impose on Bank any other condition directly related to any Base Interest Rate Loan; and the effect of any of the foregoing is to increase the cost to Bank of making, renewing or maintaining a Base Interest Rate Loan beyond any adjustment made by Bank in determining the applicable interest rate for any such Base Interest Rate Loan, or to reduce the amount receivable by Bank hereunder;

then Borrower shall from time to time, upon demand by Bank, pay to Bank additional amounts sufficient to reimburse Bank for such increased costs or reduced amounts. A certificate as to the amount of such increased costs or reduced amounts, submitted to the Borrower by Bank, shall, in the absence of manifest error, be conclusive and binding on Borrower for all purposes.

(d) Capital Adequacy. If Bank shall determine that:

(i) any law, rule or regulation, any interpretation or application thereof by any governmental authority, central bank, comparable agency or other Person charged with the interpretation or administration thereof, any directive, request, assessment guideline or other guideline issued by such authority, bank, agency or Person (whether or not having the force of law) or any change in any of the foregoing which is adopted, issued or becomes effective after the date hereof affects the amount of capital required or expected to be maintained by Bank or any Person controlling Bank (a "Capital Adequacy Requirement"); and

(ii) the amount of capital maintained by Bank or such Person which is attributable to or based upon this Note or the amounts outstanding hereunder must be increased as a result of such Capital Adequacy Requirement (taking into account Bank's or such Person's policies with respect to capital adequacy), Borrower shall pay to Bank or such Person, upon demand of Bank, such amounts as Bank or such Person shall determine are necessary to compensate Bank or such Person for the increased costs to Bank or such Person of such increased capital. A certificate of Bank, setting forth in reasonable detail the computation of any such increased costs, delivered by Bank to Borrower shall, in the absence of manifest error, be conclusive and binding on Borrower for all purposes.

8. DEFINITIONS. As used herein, the following terms shall have the meanings

respectively set forth below: "Amended and Restated Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of February ___, 2003, 2000, by and between Borrower and Bank, as at any time and from time to time amended, supplemented, extended, restated or renewed. "Base Interest Rate" means a rate of interest based on the LIBOR Rate. "Base Interest Rate Loan" means amounts outstanding under this Note that bear interest at a Base Interest Rate. "Base Rate Maturity Date" means the last day of the Interest Period with respect to principal outstanding under a Base Interest Rate Loan. "Business Day" means a day on which Bank is open for business for the funding of corporate loans, and, with respect to the rate of interest based on the LIBOR Rate, on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "Interest Period" means with respect to funds bearing interest at a rate based on the LIBOR Rate, any calendar period of one (1) month, two (2) months, three (3) months, four (4) months, five (5) months, six (6) months, nine (9) months or twelve (12) months. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall end on the next preceding Business Day. "LIBOR Rate" means a per annum rate of interest (rounded upward, if necessary, to the nearest 1/100 of 1%) at which dollar deposits, in immediately available funds and in lawful money of the United States would be offered to Bank, outside of the United States, for a term coinciding with the Interest Period selected by Borrower and for an amount equal to the amount of principal covered by Borrower's interest rate selection, plus Bank's costs, including the cost, if any, of reserve requirements. "LIBOR Rate Margin" shall mean, (i) two and three-quarters percent (2-3/4%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was greater than 2.0 to 1.0, (ii) two and one-half percent (2-1/2%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 2.0 to 1.0 but greater than 1.5 to 1.0, (iii) two percent (2%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 1.5 to 1.0 but greater than 1.0 to 1.0, (iv) one and three-quarters percent (1-3/4%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 1.0 to 1.0 but greater than 0.75 to 1.0 and (v) one and five-eighths percent (1-5/8%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 0.75 to 1.0; provided, however, that (x) if at any time there exists an Event of Default under the Amended and Restated Credit Agreement, or any event which, with notice or the lapse of time, or both, would become an Event of Default under the Amended and Restated Credit Agreement or (y) if Borrower fails to deliver any quarterly or annual Financial Statement to Bank within the required time period set forth in the Amended and Restated Credit Agreement, then the Leverage Ratio shall be deemed to be greater than 2.0 to 1.0 until such Event of Default or unmatured Event of Default is cured or otherwise waived by Bank or such quarterly or annual Financial Statement is delivered to Bank, as the case may be; and provided further, however, that the LIBOR Rate Margin shall never be a negative number. "Obligor" shall mean Borrower and any guarantor, co-maker, endorser, or any Person other than Borrower providing security for this Note under any security agreement, guaranty or other agreement between Bank and such guarantor, co-maker, endorser or Person, including their successors and assigns. "Origination Date" means the first day of the Interest Period. "Reference Rate" means the rate announced by Bank from time to time at its corporate headquarters as its Reference Rate. The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time. "Reference Rate Margin" shall mean (a) one-half of one percent (1/2 of 1%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was thereby was greater than 2.0 to 1.0, (ii) three-eighths of one percent (3/8 of 1%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 2.0 to 1.0 but greater than 1.5 to 1.0, (iii) one-quarter of one percent (1/4 of 1%) per annum, effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 1.5 to 1.0 but greater than 1.0 to 1.0 and (iv) zero percent (0%), effective on the date on which Bank receives a consolidated Financial Statement of Borrower and its Subsidiaries demonstrating that the Leverage Ratio for the fiscal period covered thereby was less than or equal to 1.0 to 1.0; provided, however, that (x) if at any time there exists an Event of Default under the Amended and Restated Credit Agreement, or any event which, with notice or the lapse of time, or both, would become an Event of Default under the Amended and Restated Credit Agreement or (y) if Borrower fails to deliver any quarterly or annual Financial Statement to Bank within the required time period set forth in the Amended and Restated Credit Agreement, then the Leverage Ratio shall be deemed to be greater than 2.0 to 1.0 until such Event of Default or unmatured Event of Default is cured or otherwise waived by Bank or such quarterly or annual Financial Statement is delivered to Bank, as the case may be; and provided further, however, that the Reference Rate Margin shall never be a negative number.

