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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

Or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________ to __________ .

Commission file number: 002-25577

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

Delaware (State or other jurisdiction of incorporation or organization)	**95-2039518** (I.R.S. Employer Identification Number)
15660 North Dallas Parkway Suite 850 **Dallas, Texas** (Address of principal executive offices)	**75248** (Zip code)

(972) 385-2810
(Registrant's telephone number, including area code)

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

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

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

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

The number of shares of the registrant's Common Stock outstanding as of May 8, 2008 was 40,581,783

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PART I — FINANCIAL INFORMATION

Item 1 — Financial Statements

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS

	December 31, 2007	March 31, 2008 (unaudited)
CURRENT ASSETS		
Cash and cash equivalents	$ 56,179	**$ 61,243**
Short-term investments	323,472	**-**
Total cash and short-term investments	379,651	**61,243**
Accounts receivable		
Trade customers	84,638	**83,478**
Related parties	5,405	**4,528**
	90,043	**88,006**
Allowance for doubtful accounts	(465)	**(549)**
Accounts receivable, net of allowances	89,578	**87,457**
Inventories	53,031	**62,162**
Deferred income taxes, current	5,173	**5,968**
Prepaid expenses and other	10,576	**12,740**
Total current assets	538,009	**229,570**
LONG-TERM INVESTMENT, available-for-sale securities	—	**302,627**
PROPERTY, PLANT AND EQUIPMENT, net	123,407	**129,834**
DEFERRED INCOME TAXES, non-current	3,241	**9,819**
OTHER ASSETS		
Intangible assets, net	9,643	**9,569**
Goodwill	25,135	**26,474**
Other	6,930	**7,550**
Total assets	$ 706,365	**$ 715,443**

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

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY
(In thousands, except share data)

	December 31, 2007	March 31, 2008 (unaudited)
CURRENT LIABILITIES		
Line of credit	$ —	**$ 2,434**
Accounts payable		
Trade	42,010	**39,032**
Related parties	13,135	**12,701**
Accrued liabilities	27,841	**26,017**
Income tax payable	1,732	**3,346**
Current portion of long-term debt	1,345	**1,363**
Current portion of capital lease obligations	145	**146**
Total current liabilities	86,208	**85,039**
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	230,000	**230,000**
Other	5,815	**5,753**
CAPITAL LEASE OBLIGATIONS, net of current portion	1,331	**1,278**
OTHER LONG-TERM LIABILITIES	6,249	**7,156**
Total liabilities	329,603	**329,226**
MINORITY INTEREST IN JOINT VENTURES	7,164	**7,772**
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY		
Preferred stock — par value $1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	**—**
Common stock — par value $0.66 2/3 per share; 70,000,000 shares authorized; 40,172,491 and 40,322,547 issued and outstanding at December 31, 2007 and March 31, 2008, respectively	26,782	**26,882**
Additional paid-in capital	121,412	**124,391**
Retained earnings	220,504	**234,706**
Accumulated other comprehensive gain (loss)	900	**(7,534)**
Total stockholders' equity	369,598	**378,445**
Total liabilities and stockholders' equity	$ 706,365	**$ 715,443**

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

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
NET SALES	$ 92,020	**$ 95,580**
COST OF GOODS SOLD	62,496	**63,664**
Gross profit	29,524	**31,916**
OPERATING EXPENSES		
Selling, general and administrative	12,679	**14,659**
Research and development	2,944	**3,736**
Gain on disposal of fixed assets	—	**(45)**
Total operating expenses	15,623	**18,350**
Income from operations	13,901	**13,566**
OTHER INCOME (EXPENSES)		
Interest income	4,035	**5,448**
Interest expense	(1,725)	**(1,698)**
Other	(129)	**(294)**
Total other income	2,181	**3,456**
Income before income taxes and minority interest	16,082	**17,022**
INCOME TAX PROVISION	(2,658)	**(2,215)**
Income before minority interest	13,424	**14,807**
Minority interest in earnings of joint ventures	(415)	**(604)**
NET INCOME	$ 13,009	**$ 14,203**
EARNINGS PER SHARE		
Basic	$ 0.33	**$ 0.35**
Diluted	$ 0.31	**$ 0.33**
Number of shares used in computation		
Basic	39,041	**40,245**
Diluted	41,776	**42,534**

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

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 13,009	**$ 14,203**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,763	**7,444**
Amortization of acquired intangibles	209	**212**
Amortization of convertible bond issuance costs	319	**311**
Minority interest earnings	415	**608**
Share-based compensation	2,429	**2,550**
Gain on disposal of property, plant and equipment	—	**(37)**
Changes in operating assets:		
Accounts receivable	(4,716)	**3,573**
Inventories	(619)	**(8,031)**
Prepaid expenses and other current assets	(67)	**(3,012)**
Deferred income taxes	(598)	**(732)**
Changes in operating liabilities:		
Accounts payable	(5,543)	**(4,220)**
Accrued liabilities	(4,982)	**(5,377)**
Other liabilities	1,877	**907**
Income taxes payable	137	**1,497**
Net cash provided by operating activities	$ 7,633	**$ 9,896**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	$ (12,906)	**$ (10,001)**
Sales (purchases) of available-for-sale securities	(3,771)	**2,747**
Proceeds from sale of property, plant and equipment	529	**45**
Net cash used by investing activities	$ (16,148)	**$ (7,209)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit, net	$ —	**$ 2,382**
Net proceeds from issuance of common stock	844	**528**
Repayments of long-term debt	(706)	**(341)**
Repayments of capital lease obligations	(50)	**(52)**
Net cash provided by financing activities	$ 88	**$ 2,517**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	77	**(140)**
INCREASE (DECREASE) IN CASH	(8,350)	**5,064**
CASH AND CASH EQUIVALENTS, beginning of period	48,888	**56,179**
CASH AND CASH EQUIVALENTS, end of period	$ 40,538	**$ 61,243**

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

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
Cash paid during the year for:		
Interest	$ 2,517	**$ 2,672**
Income taxes	$ 1,147	**$ 1,520**
Non-cash activities:		
Increase (decrease) in accounts payable for property, plant and equipment purchases	$ (531)	**$ 3,343**
Liabilities for unrecognized tax benefits recorded as cumulative effect adjustment to stockholders' equity	$ 1,955	**$ —**

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

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

NOTE A — Basis of Presentation and New Accounting Standards

Unless the context otherwise requires, the words “Diodes,” “the Company,” “we,” “us” and “our” refer to Diodes Incorporated and its subsidiaries. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S.”) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the U.S. for complete financial statements. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2007. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. The condensed consolidated financial data at December 31, 2007 is derived from audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

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

During 2007, we undertook an internal restructuring whereby our foreign subsidiaries were placed under our newly formed, wholly owned Netherlands holding company, Diodes-International. In addition, Diodes-China and Diodes-Shanghai were placed under Diodes Hong Kong Holding Company, Ltd., a newly formed, wholly owned subsidiary of Diodes-International. The primary purpose of this internal restructuring was for treasury management and tax planning functions.

The consolidated financial statements include the parent company, Diodes Incorporated, and the following:

<u>Holding companies</u>	
Diodes International B.V. (“Diodes-International”)	100% owned (2007)
Diodes Hong Kong Holding Company, Ltd.	100% owned (2007)
<u>Subsidiaries</u>	
Diodes Taiwan Corporation, Ltd. (“Diodes-Taiwan”)	100% owned
Diodes Hong Kong Ltd. (“Diodes-Hong Kong”)	100% owned
Anachip Corporation (“Anachip” or “Diodes-Anachip”)	99.81% owned
Shanghai KaiHong Electronic Co., Ltd. (“Diodes-China”)	95% owned
Shanghai KaiHong Technology Co., Ltd. (“Diodes-Shanghai”)	95% owned
FabTech Incorporated (“FabTech” or “Diodes-FabTech”)	100% owned
Diodes United Kingdom, Ltd.	100% owned (2007)
Diodes Korea Incorporated	100% owned (2007)
Diodes Germany GmbH	100% owned (2007)
Diodes France SARL	100% owned (2008)

All significant intercompany balances and transactions have been eliminated.

Reclassification

Certain prior year’s balances have been reclassified to conform to the current financial statement presentation. These reclassifications had no impact on previously reported net income or stockholders’ equity.

Recently Issued Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities — an Amendment of SFAS No. 133” (“SFAS 161”). SFAS 161 requires that objectives for using derivatives instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of adopting this pronouncement.

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations,” (“SFAS 141R”) which changes how business acquisitions are accounted. SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Among the more significant changes in the accounting for acquisitions are the following: i) Transaction costs will generally be expensed. Certain such costs are presently treated as costs of the acquisition; ii) In-process research and development (IPR&D) will be accounted for as an asset, with the cost recognized as the research and development is realized or abandoned. IPR&D is presently expensed at the time of the acquisition; iii) Contingencies, including contingent consideration, will generally be recorded at fair value with subsequent adjustments recognized in operations. Contingent consideration is presently accounted for as an adjustment of purchase price; and iv) Decreases in valuation allowances on acquired deferred tax assets will be recognized in operations. Such changes previously were considered to be subsequent changes in consideration and were recorded as adjustments to goodwill. SFAS 141R is effective for business combinations and adjustments to an acquired entity’s deferred tax asset and liability balances occurring after December 31, 2008. The Company is currently evaluating the future impacts and required disclosures of this standard.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51,” (“SFAS 160”) which establishes new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability; that increases and decrease in the parent’s ownership interest, that leave control intact, be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also requires changes to certain presentation and disclosure requirements. SFAS 160 is effective beginning January 1, 2009. The provisions of the standard are to be applied to all NCIs prospectively, except for the presentation and disclosure requirements, which are to be applied retrospectively to all periods presented. After adoption, noncontrolling interests ($4.8 million and $7.2 million at December 31, 2006 and 2007, respectively) will be classified as stockholders’ equity, a change from its current classification between liabilities and stockholders’ equity. The Company is currently evaluating the future impacts and required disclosures of this standard.

In December 2007, the FASB ratified the EITF consensus on EITF Issue No. 07-1, “Accounting for Collaborative Arrangements” that discusses how parties to a collaborative arrangement (which does not establish a legal entity within such arrangement) should account for various activities. The consensus indicates that costs incurred and revenues generated from transactions with third parties (i.e., parties outside of the collaborative arrangement) should be reported by the collaborators on the respective line items in their income statements pursuant to EITF Issue No. 99-19, “Reporting Revenue Gross as a Principal Versus Net as an Agent.” Additionally, the consensus provides that income statement characterization of payments between the participants in a collaborative arrangement should be based upon existing authoritative pronouncements; analogy to such pronouncements if not within their scope; or a reasonable, rational, and consistently applied accounting policy election. EITF Issue No. 07-1 is effective for the Company beginning January 1, 2009 and is to be applied retrospectively to all periods presented for collaborative arrangements existing as of the date of adoption. The Company is currently evaluating the impacts and disclosures of this standard.

In June 2007, the FASB's EITF reached a consensus on EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" that would require nonrefundable advance payments made by the Company for future R&D activities to be capitalized and recognized as an expense as the goods or services are received by the Company. EITF Issue No. 07-3 is effective for the Company with respect to new arrangements entered into beginning January 1, 2008. The Company is currently evaluating the impacts and disclosures of this standard.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" ("SFAS 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on these instruments in earnings. SFAS 159 is effective as of January 1, 2008. At the effective date, an entity may elect the fair value option for eligible items that exist at that date. The entity shall report the effect of the first re-measurement to fair value as a cumulative-effect adjustment to the opening balance of retained earnings. The Company has not elected the fair value option for eligible items that existed as of January 1, 2008.