DIODES INCORPORATED

By: /s/ Carl Wertz
Carl Wertz

Chief Financial Officer

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

1. Diodes Taiwan Company, Limited, a corporation organized and existing under the laws of the Republic of China (Taiwan) with principal offices located at 5 Fl., 510-16 Chung-Cheng Road, Hsin-Tien City, Taipei, Taiwan, Republic of China. This subsidiary does business under its own name and is a wholly-owned subsidiary of Diodes Incorporated.

2. Shanghai KaiHong Electronics Co., Ltd., a corporation formed under the laws of the People's Republic of China with principal offices located at No. 1 Chen Chun Road, Xingqiao Town, Songjiang County, Shanghai, People's Republic of China. This subsidiary does business under its own name. This is a 95% majority-owned joint venture and a subsidiary of Diodes Incorporated.

3. FabTech Incorporated, a corporation formed under the laws of Delaware with principal offices located at 777 N. Blue Parkway, Suite 350, Lee's Summit, Missouri 64086-5709. This subsidiary does business under its own name and is a wholly-owned subsidiary of Diodes Incorporated. The registrant acquired this business on December 1, 2000.

4. Diodes-Hong Kong Limited, a corporation formed under the laws of Hong Kong with registered offices located at Unit 618, 6F, Peninsula Centre, No. 67 Mody Road, Tsimshatsui East, Kowloon, Hong Kong. This subsidiary does business under its own name and is a wholly-owned subsidiary of Diodes Incorporated.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Diodes Incorporated and Subsidiaries

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-78716) of Diodes Incorporated and Subsidiaries of our report dated January 27, 2003 appearing in item 8 in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the financial statement schedule, which appears at page 60 of this Form 10-K.

MOSS ADAMS LLP

/s/ Moss Adams LLP
Los Angeles, California
March 26, 2003

Exhibit 99.1

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 Annual Report on Form 10-K for the twelve-month period ended December 31, 2002 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: March 26, 2003

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

Exhibit 99.2

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 Annual Report on Form 10-K for the twelve-month period ended December 31, 2002 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/ Carl Wertz
Carl Wertz
Chief Financial Officer
Date: March 26, 2003

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

Exhibit 99.3

Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes Announces Launch of Comprehensive Line of Pre-biased Transistors o Major expansion of multi-chip product line for targeted, high-volume markets

Westlake Village, California - July 9, 2002 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, primarily to the communications, computing, industrial, consumer electronics and automotive markets, today announced the release of a comprehensive range of single and dual pre-biased transistors. The new devices are NPN and PNP small-signal bipolar transistors with the resistor bias circuitry integrated into the transistor chip.