In September 2006, FASB issued SFAS 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 became effective beginning January 1, 2008 and did not have a material effect on the Company's financial position, results of operations or cash flows. In February 2008, FASB Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157," was issued that delayed the application of SFAS 157 for non-financial assets and non-financial liabilities, until January 1, 2009 (see Note D).

NOTE B — Functional Currencies, Comprehensive Gain/Loss and Foreign Currency Translation

Functional Currencies and Translation - Through our subsidiaries, we maintain foreign operations in Taiwan, Hong Kong and China. We believe the New Taiwan ("NT") dollar as the functional currency at Diodes-Taiwan and Diodes-Anachip most appropriately reflects the current economic facts and circumstances of the operations. Assets and liabilities recorded in NT dollar are translated at the exchange rate on the balance sheet date. Income and expense accounts are translated at the average monthly exchange rate during the year. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss.

We use the U.S. dollar as the functional currency in all other foreign subsidiaries, 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, we will periodically assess our position with respect to the functional currency of our foreign subsidiaries. Included in net income are foreign currency exchange losses of approximately $0.3 million and $0.5 million for the quarter ended March 31, 2007 and 2008, respectively.

Comprehensive Gain/Loss — 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 separate components of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income or loss. The components of other comprehensive income or loss include foreign currency translation adjustments and unrealized holding losses for available-for-sale securities. Accumulated other comprehensive gain was $0.9 million at December 31, 2007 and accumulated other comprehensive loss was $7.5 million at March 31, 2008, respectively. The $8.4 million change in other comprehensive loss was primarily a result of an $11.5 million, net of tax, unrealized loss of available-for-sale securities (see Note E) during the first quarter of 2008, partially offset by a $3.1 million currency translation gain.

Total comprehensive income for the three months ended March 31, 2007 and 2008 was as follows *(in thousands)*:

Total Comprehensive Income

	Three Months Ended March 31,	
	2007	**2008**
Net income	$ 13,009	**$ 14,203**
Translation adjustment	(446)	**3,059**
Unrealized loss for available-for-sale securities	—	**(11,493)**
Comprehensive income	$ 12,563	**$ 5,769**

NOTE C — Earnings Per Share

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

	Three Months Ended March 31,	
	2007	**2008**
BASIC		
Weighted average number of common shares outstanding used in computing basic earnings per share	39,041	**40,245**
Net income	$ 13,009	**$ 14,203**
Earnings per share	$ 0.33	**$ 0.35**
DILUTED		
Weighted average number of common shares outstanding used in computing basic earnings per share	39,041	**40,245**
Add: Assumed exercise of stock options and stock awards	2,735	**2,289**
	41,776	**42,534**
Net income	$ 13,009	**$ 14,203**
Earnings per share	$ 0.31	**$ 0.33**

Earnings per share are based upon the weighted average number of shares of Common Stock and common stock equivalents outstanding, including those related to share-based compensation and convertible notes. Earnings per share are computed using the "treasury stock method" under FASB Statement No. 128. The convertible notes include a net share settlement feature which requires us to redeem the par amount of the bond in cash and any remaining value, assuming the bond is in the money, in incremental shares, cash or a combination thereof. The net share settled convertible as structured is defined in EITF 90-19, instrument C, which allows us to use the treasury stock method of calculating the diluted earnings per share. The incremental value of the shares is determined based on the average price of our Common Stock over the reporting period. There are no shares in the earnings per share calculation related to the convertible notes outstanding as our average stock price did not exceed the conversion price and, therefore, there is no conversion spread.

NOTE D — Fair Value Measurements

As stated in "Note A — Basis of Presentation and New Accounting Standards", on January 1, 2008, we adopted the methods of fair value as described in SFAS 157 to value the financial assets and liabilities. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

SFAS 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs — Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs — Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

Historically, the fair value of auction rate securities ("ARS") has approximated par value due to the frequent resets through the auction process. While we continue to earn interest on investments at the maximum contractual rate, these investments are not currently trading and therefore do not currently have a readily determinable market value. Accordingly, the estimated fair value of the auction rate securities no longer approximates par value.

Due to a lack of observable market quotes on our $320.7 million ARS portfolio, we utilized a valuation model that relies exclusively on Level 3 inputs including those that are based on the expected cash flow streams, the underlying financial condition and credit quality of the issuer and bond insurer, the percent of the Federal Family Education Loan Program ("FFELP") guaranty, and the maturity of the securities, as well as the market activity of similar securities. The valuation of our ARS investment portfolio is subject to uncertainties that are difficult to predict and the future actual market prices may differ materially (see Note E — Short-term and Long-term Investments).

Financial assets and liabilities carried at fair value as of March 31, 2008 are classified in the following table *(in thousands)*:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	**Total at March 31, 2008**
Available-for-sale securities	—	—	$ 302,627	**$ 302,627**
Total	$ —	$ —	$ 302,627	**$ 302,627**

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended March 31, 2008 *(in thousands)*:

	Available-for-sale securities
Beginning balance as of January 1, 2008	$ 320,700
Total gains or losses (unrealized)	
Included in other comprehensive loss	(18,098)
Purchases, issuances, and settlements	25
Ending balance as of March 31, 2008	**$ 302,627**

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a non-recurring basis were not significant at March 31, 2008.

Certain non-financial assets and non-financial liabilities measured at fair value on a recurring and non-recurring basis include goodwill, other intangible assets and other non-financial long-lived assets. As stated above, SFAS 157 will be applicable to these fair value measurements beginning January 1, 2009.

NOTE E — Short-term and Long-term Investments

Short-term and long-term investments at March 31, 2008 and December 31, 2007, were as follows: *(in thousands)*

As of March 31, 2008	Cost Basis	Unrealized Gains	Unrealized Losses	Recorded Basis
Long-term investments:				
Available-for-sale investment in auction rate securities	$ 320,725	$ —	$ (18,098)	**$ 302,627**
Total long-term investments	$ 320,725	$ —	$ (18,098)	**$ 302,627**

As of December 31, 2007	Cost Basis	Unrealized Gains	Unrealized Losses	Recorded Basis
Short-term investments:				
Available-for-sale investment in auction rate securities	$ 320,700	$ —	$ —	$ 320,700
Money market mutual funds	2,772	—	—	2,772
Total short-term investments	$ 323,472	$ —	$ —	$ 323,472

As of March 31, 2008, we had $320.7 million invested in ARS, which are generally long-term debt instruments that provided liquidity through a Dutch auction process that reset the applicable interest rate at pre-determined calendar intervals. These mechanisms generally allowed existing investors to roll over their holdings and continue to own the respective securities or liquidate their holdings by selling their securities at par value.

We generally invested in ARS for short periods of time as part of our cash management program. However, the recent uncertainties in the credit markets have prevented us and other investors from liquidating holdings of ARS in recent auctions because the amount of securities submitted for sale has exceeded the amount of purchase orders, resulting in our continuing to hold these securities. Based on current market conditions, if a secondary market does not develop, it is likely that auctions related to more of these securities will continue to be unsuccessful. Unsuccessful auctions will result in our holding securities beyond their next scheduled auction reset dates, thereby limiting the liquidity of these investments.

Our ARS are primarily in student loan association bonds. None of our investments are collateralized mortgage obligations or are any other type of mortgage- or real estate-backed security.

As of March 31, 2008, approximately 85.7%, or $274.8 million, of the $320.7 million par value ARS are collateralized by higher education funded student loans that are supported by the federal government as part of FFELP. The following table shows a natural grouping of the FFELP guaranteed securities, as well as the percentage of the ARS portfolio guaranteed by FFELP (in thousands).

% of FFELP guaranty	**Par Value**	**% of Total**
Greater than 99.0%	$195,000	60.8%
Between 81.1% and 82.1%	$ 86,825	27.1%
50.5%	$ 17,000	5.3%
10.0%	$ 3,900	1.2%
non-FFELP guaranteed	$ 18,000	5.6%
Total	**$320,725**	**100.0%**

As of March 31, 2008, our portfolio of ARS was valued using a valuation model that relies exclusively on Level 3 inputs. The valuation resulted in the ARS being discounted by a range of 4.3% to 12.8% of par value. The resulting discount of the total ARS portfolio was 5.6% of par value, or $18.1 million pre-tax unrealized loss (see Note D).

We currently have the ability and intent to hold these ARS investments until a recovery of the auction process or until maturity. Because of the inability to determine when our investments in ARS would settle, as of March 31, 2008, we reclassified the entire ARS balance from short-term investments to long-term investment, available-for-sale securities on our consolidated balance sheet.

Although we are uncertain as to when the liquidity issues relating to these investments will improve, we consider these issues to be only temporary, and thus reduced the carrying value of the ARS to $302.6 million by recording a $11.5 million unrealized loss (net of $6.6 million tax effect) in other comprehensive loss.

It is possible that further declines in ARS fair value may occur. We continue to monitor the market for ARS and consider its impact (if any) on the fair market value of the investments. If the current market conditions deteriorate further, we may be required to record additional unrealized losses in other comprehensive income or record impairment charges to the income statement.

NOTE F — Inventories

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

	December 31, 2007	**March 31, 2008**
Finished goods	$ 21,245	**$ 25,179**
Work-in-progress	11,868	**13,482**
Raw materials	19,918	**23,501**
	$ 53,031	**$ 62,162**

NOTE G — Goodwill and Other Intangible Assets

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

	2007				2008			
	Balance, January 1	Acquisitions/ purchase accounting adjustments	Currency exchange and other	Balance, December 31	Balance, January 1	Acquisitions/ purchase accounting adjustments	Currency exchange and other	**Balance, March 31**
Diodes-China	$ 881	$—	$ —	$ 881	$ 881	$—	$ —	**$ 881**
Diodes-FabTech	4,209	—	—	4,209	4,209	—	—	**4,209**
Diodes-Anachip	19,940	—	105	20,045	20,045	—	1,339	**21,384**
Total	$25,030	$—	$105	$25,135	$25,135	$—	$1,339	**$26,474**

Intangible assets subject to amortization at March 31, 2008 are *(in thousands):*

	As of March 31, 2008				
Amortized Intangible Assets	Useful life	Gross Carrying Amount	Accumulated Amortization	Currency exchange and other	**Net**
APD:					
Patents	15 years	$ 8,569	$ (779)	$(167)	**$7,623**
Anachip:					
Patents and trademarks	3-10 years	2,430	(557)	73	**1,946**
Total:		$10,999	$(1,336)	$ (94)	**$9,569**

Amortization expense related to intangible assets subject to amortization was $0.2 million for both three-month periods ended March 31, 2007 and 2008.

NOTE H — Stockholders' Equity

As of March 31, 2008, we had approximately 40.3 million issued and outstanding common shares. During the first three months of 2008, common shares increased by approximately 0.2 million shares due to shares issued in conjunction with stock option exercises and vested share grants.

Additional paid-in capital increased approximately $2.9 million for the first three months of 2008, primarily due to $1.2 million in stock option expense, $1.3 million in share grant expense, and $0.4 million in conjunction with stock option exercises.

NOTE I — Income Tax Provision

Income tax expense of $2.2 million was recorded for the three months ended March 31, 2008, resulting in an effective tax rate of 13.0% in the first three months of 2008, as compared to 16.1% in the first three months of last year and compared to 13.2% for the full year of 2007. Our lower effective tax rate compared with the same period last year was the result of lower quarterly income in the U.S. and higher income in lower-taxed jurisdictions, partially offset by an increased income tax rate at our China subsidiaries.

Our global presence requires us to pay income taxes in a number of jurisdictions. In general, earnings in the U.S. and Taiwan are currently subject to tax rates of 39.0% and 25.0%, respectively. In addition, Taiwan earnings are subject to an additional 10% retained earnings tax should the Taiwan earnings not be distributed. Earnings of Diodes-Hong Kong are subject to a 17.5% tax for local sales or local source sales; all other Hong Kong sales are not subject to foreign income taxes. Earnings at Diodes-Taiwan and Diodes-Hong Kong are also subject to U.S. taxes with respect to those earnings that are derived from product manufactured by our China subsidiaries and sold to customers outside of Taiwan and Hong Kong, respectively. The U.S. tax rate on this Subpart F income is computed as the difference between the foreign effective tax rates and the U.S. tax rate. In accordance with U.S. tax law, we receive credit against our U.S. federal tax liability for income taxes paid by our foreign subsidiaries.

As an incentive for the formation of Diodes-Anachip, earnings of Diodes-Anachip are subject to a five-year tax holiday (subject to certain qualifications of Taiwanese tax law). In the third quarter of 2006, we elected to begin this five-year tax holiday as of January 1, 2006. Beginning 2011, Anachip earnings will be subject to the statutory Taiwan income tax rate.

Diodes-China is located in the Songjiang district where the standard central government tax rate is 24.0%. However, as an incentive for establishing Diodes-China, the earnings of Diodes-China were subject to a 0% tax rate by the central government from 1996 through 2000, and to a 12.0% tax rate from 2001 through 2007. For 2008, we expect a preferential tax rate of 15%. In addition, due to a $15 million permanent re-investment of Diodes-China earnings in 2004, Diodes-China has received additional preferential tax treatment (earnings will be exempted from central government income tax for two years, and then subject to tax rates in the range of 12.0% to 12.5% for the following three years) on earnings that are generated by this investment.

In addition, the earnings of Diodes-China would ordinarily be subject to a standard local government tax rate of 3.0%. However, as an incentive for establishing Diodes-China, the local government waived this tax from 1996 through 2007. Management expects this tax to be waived for 2008 as well; however, the local government can re-impose this tax at its discretion at any time.

In 2004, we established our second Shanghai-based manufacturing facility, Diodes-Shanghai, located in the Songjiang Export Zone of Shanghai, China. In the Songjiang Export Zone, the central government standard tax rate is 15.0%, and there is no local government tax. As an incentive for establishing Diodes-Shanghai, the 2005 and 2006 earnings of Diodes-Shanghai were exempted from central government income tax and the 2007 earnings were subject to a 7.5% tax rate. For 2008, we expect a tax rate of 9%.

It is unclear to what extent our China subsidiaries will continue to receive preferential tax treatment. The recent China government income tax reform terminates some existing tax incentives for foreign enterprises doing business in China. The central government tax rate in China will increase to 25% beginning in 2008; however, we believe Diodes-China may qualify for a “high technology” preferential tax treatment that would reduce the tax rate to 15%.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations by tax authorities for tax years before 2004. With respect to state and local jurisdictions and countries outside of the U.S., with limited exceptions, we are no longer subject to income tax audits for years before 2001. Although the outcome of tax audits is always uncertain, we believe that adequate amounts of tax, interest and penalties, if any, have been provided for in our FASB Interpretation No.48, “Accounting for Uncertainty in Income Taxes” (“FIN48”) reserve for any adjustments that may result from future tax audits. We recognize accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

We adopted the provisions FIN48 effective January 1, 2007. As a result of the implementation of FIN48, we increased our liability for unrecognized tax benefits, primarily related to our foreign subsidiaries, by approximately $2.0 million during the first quarter of 2007, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. As of January 1, 2008 and March 31, 2008, the gross amount of unrecognized tax benefits was approximately $4.1 million and $4.2 million, respectively.

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

In addition, funds repatriated from foreign subsidiaries to the U.S. may be subject to federal and state income taxes. As of January 1, 2007, we had accrued $3.3 million for U.S. taxes on future dividends from our foreign subsidiaries. With the establishment of the holding companies in 2007, the Company now intends to permanently reinvest overseas all of its earnings from its foreign subsidiaries. Accordingly, the $3.3 million liability was reversed during 2007 and U.S. taxes are no longer being recorded on undistributed foreign earnings.

NOTE J — Deferred compensation

Beginning January 1, 2007, the Company implemented a Non-Qualified Deferred Compensation Plan (the “Deferred Compensation Plan”) for executive officers, key employees and members of the Board of Directors (the “Board”). The Deferred Compensation Plan allows eligible participants to defer the receipt of eligible compensation until designated future dates. The Company hedges its obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At March 31, 2008, these investments totaled approximately $1.8 million. All gains and losses in these investments are equally offset by corresponding gains and losses in the Deferred Compensation Plan liabilities.

NOTE K — Share-based Compensation

We maintain share-based compensation plans for our officers, key employees, and our Board, which provide for stock options and stock awards. The share-based compensation plans are described more fully in Note 15 of our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Stock Options. Through March 31, 2006, substantially all stock options granted vest in equal annual installments over a three-year period and expire ten years after the grant date. Beginning April 1, 2006, substantially all stock options granted vest in equal annual installments over a four-year period and expire ten years after the grant date.

For the three months ended March 31, 2007 and 2008, share-based compensation expense associated with the Company’s stock options recognized in the income statement is as follows *(in thousands)*:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
Cost of sales	$ 82	**$ 53**
Selling and administrative expense	1,303	**1,079**
Research and development expense	124	**101**
Total stock option expense	$ 1,509	**$ 1,233**

Stock option expense for the three months ended March 31, 2007 and 2008 was estimated on the date of grant using the Black-Scholes option pricing model. For the three months ended March 31, 2007 and 2008, the Company did not grant any stock options to purchase shares of the Company’s Common Stock.

The total intrinsic value (actual gain) of options exercised during the three months ended March 31, 2007 and 2008 was approximately $3.4 million and $2.8 million, respectively. The total net cash proceeds received from stock option exercises for the three months ended March 31, 2007 and 2008 was $0.8 million and $0.5 million, respectively.

A summary of the stock option plans as of March 31, 2008 follows *(in thousands)*:

Stock options	Shares (000)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value ($000)
Outstanding at January 1, 2008	4,268	$ 10.06		$ 85,393
Granted	0	0		
Exercised	(143)	3.69		2,817
Forfeited or expired	(6)	17.2		
Outstanding at March 31, 2008	**4,118**	**$ 10.27**	**5.8**	**$ 49,227**
Exercisable at March 31, 2008	**3,266**	**$ 7.72**	**5.1**	**$ 46,587**

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

As of March 31, 2008, total unrecognized stock-based compensation expense related to unvested stock options, net of forfeitures, was approximately $6.1 million, before income taxes, and is expected to be recognized over a weighted average of approximately 1.8 years.

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

A summary of the status of our non-vested share grants as of March 31, 2008 follows *(in thousands)*:

Restricted Stock Grants	Shares (000)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value ($000)
Nonvested at January 1, 2008	1,018	$ 18.34	$ 30,602
Granted	14	29.71	
Vested	(7)	23.31	200
Forfeited	(8)	25.85	
Nonvested at March 31, 2008	**1,017**	**$ 18.40**	**$ 22,323**

During the three months ended March 31, 2007 and 2008, there were $0.9 million and $1.3 million share-based compensation expense related to non-vested stock award arrangements granted under the plans, respectively.

The total intrinsic value (actual gain) of restricted stock grants vested during the three months ended March 31, 2008 was approximately $0.2 million.

As of March 31, 2008, total un-recognized stock-based compensation expense related to non-vested stock award arrangements, net of forfeitures, was approximately $12.1 million, before income taxes, and is expected to be recognized over a weighted average of approximately 2.1 years.

NOTE L-Segment and 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. Our chief decision-making group consists of the President and Chief Executive Officer, Chief Financial Officer, Senior Vice President of Operations, Senior Vice President of Sales and Marketing, Vice President of Asia Sales, and Senior Vice President of Finance. For financial reporting purposes, we operate in a single segment, standard semiconductor products, through our various manufacturing and distribution facilities. We aggregated our products since the products are similar and have similar economic characteristics, and the products are similar in production process and share the same customer type.

Our primary operations include the domestic operations (Diodes-North America and Diodes-FabTech) located in the United States, and the Far East operations (Diodes-Taiwan located in Taipei, Taiwan; Diodes-Anachip located in HsinChu, Taiwan; Diodes-China and Diodes-Shanghai, both located in Shanghai, China; and Diodes-Hong Kong located in Hong Kong, China). For reporting purposes, European sales, which accounted for approximately 4.5% and 5.8% of total sales for the three months ended March 31, 2007 and 2008, respectively, are consolidated into the domestic (North America) operations.

The accounting policies of the operations 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 *(in thousands)*:

Three Months Ended March 31, 2007	Far East	North America	Consolidated Segments
Total sales	$ 110,667	$ 30,723	$ 141,390
Inter-company sales	(44,810)	(4,560)	(49,370)
Net sales	$ 65,857	$ 26,163	$ 92,020
Property, plant and equipment	$ 88,041	$ 13,511	$ 101,552
Assets	$ 177,006	$ 452,768	$ 629,774

Three Months Ended March 31, 2008	Far East	North America	Consolidated Segments
Total sales	$ 138,735	$ 29,856	**$ 168,591**
Inter-company sales	(64,812)	(8,199)	**(73,011)**
Net sales	$ 73,923	$ 21,657	**$ 95,580**
Property, plant and equipment	$ 109,123	$ 20,711	**$ 129,834**
Assets	$ 258,062	$ 457,381	**$ 715,443**

Geographic Information

Revenues were derived from (billed to) customers located in the following countries. "All Others" represents countries with less than 10% of total revenues each *(in thousands)*:

	Net Sales for the Three Months Ended March 31,		Percentage of Net Sales	
	2007	**2008**	2007	**2008**
China	$ 30,644	**$ 26,234**	33.3%	**27.4%**
Taiwan	27,970	**32,615**	30.4%	**34.1%**
United States	19,971	**20,590**	21.7%	**21.5%**
All Others	13,435	**16,141**	14.6%	**17.0%**
Total	$ 92,020	**$ 95,580**	100.0%	**100.0%**

NOTE M — Business Acquisition

APD acquisition — On November 3, 2006, we purchased the net assets of APD Semiconductor, a privately held U.S.-based fabless semiconductor company. The assets related to the business of manufacturing, marketing, selling and distributing of semiconductor products. The initial purchase price of the acquisition was $8.4 million in addition to a potential 2-year earn-out provision with respect to pre-defined covered products. The earn-out paid for 2007 was $0.3 million.

As of March 31, 2008, the contingent consideration has been recorded as a liability of approximately $0.7 million. When the contingency is resolved and the consideration is distributable, any excess of the fair value of the contingent consideration payable over the amount that was recognized as a liability shall be recognized as an additional cost of the acquired entity. If the amount initially recognized as a liability exceeds the consideration payable, that excess shall be allocated as a pro rata reduction of the amounts assigned to assets acquired.