Diodes' development efforts have been increasingly focused on subminiature arrays targeted for specific applications requiring valuable space savings. The new pre-biased transistors are ideal for a variety of battery-powered applications such as cellular phones, laptop computers, digital cameras, pagers and PDAs where space is at a premium. They are also used extensively in applications such as TFT displays, camcorders, video game consoles and set-top boxes.

"The launch of this all-encompassing series of single and dual pre-biased transistors is another important milestone for our company and significantly enhances our application-specific multi- chip array capabilities," said Mark King, VP of Sales and Marketing at Diodes Incorporated. "These pre-biased transistors are typically high volume items with a broad range of end market applications and they fill a gap in Diodes' product line. This is an important step in our product road map to become the first name that our customers think of for advanced, surface-mount discrete devices and arrays."

Integrating the transistor with the two bias resistors into one compact package offers significant advantages over the more traditional approach of using a bipolar transistor and two separate bias resistors, including reduced PCB real estate, improved logistics and increased reliability.

King continued, "We have essentially tripled the number of chips we are integrating in a single, sub-miniature package, enabling engineers to reduce part count, board space and placement cost."

The new pre-biased 100mA-rated NPN and PNP devices cover the full range of resistor value and ratio combinations and are being made available in four popular surface mount package styles - the SOT523, SOT323, SOT-23 and SC-59 - with 58 individual part numbers available in each of the four packages.

The dual versions are configured as dual NPN, dual PNP or dual complementary pairs and are available in the six pin SOT363 or six pin SOT-26/ SC-74R packages with 42 different part numbers. In addition, Diodes Incorporated has plans to introduce 500mA NPN and PNP pre-biased transistors and mixed NPN/PNP Power Management pre-biased transistors.

Data sheets for a full line of pre-biased transistors including NPN, PNP, complementary pairs and duals can be found at Diodes' website at http://www.diodes.com/products/

For more information, visit http://www.diodes.com or contact Diodes' customer service at 800-446-4874 or email at info@diodes.com.

About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD) is a leading manufacturer and supplier of high-quality discrete semiconductor products, serving the communications, computer, industrial, consumer electronics and automotive markets. The Company operates three Far East subsidiaries, Diodes-China (QS-9000 and ISO-14001 certified) in Shanghai, Diodes-Taiwan (ISO-9000 certified) in Taipei, and Diodes-Hong Kong. Diodes-China's manufacturing focus is on surface-mount devices destined for wireless devices, notebook computers, pagers, PCMCIA cards and modems, among others. Diodes-Taiwan is our Asia-Pacific sales, logistics and distribution center. Diodes-Hong Kong covers sales warehouse and logistics functions. The Company's 5" wafer foundry, Diodes-FabTech (QS-9000 certified), specializes in Schottky products and is located just outside Kansas City, Missouri. The Company's ISO-9000 corporate sales, marketing, engineering and logistics headquarters is located in Southern California. For further information, visit the Company's website at http://www.diodes.com.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, such factors as implementation and market reception to new product announcements, fluctuations in product demand, the introduction of new products, the Company's ability to maintain customer and vendor relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, risks of foreign operations, and other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

Source: Diodes Incorporated
CONTACT: Crocker Coulson, Partner, Coffin Communications Group;
(818) 789-0100 e-mail: crocker.coulson@coffincg.com or Carl Wertz, Chief Financial Officer, Diodes, Inc.; (805) 446-4800 Recent news releases, annual reports, and SEC filings are available at the Company's website: http://www.diodes.com. Written requests may be sent directly to the Company, or they may be e-mailed to: diodes-fin@diodes.com.

# # #

Exhibit 99.4

Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes Incorporated Announces Conference Call, Updates Outlook for 2002 Year End and Q4 Financial Results

Westlake Village, California - January 16, 2003 - Diodes Incorporated (Nasdaq: DIOD) will host a conference call at 8 a.m. PST (11 a.m. EST) on Tuesday, February 4th, 2003 to discuss 2002 fourth-quarter and year-end results.

The Company also announced that it now expects to report a sequential improvement in both net income and earnings per share for the fourth quarter of 2002, as compared to third quarter 2002 results.

Joining C.H. Chen, President and CEO of Diodes Incorporated, will be Carl Wertz, Chief Financial Officer and Mark King, Vice President of Sales and Marketing. The Company plans to distribute its earnings announcement that same day at 6 a.m. PST (9 a.m. EST).

This conference call will be broadcast live over the Internet and can be accessed by all interested parties on the investor section of Diodes' website at www.diodes.com. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes website for 90 days.