NOTE N — Commitments

Purchase commitments — As of March 31, 2008, we have approximately $2.1 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

NOTE O - Related Parties

We conduct business with one related party company, Lite-On Semiconductor Corporation (LSC) (and its subsidiaries and affiliates) that owns 21.5% of our outstanding Common Stock as of March 31, 2008, and one significant company, Zi Yun International Pte. Ltd. (Zi Yun) (formerly Keylink International) (and its subsidiaries and affiliates) our 5% joint venture partner in Diodes-China and Diodes-Shanghai

Raymond Soong, the Chairman of our Board, is Chairman of LSC, and is the Chairman of Lite-On Technology Corporation, a significant shareholder of LSC, and also serves on the board of Actron Technology Corporation, a Lite-On Group company. C.H. Chen, our former President and Chief Executive Officer, and Vice Chairman of our Board of Directors, is also Vice Chairman and Chief Executive Officer of LSC. Mr. Chen is the Vice Chairman of Dynacard Corporation, a board member of Lite-On Technology Corporation, the Chairman of Co-Tech Copper Foil Corporation, and a board member of Actron Technology Corporation, each of which is a member of The Lite-On Group. Mr. Chen is also the Chairman of Diodes-Anachip, a wholly owned subsidiary of the Company. Lu-Pao Hsu, elected to our Board in May 2007, was an independent director for Lite-On Technology Corporation from 2004 to 2006, and now serves as a consultant to Lite-On Technology Corporation. M.K. Lu, a member of our Board until May 2007, was President of LSC. We consider our relationship with LSC, a member of The Lite-On Group of companies, to be mutually beneficial and we plan to continue our strategic alliance together as we have since 1991.

The Audit Committee of our Board of Directors reviews all related party transactions for potential conflict of interest situations on an ongoing basis, in accordance with such procedures as the Audit Committee may adopt from time to time. We believe that all related party transactions are on terms no less favorable to us than would be obtained from unaffiliated third parties.

Lite-On Semiconductor Corporation — During the three months ended March 31, 2008, we sold silicon wafers to LSC totaling 4.0%, (7.3% in 2007) of our net sales, respectively, making LSC one of our largest customers. Also for the three months ended March 31, 2008, 10.9% (11.3% in 2007) of our net sales were from discrete semiconductor products purchased from LSC for subsequent sale by us, making LSC our largest outside supplier. We also rent warehouse space in Hong Kong from a member of The Lite-On Group, which also provides us with warehousing services at that location. For 2007 and three months ended March 31, 2008, we reimbursed this entity in aggregate amounts of $0.5 million and $0.1 million, respectively, for these items. We believe such transactions are on terms no less favorable to us than could be obtained from unaffiliated third parties.

Net sales to, and purchases from LSC for three months ended March 31, 2007 and 2008 were as follows *(in thousands)*:

	Three Months Ended March 31,	
	2007	**2008**
Net sales	$ 6,756	**$ 3,870**
Purchases	$11,899	**$12,766**

Zi Yun International Pte. Ltd. - During the three months ended March 31, 2008, we sold silicon wafers to companies owned by Zi Yun totaling 0.7%, (0% in 2007) of our net sales. Also for the three months ended March 31, 2008, 1.6% (1.5% in 2007) of our net sales were from discrete semiconductor products purchased from companies owned by Zi Yun, respectively. In addition, Diodes-China and Diodes-Shanghai lease their manufacturing facilities from, and subcontract a portion of their manufacturing process (metal plating and environmental services) to, Zi Yun. We also pay a consulting fee to Zi Yun. In 2007, and the three months ended March 31, 2008, we paid Zi Yun an aggregate of $9.4 million and $2.6 million, respectively, with respect to these items. We believe such transactions are on terms no less favorable to us than could be obtained from unaffiliated third parties.

Net sales to, and purchases from, companies owned by Zi Yun for three months ended March 31, 2007 and 2008 were as follows *(in thousands)*:

	Three Months Ended March 31,	
	2007	**2008**
Net sales	$ —	**$ 677**
Purchases	$971	**$1,822**

Accounts receivable from, and accounts payable to, LSC and Zi Yun were as follows as of December 31, 2007 and March 31, 2008 *(in thousands)*:

	December 31, 2007	**March 31, 2008**
Accounts receivable		
LSC	$ 3,526	$ 3,401
Zi Yun International	1,879	1,127
	$ 5,405	**$ 4,528**
Accounts payable		
LSC	$ 8,906	$ 8,395
Zi Yun International	4,229	4,306
	$ 13,135	**$ 12,701**

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NOTE P - Zetex Business Combination

On April 3, 2008, we entered into an purchase agreement with Zetex plc, a company incorporated under the laws of England and Wales, pursuant to which we would make an offer to purchase the outstanding ordinary capital stock of Zetex plc for a cash purchase price of 85.45 pence per share, valuing the fully diluted share capital of Zetex plc at approximately U.S. $176.3 million (based on U.S.$:GBP$ exchange rate of 1.9778). The acquisition is expected to be funded by a combination of our cash resources and financing arrangements described below. The acquisition is subject to customary conditions and is expected to close on or about June 6, 2008.

On March 28, 2008, we entered into a Fourth Amendment to our existing U.S. credit agreement with Union Bank ("Fourth Amended Credit Agreement"). Under the Fourth Amended Credit Agreement, the we now have available a revolving credit commitment of up to $22.5 million (increased from $20.0 million), including a $5.0 million letter of credit sub-facility, and a term loan facility of $5.0 million. As of March 31, 2008, we had $0.8 million outstanding under the revolving credit commitment.

On March 31, 2008, we obtained from UBS Financial Services Inc. an Irrevocable Standby Letter of Credit ("Letter of Credit") in favor of Diodes-FabTech, in an aggregate amount of $165 million. Draws under the Letter of Credit will be deemed to be a margin loan against our approximately $320 million ARS.

On April 3, 2008, we entered into a Foreign Exchange Agreement with Union Bank of California, N.A. (Union Bank) whereby, on the date designated by us, we will pay to Union Bank $165 million and Union Bank will pay us the equivalent amount in British pounds.

Also, on April 3, 2008, we and UBS Limited entered into an Escrow Agreement with Union Bank, as escrow agent, whereby Union Bank will hold the Letter of Credit, the Foreign Exchange Agreement and up to U.S. $18 million in advances under the Fourth Amended Credit Agreement. Such amounts would be available to pay the purchase price of the Zetex plc acquisition.

Finally, on April 3, 2008, we entered into a Continuing Guaranty Agreement with Union Bank whereby we unconditionally guarantee to Union Bank all our obligations to Union Bank.

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

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

This management's discussion should be read in conjunction with the management's discussion included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, previously filed with Securities and Exchange Commission.

Overview

We are a global supplier of application specific standard products within the broad discrete and analog semiconductor markets. These products include diodes, rectifiers, transistors, MOSFET's, protection devices, functional specific arrays, power management devices including DC-DC switching and linear voltage regulators, amplifiers and comparators, Hall effect sensors and silicon wafers used to manufacture these products.

We design, manufacture and market these semiconductors focused on diverse end-use applications in the consumer electronics, computing, industrial, communications and automotive sectors. Semiconductors, which provide electronic signal amplification and switching functions, are basic building-block electronic components that are incorporated into almost every electronic device. We believe that our focus on standard semiconductor products provides us with a meaningful competitive advantage relative to other semiconductor companies that provide a wider range of semiconductor products.

We were incorporated in 1959 in California and reincorporated in Delaware in 1969. We are headquartered in Dallas, Texas. We have two manufacturing facilities located in Shanghai, China, one analog design facility located in Hsinchu, Taiwan, and our wafer fabrication facility is in Kansas City, Missouri. Our sales, marketing and logistical centers are located in Westlake Village, California; Taipei, Taiwan; Shanghai and Shenzhen, China; and Hong Kong. We have strengthened our product design centers in Dallas, San Jose, Shanghai and Taiwan to position our design engineers to work more closely with our customers and enable us to deliver a stream of innovative solutions in our targeted product categories. We also have regional sales offices and/or representatives in: Derbyshire, England, Toulouse, France, Frankfurt, Germany, and in various cities in the U.S.

Our strategy is to continue to enhance our position as a global supplier of standard semiconductor products, and to continue to add other product lines, such as power management products, using our packaging technology capability.

The principal elements of our strategy include the following:

Continue to rapidly introduce innovative discrete and analog semiconductor products - We intend to maintain our rapid pace of new product introductions, especially for high-volume, growth applications with short design cycles, such as digital audio players, notebook computers, flat-panel displays, mobile handsets, digital cameras, set-top boxes and other consumer electronics and computing devices. During the first quarter of 2008, we introduced approximately 51 new devices. We believe that continued introduction of new and differentiated products is critically important in maintaining and extending our market share in the highly competitive semiconductor marketplace.

Sales of new products (products that have been sold for three years or less) for the three months ended March 31, 2007 and 2008 amounted to 31.9% and 33.1% of total sales, respectively, and this growth includes the contribution of the Anachip acquisition in early 2006 as well as the SBRâ technology acquired in the APD acquisition in late 2006. New products generally have gross profit margins that are higher than the margins of our standard products. We expect net sales derived from new products to increase in absolute terms, although our net sales of new products as a percentage of our net sales will depend on the demand for our standard products, as well as our product mix. New product revenue in the first quarter of 2008 was driven by products in sub-miniature array, QFN, PowerDIâ323, PowerDIâ123, PowerDIâ5, SBRâ and Schottky platforms, in both the discrete and analog product lines.

Expand our available market opportunities - We intend to aggressively maximize our opportunities in the standard semiconductor market as well as in related markets where we can apply our semiconductor design and manufacturing expertise. A key element of this is leveraging our highly integrated packaging expertise through our Application Specific Multi-Chip Circuit ("ASMCC") product platform, which consists of standard arrays, function specific arrays and end-equipment specific arrays. We intend to achieve this by:

- Continuing to focus on increasing packaging integration, particularly with our existing standard array and customer-specific array products, in order to achieve products with increased circuit density, reduced component count and lower overall product cost;

- Expanding existing products and developing new products in our function specific array lines, which combine multiple discrete semiconductor components to achieve specific common electronic device functionality at a low cost; and

- Developing new product lines, which we refer to as end-equipment specific arrays, which combine discrete components with logic and/or standard analog circuits to provide system-level solutions for high-volume, high-growth applications.

Maintain intense customer focus - We intend to strengthen and deepen our customer relationships. We believe that continued focus on customer service would increase our net sales, operating performance and overall market share. To accomplish this, we intend to continue to closely collaborate with our customers to design products that meet their specific needs. A critical element of this strategy is to continue to further reduce our design cycle time in order to quickly provide our customers with innovative products. Additionally, to support our customer-focused strategy, we are continuing to expand our sales force and field application engineers, particularly in Asia and Europe.

Enhance cost competitiveness - A key element of our success is our overall low-cost base. While we believe that our Shanghai manufacturing facilities are among the most efficient in the industry, we will continue to refine our proprietary manufacturing processes and technology to achieve additional cost efficiencies. Additionally, we intend to continue to operate our facilities at high utilization rates and to increase product yields in order to achieve meaningful economies of scale.

Pursue selective strategic acquisitions - As part of our strategy to expand our standard semiconductor product offerings and to maximize our market opportunities, we may acquire discrete, analog or mixed-signal technologies, product lines or companies in order to support our ASMCC product platform and enhance our standard and new product offerings.

In December 2005, we announced the acquisition of Anachip Corporation, Taiwanese semiconductor company focused on analog ICs designed for specific applications, and headquartered in the Hsinchu Science Park in Taiwan. This acquisition, which was completed in January 2006, is in line with our long-term strategy. Anachip's main product focus is power management ICs. The analog devices they produce are used in LCD monitor/TV's, wireless LAN 802.11 access points, brushless DC motor fans, portable DVD players, datacom devices, ADSL modems, TV/satellite set-top boxes, and power supplies.