About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD) is a leading manufacturer and supplier of high-quality discrete semiconductor products, serving the communications, computer, industrial, consumer electronics and automotive markets. The Company operates three Far East subsidiaries, Diodes-China (QS-9000 and ISO-14001 certified) in Shanghai, Diodes-Taiwan (ISO-9000 certified) in Taipei, and Diodes-Hong Kong. Diodes-China's manufacturing focus is on subminiature surface-mount devices destined for wireless devices, notebook, flat panel display, digital camera, mobile handset, set top box, DC to DC conversion, and automotive applications, among others. Diodes-Taiwan is our Asia-Pacific sales, logistics and distribution center. Diodes-Hong Kong covers sales warehouse and logistics functions. The Company's 5" wafer foundry, Diodes-FabTech (QS-9000 certified), specializes in Schottky products and is located just outside Kansas City, Missouri. The Company's ISO-9000 corporate sales, marketing, engineering and logistics headquarters is located in Southern California. For further information, visit the Company's website at http://www.diodes.com.

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Source: Diodes Incorporated

CONTACT: Crocker Coulson, Partner, Coffin Communications Group; (818) 789-0100 e-mail: crocker.coulson@coffincg.com or Carl Wertz, Chief Financial Officer, Diodes Incorporated; (805) 446-4800 Recent news releases, annual reports, and SEC filings are available at the Company's website: http://www.diodes.com. Written requests may be sent to Investor Relations, Diodes Incorporated, 3050 E. Hillcrest Drive, Westlake Village, CA 91362, or they may be e-mailed to: diodes-fin@diodes.com.

# # #

Exhibit 99.5

Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes Incorporated Reports Fourth Quarter and Year-end 2002 Financial Results o 2002 revenue increases 24.3% to $115.8 million o 2002 net income rises to $5.8 million, or $0.65 per diluted share

Westlake Village, California, February 4, 2003 - Diodes Incorporated (Nasdaq: DIOD), a leading manufacturer and supplier of high quality discrete semiconductors, today reported financial results for the fourth quarter and year ended December 31, 2002.

Diodes 2002 Highlights:
>> Revenue increases 24.3% from FY 2001 and 12.7% from Q4 2001 >> Gross margin percentage improves 780 basis points to 23% for 2002
>> Net income of $5.8 million, or $0.65 per diluted share, up from $124,000, or $0.01 per diluted share last year >> Generated over $19 million in cash flow from operations >> Debt reduced by $14.5 million, while unused credit facilities exceeded $30 million

Revenues for the fourth quarter were $28.7 million, a 12.7% increase from fourth quarter 2001 revenues of $25.4 million, but a 5% sequential decrease from third quarter 2002 revenues. Fourth quarter net income increased to $2.3 million, as compared to a loss of $76,000 for the same period last year and net income of $1.8 million for the third quarter of 2002. Diluted earnings per share increased to $0.25 for the fourth quarter as compared to a loss of $0.01 for the same quarter last year and $0.20 in the third quarter of 2002.

Total revenues for the year 2002 increased 24.3% to $115.8 million from $93.2 million for the year 2001. Net income for year 2002 was $5.8 million, or $0.65 per diluted share, as compared to $124,000, or $0.01 per diluted share, for year 2001.

C.H. Chen, President and CEO of Diodes Incorporated said, "We are pleased to report a year of superior performance in 2002, with strong revenue growth, meaningful improvements in profitability and significant cash flow generation. In what continues to be a challenging market for semiconductors, we achieved our 12th consecutive year of profitability and we again continued to outperform the industry. For the year, income from operations increased to $8.8 million due to the success of our new, higher-margin discrete products, expanding market penetration, and tight cost discipline."

"In the coming years, Diodes, Inc. will continue to focus on positioning the Company as an innovator and performance leader in discrete technologies and on capturing emerging market opportunities. We plan to continue to expand our customer base and establish a stronger foothold in the growing Far East marketplace. We will continue to introduce new, higher-margin, differentiated products and look to expand our product offerings into adjacent technologies to increase revenue and profitability."

Diodes' revenue growth was driven by the Far East market, where a combination of increased demand from the consumer electronics sector and better sales and management capabilities throughout the region helped to boost unit sales. In 2002, the Far East market accounted for 48% of the Company's total sales, up from 45% in 2001.