On November 3, 2006, we purchased the net assets of APD Semiconductor, Inc. ("APD"), a privately held U.S.-based fabless semiconductor company, with a sales, application, and administration center in Taipei, Taiwan. APD Semiconductor's main product focus is its patented and trademarked SBR® (super barrier rectifier) technology. Utilizing a low cost IC wafer process, the SBR® technology uses a MOS cellular design to replace standard traditional Schottky or PN junction diodes. The SBR® technology uses an innovative-patented process technique that allows its key parameters to be easily tuned to optimize any customer applications. This adaptive and scalable technology allows for increased power saving with better efficiency and reliability at higher operating temperatures for end-user applications like digital audio players, DC/DC converters. AC/DC power supplies, LCD monitors, Power-over-Ethernet ("POE"), Power Factor Correction ("PFC") and TV/satellite set-top boxes. The SBR® technology offers industry-leading products like the SBR20U100CT, which has the lowest forward voltage and highest efficiency and power saving in its class. The APD acquisition will further strengthen our technology leadership in the discrete semiconductor market and expand our product capabilities across important segments of our end-markets.

In implementing these strategies, the following factors have affected, and, we believe, will continue to affect, our results of operations:

- Since 1998, we have experienced increases in the demand for our products, and substantial pressure from our customers and competitors to reduce the selling price of our products. We expect future increases in net income to result primarily from increases in sales volume and improvements in product mix in order to offset any reduced average selling prices of our products.

- Our first quarter 2008 revenue reflects seasonality combined with the impact of the overall weakening economy, in particular on key targeted end-equipment in the consumer and computing markets, as well as our foundry and subcontracting business, which is showing greater weakness than our core revenue drivers.

- In 2007 and the three months ended March 31, 2008, 35.1% and 33.1%, respectively, of our net sales were derived from new products introduced within the last three years, compared to 28.2% in 2006. The significant increase in new products primarily resulted from the Anachip acquisition. We expect new products to generally have gross profit margins that are higher than the margins of our standard products. We expect net sales derived from new products to increase in absolute terms, although our net sales of new products as a percentage of our net sales will depend on the demand for our standard products, as well as our product mix.

- During the first quarter of 2008, the percentage of our net sales derived from our Asian subsidiaries was 77.3%, compared to 79.0% in the fourth quarter of 2007 and 75.4% for the year 2007. Although Asia sales decreased in the first quarter of 2008 due to lower demand, primarily as a result of the weakened global economy, we expect our net sales to the Asian market to increase as a percentage of our total net sales as a result of our customers' continuing to shift their manufacturing of electronic products from the U.S. to Asia.

- Our gross profit margin was 33.4% in the first quarter of 2008, compared to 32.1% in the same period of 2007 and 33.5% in the fourth quarter of 2007. Our gross margin percentage was lower than the prior quarter as average selling prices declined during the first quarter of 2008 due to a softer market. In 2007, we completed the move of our analog product from Taiwan to our China manufacturing facilities to increase the gross margin on this product line. Future gross profit margins will depend primarily on our product mix, cost savings, and the demand for our products.

• As of March 31, 2008, we had invested approximately $178.8 million in our Asian manufacturing facilities. For the three months ended March 31, 2008, we invested approximately $13.9 million in capital expenditures, primarily in our Asian manufacturing facilities. And we expect to continue to invest in our manufacturing facilities, although the amount to be invested will depend on product demand and new product developments.

• We have increased our investment in research and development from $2.9 million, or 3.2% of net sales, in the first quarter of 2007 to $3.7 million, or 3.9% of net sales, in the first quarter of 2008. We continue to seek to hire qualified engineers who fit our focus on proprietary semiconductor processes and packaging technologies. Our goal is to expand research and development expenses to approximately 3 to 4% of net sales, which will enable us to bring additional proprietary devices to the market.

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, and Korean, giving us an effective marketing tool for worldwide 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 worldwide 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 investor financial information, including SEC filings and press releases, as well as stock quotes and information on corporate governance compliance.

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

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

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

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

Risks Related To Our Business

- Ø *Downturns in the highly cyclical semiconductor industry or changes in end-market demand could affect our operating results and financial condition.*
- Ø *The semiconductor business is highly competitive, and increased competition may harm our business and our operating results.*
- Ø *We receive a significant portion of our net sales from a single customer. In addition, this customer is also our largest external supplier and is a related party. The loss of this customer or supplier could harm our business and results of operations.*

- Ø *Delays in initiation of production at new facilities, implementing new production techniques or resolving problems associated with technical equipment malfunctions could adversely affect our manufacturing efficiencies.*
- Ø *We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.*
- Ø *Our customer orders are subject to cancellation or modification usually with no penalty. High volumes of order cancellation or reductions in quantities ordered could adversely affect our results of operations and financial condition.*
- Ø *New technologies could result in the development of new products by our competitors and a decrease in demand for our products, and we may not be able to develop new products to satisfy changes in demand, which could result in a decrease in net sales and loss of market share.*
- Ø *We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense and reduction in our intellectual property rights.*
- Ø *We depend on third-party suppliers for timely deliveries of raw materials, parts and equipment, as well as finished products from other manufacturers, and our results of operations could be adversely affected if we are unable to obtain adequate supplies in a timely manner.*
- Ø *If we do not succeed in continuing to vertically integrate our business, we will not realize the cost and other efficiencies we anticipate and our ability to compete, profit margins and results of operations may suffer.*
- Ø *Part of our growth strategy involves identifying and acquiring companies with complementary product lines or customers. We may be unable to identify suitable acquisition candidates or consummate desired acquisitions and, if we do make any acquisitions, we may be unable to successfully integrate any acquired companies with our operations.*
- Ø *We are subject to many environmental laws and regulations that could affect our operations or result in significant expenses.*
- Ø *Our products may be found to be defective and, as a result, product liability claims may be asserted against us, which may harm our business and our reputation with our customers.*
- Ø *We may fail to attract or retain the qualified technical, sales, marketing and management personnel required to operate our business successfully.*
- Ø *We may not be able to maintain our growth or achieve future growth and such growth may place a strain on our management and on our systems and resources.*
- Ø *Our business may be adversely affected by obsolete inventories as a result of changes in demand for our products and change in life cycles of our products.*
- Ø *If OEMs do not design our products into their applications, a portion of our net sales may be adversely affected.*
- Ø *We rely heavily on our internal electronic information and communications systems, and any system outage could adversely affect our business and results of operations.*
- Ø *We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses.*

- Ø *We have a significant amount of debt following the offering of our convertible senior notes. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.*
- Ø *We maintain a portfolio of investments, primarily ARS, which are classified as available-for-sale investments. Based on current market conditions, it is likely that auctions related to these securities will be unsuccessful in the near term, which will limit liquidity related to these investments, and may cause us to record realized or unrealized losses on our financial statements.*
- Ø *If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal controls over financial reporting, we may not be able to report our financial results accurately or detect fraud, which could harm our business and the trading price of our Common Stock.*
- Ø *Terrorist attacks, or threats or occurrences of other terrorist activities whether in the United States or internationally may affect the markets in which our Common Stock trades, the markets in which we operate and our profitability.*

Risks Related To Our International Operations

- Ø *Our international operations subject us to risks that could adversely affect our operations.*
- Ø *We have significant operations and assets in China, Taiwan and Hong Kong and, as a result, will be subject to risks inherent in doing business in those jurisdictions, which may adversely affect our financial performance.*
- Ø *We are subject to foreign currency risk as a result of our international operations.*
- Ø *We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.*
- Ø *The distribution of any earnings of our foreign subsidiaries to the U.S. may be subject to U.S. income taxes, thus reducing our net income.*

Risks Related To Our Common Stock

- Ø *Variations in our quarterly operating results may cause our stock price to be volatile.*
- Ø *We may enter into future acquisitions and take certain actions in connection with such acquisitions that could affect the price of our Common Stock.*
- Ø *Our directors, executive officers and significant stockholders hold a substantial portion of our Common Stock, which may lead to conflicts with other stockholders over corporate transactions and other corporate matters.*

- Ø *We were formed in 1959, and our early corporate records are incomplete. As a result, we may have difficulty in assessing and defending against claims relating to rights to our Common Stock purporting to arise during periods for which our records are incomplete.*
- Ø *Conversion of our convertible senior notes will dilute the ownership interest of existing shareholders, including holders who had previously converted their notes.*
- Ø *The repurchase rights and the increased conversion rate triggered by a make-whole fundamental change could discourage a potential acquirer.*
- Ø *Certain provisions of Delaware law and our Certificate of Incorporation and Bylaws may delay or prevent a takeover attempt that may have resulted in a premium over the market price for our shares.*

Financial Operations Overview

Net Sales

We generate a substantial portion of our net sales through the sale of discrete and analog semiconductor products designed and manufactured by third parties or us. We also generate a portion of our net sales from outsourcing manufacturing capacity to third parties and from the sale of silicon wafers to manufacturers of discrete semiconductor components. We serve customers across diversified industries, including the consumer electronics, computing, industrial, communications and automotive markets.

We recognize revenue from product sales when title to and risk of loss of the product have passed to the customer, there is persuasive evidence of an arrangement, the sale price is fixed or determinable and collection of the related receivable is reasonably assured. These criteria are generally met upon shipment to our customers. Net sales are stated net of reserves for pricing adjustments, discounts, rebates and returns.

The principal factors that have affected or could affect our net sales from period to period are:

- Ø the condition of the economy in general and of the semiconductor industry in particular;
- Ø our customers' adjustments in their order levels;
- Ø changes in our pricing policies or the pricing policies of our competitors or suppliers;
- Ø the termination of key supplier relationships;
- Ø the rate of introduction of new products to, and acceptance by, our customers;
- Ø our ability to compete effectively with our current and future competitors;
- Ø our ability to enter into and renew key corporate and strategic relationships with our customers, vendors and strategic alliances;
- Ø changes in foreign currency exchange rates;
- Ø a major disruption of our information technology infrastructure; and
- Ø unforeseen catastrophic events, such as armed conflict, terrorism, fires, typhoons and earthquakes.

Cost of Goods Sold

Cost of goods sold includes manufacturing costs for our semiconductor products and our wafers. These costs include raw materials used in our manufacturing processes as well as the labor costs and overhead expenses. Cost of goods sold is also impacted by yield improvements, capacity utilization and manufacturing efficiencies. In addition, cost of goods sold includes the cost of products that we purchase from other manufacturers and sell to our customers. Cost of goods sold is also affected by inventory obsolescence if our inventory management is not efficient.

Selling, General and Administrative Expenses (SG&A)

Selling, general and administrative expenses relate primarily to compensation and associated expenses for personnel in general management, sales and marketing, information technology, engineering, human resources, procurement, planning and finance, and sales commissions, as well as outside legal, accounting and consulting expenses, share-based compensation expenses, and other operating expenses. We expect our selling, general and administrative expenses to increase in absolute dollars as we hire additional personnel and expand our sales, marketing and engineering efforts and information technology infrastructure.

Research and Development Expenses (R&D)

Research and development expenses consist of compensation and associated costs of employees engaged in research and development projects, as well as materials and equipment used for these projects. Research and development expenses are primarily associated with our wafer facility near Kansas City, Missouri, our analog IC facilities in Taipei, Taiwan, and our manufacturing facilities in China, as well as our engineers at our U.S. facilities. All research and development expenses are expensed as incurred, and we expect our research and development expenses to increase in absolute dollars as we invest in new technologies and product lines.

Interest Income / Expense

Interest income consists of interest earned on our cash and investment balances. Interest expense consists primarily of interest payable on our outstanding credit facilities and convertible notes.