Total unit sales grew 25% in 2002 as demand for semiconductor products improved. However, sequentially for the fourth quarter, unit sales increased a modest 4% and the Company experienced some pricing pressure. Average selling prices (ASPs) in the fourth quarter for core discrete products decreased 3% sequentially and 4% from the same quarter last year, while ASPs decreased 8% for the year.

New products accounted for a record 9% of sales in the fourth quarter, up from 5% a year ago. New products combined with increased capacity utilization at both our China and North America manufacturing facilities led to year-over-year margin improvements. For the fourth quarter, the Company's gross profit margin was 25.3%, compared to 14.1% in the same period last year. For year 2002, Diodes gross profit margin was 23.0%, up from 15.2% in year 2001.

Despite a major expansion of Diodes' sales organization, particularly in Asia, during 2002, SG&A expenses were reduced as a percentage of sales to $16.3 million, or 14.1% of sales, as compared to $13.7 million, or 14.7% of sales in 2001 due to continued expense controls. For the quarter, SG&A represented 13.4% of sales, as compared to 14.5% of sales in the comparable quarter last year.

Research and development spending increased to $1.5 million for the year ended December 31, 2002, as compared to $592,000 in 2001, as the Company continues to invest in developing leading next-generation products.

With the SBM1040 Schottky Barrier Rectifier, the Company launched the groundbreaking POWERMITE(R)3 series, the first of many new product lines introduced in 2002. With its compact profile and significant performance advantages, the SBM1040 is ideal for the escalating mobile device market that depends on compact, energy-efficient devices. Another launch in 2002 was the UDZ series, the first of the next-generation discrete technology breakthroughs from Diodes-FabTech, and the first to capitalize on the Company's innovative new high-precision zener diode process for developing sub-miniature SOT and SOD surface-mount packages.

"Building a product development platform was one of the primary drivers of our acquisition of FabTech at the end of 2000," commented Mr. Chen. "In the past two years, we have seen that strategy pay off in a stream of innovative devices and proprietary technology that delivers greater value to our customers and provides higher margins for Diodes. In 2002, we introduced a record number of products and this momentum continues to build as we strengthen our pipeline of new products for niche and high-volume end markets."

Diodes continued to improve its financial position, generating positive operating cash flow of over $19 million in 2002, while paying down $11 million in long-term debt and $3.5 million on its revolving credit facilities. At December 31, 2002, the Company had $7.3 million in cash and cash equivalents, $18.5 million in long-term debt, and $57.7 million in shareholders' equity.

Mr. Chen concluded, "We have worked hard to deliver value to our customers and shareholders and are pleased with the progress made in 2002. During the year, we made major strides on our strategic goal of repositioning Diodes from a commodity player into an emerging technology leader for discrete devices. We expanded our geographic reach and market penetration, improved our profitability and rebuilt and strengthened our balance sheet. We have also demonstrated our ability to acquire and integrate a complementary business, enhancing both our near-term profitability and long-term growth strategy."

"While we expect 2003 will continue to provide challenges and opportunities, we think that we are well-positioned to continue to outperform the industry and to establish Diodes as the company our customers turn to for discrete semiconductor devices. Over the course of 2003 we expect Diodes' revenue and net income will continue to improve. Despite the uneven pace of the semiconductor industry recovery, we are projecting that first quarter 2003 revenues will be in line or show modest improvement as compared to fourth quarter 2002."

Conference Call

Diodes Incorporated will hold its fourth quarter conference call for all interested persons at 8 a.m. PST (11 a.m. EST) today to discuss its results. This conference call will be broadcast live over the Internet and can be accessed by all interested parties on the investor section of Diodes' website at www.diodes.com. To listen to the live call, please go to the Investor section of Diodes website and click on the Conference Call link at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes website for 90 days.

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Source: Diodes Incorporated

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CONSOLIDATED CONDENSED INCOME STATEMENT and BALANCE SHEET FOLLOWS

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

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2002	Twelve Months Ended December 31, 2001	Twelve Months Ended December 31, 2002
Net sales	$ 25,434,000	$ 28,671,000	$ 93,210,000	$ 115,828,000
Cost of goods sold	21,839,000	21,411,000	79,031,000	89,218,000
Gross profit	3,595,000	7,260,000	14,179,000	26,610,000
Research and development expenses	142,000	241,000	592,000	1,472,000
Selling, general and administrative expenses	3,679,000	3,852,000	13,712,000	16,300,000
Total operating expenses	3,821,000	4,093,000	14,304,000	17,772,000
Income from operations	(226,000)	3,167,000	(125,000)	8,838,000