Income Tax Provision

We recognized income tax expense of $2.2 million for the first quarter of 2008, resulting in an effective tax rate of 13.0%, as compared to 16.5% in the same period last year. The decrease in the effective tax rate was the result of lower quarterly income in the U.S. and higher income in lower-taxed jurisdictions, partially offset by an increased income tax rate at our China subsidiaries.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. 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 affect the significant estimates and judgments we use in the preparation of our consolidated financial statements, and may involve a higher degree of judgment and complexity than others.

Revenue Recognition

We recognize revenue when there is persuasive evidence that an arrangement exists, when delivery has occurred, when our price to the buyer is fixed or determinable and when collectability of the receivable is reasonably assured. These elements are met when title to the products is passed to the buyers, which is generally when our product is shipped.

We reduce revenue in the period of sale for estimates of product returns, distributor price adjustments and other allowances, the majority of which are related to our North American operations. Our reserve estimates are based upon historical data as well as projections of revenues, distributor inventories, price adjustments, average selling prices and market conditions. Actual returns and adjustments could be significantly different from our estimates and provisions, resulting in an adjustment to revenues.

Short-term and Long-term Investments

Our investments consist primarily of ARS, all of which are classified as available-for-sale. Available-for-sale securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income. Available-for-sale securities with remaining maturities of less than one year, and those identified by management at time of purchase for funding operations in less than one year are classified as short-term, and all other available-for-securities are classified as long-term. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other-than-temporary.

We review our ARS for impairment in accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” and related guidance issued by the FASB and SEC in order to determine the classification of the impairment as “temporary” or “other-than-temporary”.

In evaluating the impairment of the individual ARS, we classified such impairment as temporary, and thus recorded the $11.5 million unrealized loss (net of $6.6 million tax effect) in other comprehensive loss as of March 31,

2008. The differentiating factors between temporary and other-than-temporary impairment are primarily the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value (see Note D).

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out method. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. The write-down of inventory to the lower of cost or market at the close of a fiscal period creates a new cost basis that subsequently would not be marked up based on changes in underlying facts and circumstances. On an on-going basis, both finished goods inventory and raw material inventory are evaluated for obsolescence and estimated utility. This evaluation includes analysis of sales levels, sales projections, and purchases by item, as well as raw material usage related to our manufacturing facilities. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis.

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 our 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 our 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.

We are involved in various tax matters, some of whose outcome is uncertain. For purposes of evaluating whether or not a tax position is uncertain (i) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (ii) technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (iii) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken. A tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable, based on its technical merits, and the tax benefit of a qualifying position is the largest amount of tax benefits that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information.

We adopted the provisions of FIN 48 effective January 1, 2007. As a result of the implementation of FIN 48, we recorded an approximate $2.0 million increase in the liability for unrecognized tax benefits, primarily related to our foreign subsidiaries, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

Allowance for Doubtful Accounts

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

Impairment of Long-Lived Assets

As of March 31, 2008, goodwill was $26.5 million ($21.4 million related to the Anachip acquisition, $4.2 million related to the FabTech acquisition, and $0.9 million related to Diodes-China). We account for goodwill in accordance with SFAS No. 142, "*Goodwill and Other Intangible Assets,*" for which goodwill is tested for impairment at least annually.

We assess the impairment of long-lived assets, including goodwill, on an on-going basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our impairment review process is based upon (i) an income approach from a discounted cash flow analysis, which uses our estimates of revenues, costs and expenses, as well as market growth rates, and (ii) a market multiples approach which measures the value of an asset through an analysis of recent sales or offerings or comparable public entities. If ever the carrying value of the goodwill is determined to be less than the fair value of the underlying asset, a write-down of the asset will be required, with the resulting expense charged in the period that the impairment was determined.

Share-Based Compensation

Effective in January 1, 2006, we adopted SFAS No. 123R ("SFAS 123R"), "Share-Based Payments," using the modified prospective method. Under SFAS 123R, we are required to select a valuation technique or option-pricing model that meets the criteria as stated in the standard, which includes a binomial model and the Black-Scholes model. We continue to use the Black-Scholes model, consistent with prior period valuations under SFAS 123 and SFAS 123R.

The adoption of SFAS 123R, applying the "modified prospective method," as elected by us, requires us to value stock options prior to our adoption of SFAS 123 under the fair value method and expense these amounts over the stock options' remaining vesting period. This resulted in the expensing $1.5 million and $1.2 million in the three month periods ended March 31, 2007 and 2008, respectively, which was recorded within the cost of goods sold expense, general and administrative expense and research and development expense on our condensed consolidated income statement. In addition, SFAS 123R requires us to reflect any tax savings resulting from tax deductions in excess of expense reflected in our financial statements as a financing cash inflow in its statement of cash flows rather than as an operating cash flow as in prior periods (see "Note K — Share-based Compensation"). We have changed our primary award type from stock options to stock awards as an improved method of employee reward and retention. In general, we extended the vesting period from three years to four years, and reduced the number of shares subject to the award by a factor of approximately three to one.

We have approximately 3.3 million options outstanding as of March 31, 2008. The options are recorded each quarter as a non-cash operating expense. As of March 31, 2008, there was approximately $6.1 million of total unrecognized compensation cost related to options. This cost is expected to be recognized over a weighted-average period of 1.8 years. In addition to the expense, the effects of the options are included in the diluted shares outstanding calculation.

We have approximately 1.0 million restricted stock grants outstanding as of March 31, 2008. The restricted stock grants are recorded each quarter as a non-cash operating expense. As of March 31, 2008, there was approximately $12.1 million of total unrecognized compensation cost related to non-vested share-based compensation. This cost is expected to be recognized over a weighted-average period of 2.1 years. In the first quarter of 2008, an expense of $1.3 million was recorded. In addition to the expense, the effects of the restricted stock grants are included in the diluted shares outstanding calculation.

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Fair Value Measurements

As stated in “Note A — Basis of Presentation and New Accounting Standards”, on January 1, 2008, we adopted the methods of fair value as described in SFAS 157 to value ARS portfolio investments. SFAS 157, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosures for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is market-based measurement that should be determined based on the assumptions that market participants would use in pricing an assets or liability. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as following:

Level 1 — Observable inputs such as quoted prices inactive market.

Level 2 — Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 — Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

Due to lack of observable market quotes on our ARS portfolio, we utilized a valuation model that relies exclusively on Level 3 inputs including those that are based on the expected cash flow streams, the underlying financial condition and credit quality of the issuer and bond insurer, and the maturity of the securities, as well as the market activity of similar securities. The valuation of our ARS investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact our valuation include changes to credit rating of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterpart risk and ongoing strength and quality of market credit and liquidity.

Results of Operations for the Three Months Ended March 31, 2007 and 2008

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

	Percent of Net Sales Three months ended March 31,		Percentage Dollar Increase (Decrease)
	2007	**2008**	**'07 to '08**
Net sales	100	**100**	**3.9**
Cost of goods sold	(67.9)	**(66.6)**	**1.9**
Gross profit	32.1	**33.4**	**8.1**
Operating expenses	(17.0)	**(19.2)**	**17.5**
Operating income	15.1	**14.2**	**(2.4)**
Interest income	4.4	**5.7**	**35.0**
Interest expenses	(1.9)	**(1.8)**	**(1.6)**
Other income (expense)	(0.1)	**(0.3)**	**127.9**
Income before taxes and minority interest	17.5	**17.8**	**5.8**
Income tax provision	(2.9)	**(2.3)**	**(16.7)**
Income before minority interest	14.6	**15.5**	**10.3**
Minority interest	(0.5)	**(0.5)**	**45.5**
Net income	14.1	**14.9**	**9.2**

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended March 31, 2008, compared to the three months ended March 31, 2007. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report *(in thousands)*.

	2007	**2008**
Net sales	$92,020	**$95,580**

Net sales increased approximately $3.6 million for the three months ended March 31, 2008, compared to the same period last year. The 3.9% increase in net sales represents an approximately 10.9% increase in units sold partially offset by a 6.3% decrease in average selling prices ("ASP"). The revenue increase in the first quarter of 2008 was attributable to sales increases in the computer and industrial segments, partially offset by an overall weakening of the global economy, in particular on key targeted end-equipment in the consumer and computing markets, as well as our foundry and subcontracting business, which is showing greater weakness than our core revenue drivers. Significant price pressure and an unfavorable commodity-based product mix also affected first quarter 2008 sales.

	2007	2008
Cost of goods sold	$62,496	**$63,664**
Gross profit	$29,524	**$31,916**
Gross profit margin	32.1%	**33.4%**

Cost of goods sold increased approximately $1.2 million, or 1.9%, for the three months ended March 31, 2008 compared to the same period last year. As a percent of sales, cost of goods sold decreased to 66.6% in the first quarter of 2008 from 67.9% in the comparable period last year and our average unit cost (“AUP”) decreased 8.1%. As per SFAS 123R, included in cost of goods sold was $0.1 million of non-cash, stock option compensation expense related to our manufacturing facilities for both the three-months ended March 31, 2007 and 2008, respectively.

For the first quarter of 2008, gross profit increased by approximately $2.4 million, or 8.1%, compared to the three months ended March 31, 2007. Gross margin increased to 33.4% for the three months ended March 31, 2008, compared to 32.1% for the same period of 2007, due primarily to (i) the AUP decline exceeding the ASP decline related to improved manufacturing efficiency, and (ii) demand-induced changes in product mix.

	2007	2008
Selling, general and administrative expenses (“SG&A”)	$12,679	**$14,659**

SG&A for the three months ended March 31, 2008 increased approximately $2.0 million, or 15.6%, compared to the same period last year, due primarily to (i) $0.8 million increase in wages and related benefits associated with increased sales (ii) $0.3 million increase in traveling and conference expenses, (iii) $0.2 million increase in freight expenses and handling fee associated with increased sales, (iv) $0.4 million increase in building maintenance and utilities expenses, and (v) $0.1 million increase in share-based compensation due to $0.3 million increase in compensation expenses related to restricted stock grants, offset by $0.2 million decrease in option expenses. SG&A, as a percentage of sales, increased to 15.3% in the current quarter, compared to 13.8% in the prior-year quarter due to lower first quarter 2008 revenue. As per SFAS 123R, included in SG&A expenses was $1.3 million and $1.1 million of non-cash, stock option compensation expense for the three months ended March 31, 2007 and 2008, respectively.

	2007	2008
Research and development expenses (“R&D”)	$2,944	**3,736**

Investment in R&D in the first quarter of 2008 was $3.7 million, an increase of approximately $0.8 million from the same period last year. Of the $0.8 million increase, compensation and employee related costs increased $0.5 million as a result of hiring additional engineers, and the remaining increase was related to supplies and material costs related to increased R&D activity. R&D, as a percentage of sales, was 3.9% in the first quarter 2008 compared 3.2% in the same period in 2007. Included in R&D expenses were $124,000 and $101,000 of non-cash, SFAS 123R stock option compensation expense for the three months ended March 31, 2007 and 2008, respectively.

	2007	2008
Interest income	$4,035	**$5,448**

Interest income for the three months ended March 31, 2008 was $5.4 million, compared to $4.0 million in the same period in 2007, due primarily to interest income earned on available-for-sale securities purchased with the proceeds from the $230 million convertible bonds. First quarter 2008 interest income has been impacted by the turmoil in the credit markets, and in particular with the ARS. Since mid-February, all of our ARS portfolio auctions have failed and may continue to fail in the future. With the decline in the overall market interest rates, as well as our failed ARS auctions, we expect a weighted average interest rate on the ARS of approximately 2.5% for the second quarter of 2008, as compared to approximately 6.5% in the first quarter of 2008. The lower interest rate environment will result in interest income of between $1.8 million and $2.2 million for the second quarter of 2008.

	2007	**2008**
Interest expense	$1,725	**$1,698**

Interest expense for both the three months ended March 31, 2008 and 2007 was approximately $1.7 million. Interest expense is primarily associated with interest expense related to the $230 million-2.25% convertible bonds.

	2007	**2008**
Other expense	$129	**$294**

Other expense for the three months ended March 31, 2008 was $0.3 million, compared to other expense of $0.1 million in the first quarter of 2007. Included in other expense for the three months ended March 31, 2007 and 2008 was an approximate $0.3 million and $0.5 million foreign currency losses, respectively, due primarily to Taiwan currency and China currency exchange rate changes during the periods.

	2007	**2008**
Income tax provision	$2,658	**$2,215**

We recognized income tax expense of $2.2 million for the first quarter of 2008, resulting in an effective tax rate of 13.0%, as compared to 16.5% in the same period last year. The decrease in the effective tax rate was the result of lower quarterly income in the U.S. and higher income in lower-taxed jurisdictions, partially offset by an increased income tax rate at our China subsidiaries. We continue to take advantage of available strategies to optimize our tax rate across the jurisdictions in which we operate.

	2007	**2008**
Minority interest	$415	**$604**

Minority interest represented the minority investors' share of the earnings of Diodes-China, Diodes-Shanghai and Diodes-Anachip for the period. The investment in the subsidiaries and their equity balances are eliminated in the consolidation of our financial statements, and the activities of Diodes-China, Diodes-Shanghai and Diodes-Anachip are included therein. As of March 31, 2008, we had 95% controlling interests in Diodes-China and Diodes-Shanghai, and a 99.81% controlling interest in Anachip.

Financial Condition

Liquidity and Capital Resources

Our primary sources of liquidity are cash, funds from operations and borrowings under our credit facilities. Our primary liquidity requirements have been to meet our inventory and capital expenditure needs. At December 31, 2007 and March 31, 2008, our working capital was $451.8 million and $144.5 million, respectively. Our working capital decreased in the first quarter of 2008 due to the re-classification of our available-for-sale securities from current assets to long-term assets as a result of the current lack of liquidity for the ARS. We expect cash generated by our U.S. and international operations, together with existing cash, cash equivalents, and available credit facilities to be sufficient to cover cash needs for working capital and capital expenditures for at least the next 12 months. Cash and cash equivalents, the conversion of other working-capital items and borrowings are expected to be sufficient to fund on-going operations.

At March 31, 2008, we had $320.7 million of ARS. With the liquidity issues experienced in the global credit and capital markets, our ARS have experienced multiple failed auctions. While we continue to earn and receive interest on these investments at the maximum contractual rate, the estimated fair values of these ARS no longer approximates par value. As of March 31, 2008, we recorded unrealized losses of $11.5 million (net of $6.6. million tax effect) in other comprehensive loss for ARS with declines in value from December 31, 2007 deemed to be temporary.

If uncertainties in the credit and capital markets continue or these markets deteriorate further we may incur additional value decreases (realized or unrealized) to our ARS investment portfolio, which could negatively affect our financial condition, financial flexibility, cash flow and reported earnings.

On October 5, 2006, we issued $230 million in aggregate principal amount of convertible senior notes due on October 1, 2026. We received approximately $224.0 in net proceeds from this debt offering and intend to use the net proceeds from this offering for working capital and other general corporate purposes, including acquisitions.

Capital expenditures for the three months ended March 31, 2007 and 2008 were $12.4 million and $13.3 million, respectively. Our capital expenditures for these periods were primarily related to manufacturing expansion in our facilities in China. Capital expenditures in the first quarter of 2008 were 13.9% of revenue, which is slightly higher than our 10-12% full-year estimate due to lower first quarter 2008 revenue.

Discussion of Cash Flow

Cash and cash equivalents increased from $56.2 million at December 31, 2007, to $61.2 million at March 31, 2008 primarily from cash generated by operating activities.

Operating Activities

Net cash provided by operating activities during the first three months of 2008 was $9.9 million, resulting primarily from $14.2 million of net income in this period, as well as $8.0 million in depreciation and amortization. Net cash provided by operating activities was $6.5 million for the same period in 2007. Net cash provided by operations increased $2.3 million for the first three months of 2008 compared to the same period in 2007. This increase resulted primarily from an approximately $1.3 million increase in liabilities, a $1.2 million increase in net income (from $13.0 million in the first quarter of 2007 to $14.2 million in the first quarter of 2008), $0.1 million increase in non-cash, share-based compensation expense, and a $1.7 million increase in depreciation expense, partially offset by a $1.0 million increase in operating assets. We continue to closely monitor our credit terms with our customers, while at times providing extended terms, primarily required by our customers in Asia and Europe.

Investing Activities

Net cash used in investing activities was $7.2 million for the first three months of 2008 compared to $16.1 million for the same period of 2006. The $8.9 million decrease in investing activities primary relates to the a $6.5 million decrease in investment in available-for-sale securities, and a $2.9 million decrease in actual cash payments for capital expenditures, partially offset by $0.5 million cash proceeds from disposal of fixed assets.

Financing Activities

Our financing activities include net borrowings, share issuances and excess tax benefits associated with stock option exercises. Net cash provided by financing activities totaled $2.5 million for the first three months of 2008 compared to $1.3 million in the same period of 2007. This increase is primarily the result of a $2.4 million increase in advances on line of credit, and a $0.4 million decrease in repayments of long-term debt and lines of credit, partially offset by a $1.2 million decrease in excess tax benefits associated with stock option exercises, as well as $0.3 million less cash proceeds from stock options exercised during the 2008 quarter.

Debt Instruments

On March 28, 2008, the Company entered into a fourth amendment to its U.S. credit agreement with Union Bank ("Fourth Amended Credit Agreement" or "Revolving Credit Agreement"). Under the Fourth Amended Credit Agreement, the Company now has available a revolving credit commitment of up to $22.5 million (increased from $20.0 million), including a $5.0 million letter of credit sub-facility and a term loan facility of $5.0 million. As of March 31, 2008, the Company had $0.8 million outstanding under the revolving credit commitment, and there was $2.4 million outstanding under the term loan. The purpose of the revolving credit facility is to provide cash for domestic working capital purposes, and to fund permitted acquisitions.

Any amounts borrowed under the Union Bank credit facility are collateralized by all of our U.S. accounts, instruments, chattel paper, documents, general intangibles, inventory, equipment, furniture and fixtures, pursuant to security agreements in connection with these credit arrangements. Any amounts borrowed under the Union Bank credit facility bear interest at LIBOR plus 1.15%. At March 31, 2008, the effective rate under both agreements was 4.23%.

The Revolving Credit Agreement contains covenants that require us to maintain a leverage ratio not greater than 3.25 to 1.0, an interest expense coverage ratio of not less than 2.0 to 1 and a current ratio of not less than 1.0 to 1. The agreement also requires us to achieve a net profit before taxes, as of the last day of each fiscal quarter, for the two consecutive fiscal quarters ending on that date of not less than $1. The Revolving Credit Agreement permits us to pay dividends to our stockholders to the extent that any such dividends declared or paid in any fiscal year do not exceed an amount equal to 50% of our net profit after taxes for such fiscal year. However, this agreement limits our ability to dispose of some assets, incur additional indebtedness, engage in liquidation or merger, acquisition, partnership or other combination (except permitted acquisitions). The Revolving Credit Agreement also contains customary representations, warranties, affirmative and negative covenants and events of default. The term loan does not contain any financial or negative covenants, however a default under our Revolving Credit Agreement will cause a cross-default under the term loan. As of March 31, 2008, we were in compliance with the bank covenants.

On March 31, 2008, the Company obtained from UBS Financial Services Inc. an Irrevocable Standby Letter of Credit ("Letter of Credit") in favor of Diodes-FabTech, in an aggregate amount of $165 million, available for payment to the order of the Beneficiary on demand. Draws under the Letter of Credit will be deemed to be a margin loan against our approximately $320 million of ARS.

As of March 31, 2008, our Asia subsidiaries have available lines of credit of up to an aggregate of $36.8 million, with a several Chinese and Taiwanese financial institutions. These lines of credit, except for one Taiwanese credit facility, are collateralized by its premises, are unsecured, uncommitted and, in some instances, may be repayable on demand. Loans under these lines of credit bear interest at LIBOR or similar indices plus a specified margin.

In October, 2006, we issued and sold convertible senior notes with an aggregate principal amount of $230 million due 2026 ("Notes"), which pay 2.25% interest per annum on the principal amount of the notes, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2007. Interest will accrue on the notes from and including October 12, 2006 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be. Commencing with the six-month period beginning October 1, 2011, and for each six-month period thereafter, we will, on the interest payment date for such interest period, pay contingent interest to the holders of the notes under certain circumstances and in amounts described in the indenture.

Note holders may require us to repurchase all or a portion of their notes upon a fundamental change, as described in this prospectus, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. Future minimum interest payments related to the Notes as of December 31, 2007 are $5.2 million for each year from 2008 through 2011. Future minimum payments related to the Notes as of March 31, 2008 through 2011 and thereafter include $77.5 million in interest and $230 million in principal for a total of $307.5 million.

In connection with the issuance of the Notes, we incurred approximately $6.2 million of issuance costs, which primarily consisted of investment banker fees, legal and accounting fees. These costs are classified within other assets and are amortized as a component of interest expense using the straight-line method over the life of the Notes from issuance through October 12, 2011.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to financial market risk results primarily from fluctuations in interest and currency rates. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007 except as updated below.

At March 31, 2008, our $320.7 million of ARS have experienced multiple failed auctions due to the liquidity issues experienced in the global credit and capital markets. While we continue to earn and receive interest on these investments at the maximum contractual rate, the estimated fair values of these auction rate securities no longer approximates par value. As of March 31, 2008, we recorded an unrealized loss of $11.5 million (net of $6.6. million tax effect) in other comprehensive loss for ARS with declines in value from December 31, 2007 deemed to be temporary.

We continue to monitor the market for ARS and consider its impact (if any) on the fair value of our investments. If the current market conditions deteriorate further, or the anticipated recovery in fair values does not occur, we may be required to record additional unrealized losses or impairment charges in future periods.

We intend and have the ability to hold these ARS until the market recovers. We do not anticipate having to sell these securities in order to operate our business. We believe that, based on our current unrestricted cash and cash equivalents of $61.2 million at March 31, 2008, as well as our available credit facilities, the current lack of liquidity in the credit and capital markets will not have a material impact on our liquidity, our cash flow, or our ability to fund our existing operations.

Item 4. Controls and Procedures

Our Chief Executive Officer, Keh-Shew Lu, and Chief Financial Officer, Carl C. Wertz, with the participation of the Company’s management, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the end of the period covered by this report, our disclosure controls and procedures are effective at the reasonable assurance level in making known to them material information relating to us (including our 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 objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors, mistakes or intentional circumvention of the established processes.

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, involved in litigation incidental to the conduct of our business. We do not believe we are currently a party to any pending litigation.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed on February 29, 2008.

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

There are no matters to be reported under this heading.

Item 3. Defaults Upon Senior Securities

There are no matters to be reported under this heading.

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

There are no matters to be reported under this heading.

Item 5. Other Information

There are no matters to be reported under this heading.