Other income (expense)				
Interest income	10,000	7,000	59,000	38,000
Interest expense	(404,000)	(295,000)	(2,133,000)	(1,221,000)
Other	276,000	264,000	778,000	196,000
	(118,000)	(24,000)	(1,296,000)	(987,000)
Income (loss) before income taxes and minority interest	(344,000)	3,143,000	(1,421,000)	7,851,000
Income tax benefit (provision)	318,000	(780,000)	1,769,000	(1,729,000)
Income (loss) before minority interest	(26,000)	2,363,000	348,000	6,122,000
Minority interest in joint venture earnings	(50,000)	(101,000)	(224,000)	(320,000)
Net income (loss)	$ (76,000)	$ 2,262,000	$ 124,000	$ 5,802,000
Earnings (loss) per share				
Basic	$ (0.01)	$ 0.28	$ 0.02	$ 0.71
Diluted	$ (0.01)	$ 0.25	$ 0.01	$ 0.65
Weighted average shares outstanding				
Basic	8,149,426	8,206,636	8,144,090	8,184,599
Diluted	8,620,762	8,970,672	8,880,603	8,864,993

Net sales and cost of goods sold for the three- and twelve-months ended December 31, 2001 have been reclassified to conform to the 2002 financial statement presentation. Gross profit and net income were unaffected.

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
ASSETS

	December 31, 2001	December 31, 2002
		(Unaudited)
CURRENT ASSETS		
Cash and cash equivalents	$ 8,103,000	$ 7,284,000
Accounts receivable		
Customers	16,250,000	19,159,000
Related parties	1,486,000	3,382,000
	17,736,000	22,541,000
Less: Allowance for doubtful receivables	343,000	353,000
	17,393,000	22,188,000
Inventories	17,813,000	15,711,000
Deferred income taxes, current	4,368,000	4,375,000
Prepaid expenses, income taxes and other current assets	1,266,000	2,132,000
Total current assets	48,943,000	51,690,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	44,925,000	44,693,000
DEFERRED INCOME TAXES, non-current	3,672,000	2,450,000
OTHER ASSETS		
Goodwill	5,090,000	5,090,000
Other	628,000	1,084,000
TOTAL ASSETS	$ 103,258,000	$ 105,007,000

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, 2001	December 31, 2002
		(Unaudited)
CURRENT LIABILITIES		
Line of credit	$ 6,503,000	$ 3,025,000
Accounts payable		
Trade	6,098,000	8,802,000
Related parties	3,149,000	3,050,000
Accrued liabilities	5,062,000	9,203,000
Current portion of long-term debt		
Related party	2,500,000	2,500,000
Other	5,833,000	3,368,000
Current portion of capital lease obligations	--	157,000
Total current liabilities	29,145,000	30,105,000
LONG-TERM DEBT, net of current portion		
Related party	7,500,000	6,875,000
Other	13,664,000	5,708,000
CAPITAL LEASE OBLIGATIONS, net of current portion	--	2,495,000
MINORITY INTEREST IN JOINT VENTURE	1,825,000	2,145,000
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; 9,227,664 and 9,292,764 shares issued at December 31, 2001 and December 31, 2002, respectively	6,151,000	6,195,000
Additional paid-in capital	7,310,000	8,060,000
Retained earnings	39,882,000	45,684,000
	53,343,000	59,939,000
Less:		
Treasury stock - 1,075,672 shares of common stock, at cost	1,782,000	1,782,000
Accumulated other comprehensive loss	437,000	478,000
	2,219,000	2,260,000
Total stockholders' equity	51,124,000	57,679,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 103,258,000	$ 105,007,000

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

# # #

Exhibit 99.6

Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes Incorporated Introduces Line of Thyristor Surge Protective Devices
High-level surge protection for communications equipment and superior protection against hazardous electrical environments

Westlake Village, California - December 17, 2002 - Diodes Incorporated, (Nasdaq: DIOD) a leading manufacturer and supplier of high-quality discrete semiconductors, today announced the release of a comprehensive line of Thyristor Surge Protective Devices (TSPDs) in SMB surface mount packages.

With their fast-switching capabilities and high reliability, the new line of devices offers surge protection against hazardous transient voltages caused by lightning strikes and power cross events for widely used data transmission and telecom equipment, such as modems and Internet hardware.

Commonly used across communication lines, Diodes' TSPDs offer superior circuit protection for a wide range of communications equipment, including modems, telephones and answering systems, adjunct boxes, PBXs, and station protection as well as USB, T1, ISDN and DSL transmission equipment, and central office exchange line cards. The devices are also well suited to provide the protection needs of high volume consumer applications such as game boxes and set top boxes.

"This new series is a valuable addition to Diodes' product line that has applications across many of our core end equipment categories," said Mark King, Vice President of Sales and Marketing at Diodes Incorporated. "Such advanced electronic equipment is highly susceptible to electromagnetic disturbances caused by lightning strikes and high-voltage power line interference. Diodes' new TSPDs are designed to prevent such events from causing over-voltage damage to sensitive circuits. This illustrates Diodes' commitment to support our customers with a broad line of devices that offer superior performance at very competitive price points."

"We've been sampling many customers, and already have a win on a reference design for a high-volume modem chip," comments King.

Complying with the industry-standard nonrepetitive peak pulse current ratings, 30, 50, and 100 Amps for 10 X 1000 microsecond waveforms, Diodes' discrete thyristor semiconductor components are designed for modulating the flow of electrical currents and for limiting voltages.

In standby mode, the surge protection devices exhibit high off-state impedance, making them appear virtually transparent to the circuits they protect. Upon application of a voltage exceeding the breakover voltage, the TSPDs switch from high off-state impedance to low on-state impedance thus allowing the excess surge current to be directed away from sensitive circuits. In a Tip and Ring circuit during a transient event, the TSPD creates a short across tip and ring until the transient current is either interrupted or drops below the holding current, at which time the component will automatically reset.

Employing crowbar switching action and solid-state thyristor technology, these components cannot be damaged by voltage, provide effective protection within nanoseconds, and eliminate voltage overshoot caused by fast-rising transients. The TSPDs are designed to withstand surge currents up to 100A, eliminate hysteresis and heat dissipation common with other clamping technologies, and have minimal capacitance. This lower capacitance minimizes signal degradation for high-speed data lines.

The TSPD series consists of:
o TB0640L - TB3500L, a 30A bidirectional device o TB0640M - TB3500M, a 50A bidirectional device o TB0640H - TB3500H, a 100A bidirectional device

For more information, visit http://www.diodes.com or contact Diodes' customer service at 800-446-4800 or email at info@diodes.com.

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Exhibit 99.7

Diodes Incorporated

FOR IMMEDIATE RELEASE

Diodes Incorporated Recognized as Supplier of the Year by Honeywell's System Sensor Division

Westlake Village, California - February 18, 2003 - Diodes Incorporated (Nasdaq: DIOD) a leading manufacturer and supplier of high-quality discrete semiconductors, announced that it has been recognized as System Sensor's Supplier of the Year.

For the past seven years, System Sensor, a division of Honeywell, Inc. and a global manufacturer of fire detection and notification devices, has granted the award to encourage supplier improvements and provide recognition. For 2002, Diodes received the highest rating of System Sensor's suppliers based on four key measurements: quality, on-time delivery, supplier inventory turns and service.

Diodes Incorporated provides System Sensor with a variety of discrete semiconductor products, primarily through a consignment program in North America. The Company also supplies devices to System Sensor through a direct sales program in Asia.

Rhea Van Blake, Global Commodity Manager - Semiconductors, Honeywell Automation & Control Solutions commented, "System Sensor is committed to providing the highest quality products along with superior service and support. We recognize the importance of aligning ourselves with suppliers who share these values and feel that it is important to recognize those suppliers who have achieved our highest ratings for quality, on-time delivery, supplier inventory turns, and service. We are pleased to recognize Diodes Incorporated as supplier of the year for 2002.

"We are gratified to receive this recognition from System Sensor," said Mark King, Vice President of Sales and Marketing at Diodes Incorporated. "This award is a validation of our strategy and commitment to deliver high quality, innovative products with the highest levels of service. Our vendor managed inventory programs have enabled us to help customers realize their goals of lower transaction cost, high inventory turnover, and consistent supply. System Sensor was one of the first to recognize the benefits of a consigned inventory program and worked with us to develop this very successful model."

"These programs combined with Diodes, Inc.'s extensive geographic reach enables us to achieve shorter lead times on orders, as well as better service and support to our customers. We look forward to expanding our relationship with System Sensor and are working toward implementation of our successful consignment program in both Europe and Asia."

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Source: Diodes Incorporated

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