Item 6. Exhibits

3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of Amendment No.1 to the Company's Registration Statement on Form S-3 (File No. 333-127833) filed on September 8, 2006).
3.2	Amended Bylaws of the Company dated July 19, 2007 (incorporated by reference to Exhibit 3 on Form 8-K filed with the Commission on July 23, 2007).
10.1	Irrevocable Standby Letter of Credit dated as of March 31, 2008, issued by UBS Financial Services Inc. (incorporated by reference to Exhibit 99.1 to Form 8-K filed with the Commission on April 4, 2008).
10.2	Fourth Amendment to Amended and Restated Credit Agreement dated as of March 28, 2008, between Diodes Incorporated and Union Bank of California, N.A. (incorporated by reference to Exhibit 99.3 to Form 8-K filed with the Commission on April 4, 2008).
10.3	Continuing Guaranty Agreement dated April 3, 2008, between Diodes Incorporated and Union Bank of California N.A. (incorporated by reference to Exhibit 99.5 to Form 8-K filed with the Commission on April 4, 2008).
10.4	Guaranty Agreement dated March 28, 2008, between Diodes Incorporated and UBS Financial Services, Inc. (incorporated by reference to Exhibit 99.6 to Form 8-K filed with the Commission on April 4, 2008).
10.5	Addendum to Guaranty Agreement dated March 28, 2008, between Diodes Incorporated and UBS Financial Services, Inc.(incorporated by reference to Exhibit 99.7 to Form 8-K filed with the Commission on April 4, 2008).
10.6	Client's Agreement dated March 28, 2008, between Diodes Incorporated and UBS Financial Services, Inc. (incorporated by reference to Exhibit 99.8 to Form 8-K filed with the Commission on April 4, 2008).
10.7	Addendum to Client's Agreement dated March 28, 2008, between Diodes Incorporated and UBS Financial Services, Inc.(incorporated by reference to Exhibit 99.9 to Form 8-K filed with the Commission on April 4, 2008).
10.8	Terms and Conditions For Irrevocable Standby Letter of Credit dated March 28, 2008, between Diodes Incorporated and UBS Financial Services, Inc. (incorporated by reference to Exhibit 99.10 to Form 8-K filed with the Commission on April 4, 2008).
10.9	Addendum to Terms and Conditions For Irrevocable Standby Letter of Credit dated March 28, 2008, between Diodes Incorporated and UBS Financial Services, Inc.
10.10	Implementation Deed dated April 2008, between Diodes Incorporated and Zetex plc.
10.11	Revolving note dated as of March 28, 2008, of Diodes Incorporated payable to Union Bank of California, N.A.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

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

DIODES INCORPORATED (Registrant)

By: /s/ Carl C. Wertz

CARL C. WERTZ May 9, 2008
Chief Financial Officer, Treasurer and Secretary
(Duly Authorized Officer and Principal Financial and
Chief Accounting Officer)

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Exhibit 10.10

IMPLEMENTATION DEED

DATED   APRIL 2008

DIODES INCORPORATED

and

ZETEX PLC

CONTENTS

THIS DEED is made on April , 2008

BETWEEN:

(1) **DIODES INCORPORATED** a company incorporated under the laws of the State of Delaware with registered number 683514 and whose registered office is at The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 United States of America (**Diodes**); and

(2) **ZETEX PLC**, a company incorporated in England and Wales with registered number 01378777 whose registered office is at Zetex Technology Park, Chadderton, Oldham, OL9 9LL (**Zetex**).

WHEREAS:

(A) Diodes intends to make an offer (through its wholly owned subsidiary, Diodes Holdings UK Limited, a company incorporated under the laws of England and Wales under registered number 06475363) for the shares of Zetex on the terms and subject to the conditions set out in the Press Announcement (as defined below).

(B) The parties have agreed to implement such offer by way of a scheme of arrangement although Diodes reserves the right, as set out in this deed, to elect to implement such offer by making a takeover offer for the entire issued and to be issued share capital of Zetex.

(C) Each party has agreed to take certain steps to effect completion of the transaction and wish to enter into this deed to record their respective obligations relating to such matters.

THIS DEED WITNESSES as follows:

1. INTERPRETATION

1.1 In addition to terms defined elsewhere in this deed, the definitions and other provisions in the schedule headed "Interpretation" apply throughout this deed, unless the contrary intention appears.

1.2 In this deed, unless the contrary intention appears, a reference to a clause, subclause or schedule is a reference to a clause, subclause or schedule to this deed. The schedules form part of this deed.

1.3 The headings in this deed do not affect its interpretation.

2. PRESS ANNOUNCEMENT

The parties shall procure the release of the Press Announcement at or before 8.00am on 4 April 2008 or such other time and date as may be agreed by the parties. Clauses 3 (Implementation of the Scheme), 4 (Preparation of Documentation), 5 (Information and Access), 6 (Conduct of Business), 7 (Inducement Fee) and 10 (Competing Proposals) of this deed shall have no effect until and unless release of the Press Announcement occurs in accordance with this deed.

3. IMPLEMENTATION OF THE SCHEME OR OFFER

3.1 Subject as provided in this deed, each of Zetex and Diodes, undertakes to each other that it will co-operate and take or cause to be taken all such steps as are within its power and are both reasonable and necessary to implement the Scheme as soon as reasonably practicable and in consultation with each other, including:

(a) Zetex applying to the Court for leave to convene the Court Meeting and filing such documents as may be necessary in connection with such application;

(b) upon: (i) the Court making the order necessary for the purpose of convening the Court Meeting; and (ii) any necessary documents being settled with the Court, Zetex shall as soon as reasonably practicable publish the Scheme Document and, thereafter, in accordance with any order of the Court, publish such other documents and information as the Court may approve or require from time to time in connection with the implementation of the Scheme;

(c) Zetex convening and holding the Zetex General Meeting on the same date and immediately following the Court Meeting to consider and, if thought fit, approve the Zetex Resolution. Zetex will use reasonable endeavours to hold the Zetex General Meeting and the Court Meeting on 12 May 2008 or, if for reasons outside Zetex's control it is not possible to hold the Zetex General Meeting and the Court Meeting on that date, as soon as possible thereafter;

(d) following the Meetings, if the necessary resolutions are passed by the requisite majorities, Zetex seeking the sanction of the Court to the Scheme, seeking the confirmation of the Court of the Capital Reduction and taking any other action reasonably necessary to make the Scheme and the Capital Reduction effective (including, for the avoidance of doubt, advertising the Capital Reduction in a national newspaper and reconvening the Court Meeting and any other necessary shareholder meetings if so required by the Court);

(e) as soon as reasonably practicable following sanction of the Scheme and the confirmation of the Capital Reduction, in each case by the Court, Zetex causing an office copy of the Court Orders to be filed with the Registrar and (in the case of the Court Order confirming the Capital Reduction under section 137 of the Companies Act 1985) requesting that it be registered;

(f) save as permitted by this deed in relation to any contractual obligation of Zetex arising under any of the Zetex Share Option Schemes, Zetex not allotting or issuing any Zetex Shares between (1) the voting record time for the Zetex General Meeting and the Zetex General Meeting and (2) 6.00pm on the Business Day immediately before the date of the Reduction Court Hearing and the time at which the Scheme becomes effective;

(g) Zetex requesting the UK Listing Authority and the London Stock Exchange to cancel the admission to listing and trading of Zetex Shares on and with effect from the Effective Date;

(h) Zetex using all reasonable endeavours to ensure the time period between the posting of the Scheme Document and the Effective Date is as short as reasonably possible;

(i) a representative of Diodes attending the Court Meeting and Final Court Hearing and undertaking thereat to the Court either in writing or, if so required by the Court, by Counsel appearing at the hearings to:

  (i) procure the delivery to the Zetex Shareholders of the cash consideration under the Scheme within 14 days of the Effective Date; and

  (ii) accept the allotment to it of the new Zetex Shares contemplated as being created and issued to it under the Scheme;

(j) Diodes making arrangements for Zetex's registrars (or such other agent as Diodes in its discretion may appoint) to be placed in funds sufficient to satisfy Diodes' obligations under clause (i)(i) above; and

(k) Diodes notifying Zetex in advance of any intention to seek the consent of the Panel to invoke a condition of the Scheme which will prevent the Scheme from becoming unconditional and to provide Zetex with reasonable details of the grounds upon which it intends to seek such consent.

(l) Each party:

  (i) using all reasonable endeavours to procure that the Merger Clearances are obtained as soon as reasonably practicable;

  (ii) providing as promptly as reasonably practicable, in consultation and co-operation with the other party, all such information as may be reasonably be required for inclusion in any submission to any Relevant Authority for the purpose of obtaining the Merger Clearances and providing all such other assistance as may reasonably be required in connection with obtaining the Merger Clearances;

(iii) promptly notifying the other party and providing copies of any material communications with any Relevant Authority in connection with obtaining the Merger Clearances, save in respect of any information which is reasonably considered by that party to be competitively sensitive, which may at that party's option be provided to the other party's legal advisers on an external counsel basis;

(iv) using all reasonable endeavours to procure that each party and its advisers are able to attend any meetings or hearings and participate in any substantive discussions with any Relevant Authority in connection with obtaining the Merger Clearances; and

(v) keeping the others informed reasonably promptly of developments which are material or potentially material to the obtaining of the Merger Clearances by 30 June 2008 or which would otherwise materially affect the implementation of the Acquisition.

3.2 Zetex agrees that the Scheme Document shall incorporate a recommendation of the Directors to Zetex Shareholders to vote in favour of the Scheme and the Zetex Resolution in the form set out in the Press Announcement.

3.3 Zetex confirms to Diodes that the Scheme will contain provisions in accordance with the terms and conditions set out in the Press Announcement and only as further agreed between Zetex and Diodes, save as required by applicable law or regulation. Once the Scheme Documentation has been issued, save as required by law or any court of competent jurisdiction, Zetex will not amend the Scheme without the prior written consent of Diodes (such consent not to be unreasonably withheld or delayed).

3.4 The obligations of the parties to implement the Scheme or, if applicable, the Offer are subject to satisfaction (or, where permissible, waiver by Diodes) of the Conditions. Zetex undertakes to Diodes that it will procure that the Final Court Hearing is postponed unless, at 6.00 pm on the Business Day preceding the date of the Final Court Hearing appearing on the Timetable, Diodes has confirmed to Zetex in writing that it has waived or treated as satisfied each Condition and if such confirmation is not given at that time, Zetex undertakes not to arrange for the Final Court Hearing to be held on a new date without the prior consent of Diodes (not to be unreasonably withheld or delayed).

3.5 Diodes may elect to implement the Acquisition by way of an Offer and if it does so, the Offer will be implemented on the same terms (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. (or such lesser percentage (being more than 50 per cent.) as Diodes may decide)) set out in the Press Announcement (and at a price no less than that set out in the Press Announcement), save as required by law or regulation.

4. PREPARATION OF DOCUMENTATION

4.1 As soon as reasonably practicable following the date hereof, Zetex and Diodes shall use their respective reasonable endeavours to complete the preparation of the Scheme Document and shall each work diligently with a view to finalising it no later than 10 April 2008.

4.2 Zetex agrees to consult with Diodes as to the form and content of the Scheme Document, to seek the approval (not to be unreasonably withheld or delayed) of Diodes of the content of the Scheme Document before it is posted and endeavour to afford Diodes sufficient time to consider such document in order to give such approval. Diodes undertakes to provide Zetex promptly with all such information about itself as may reasonably be required for inclusion in the Scheme Document and to provide all such other assistance as Zetex may reasonably require in connection with the preparation of the Scheme Document, including access to, and ensuring the provision of reasonable assistance by, relevant professional advisers.

5. INFORMATION AND ACCESS

5.1 Zetex shall (and shall procure that each other member of the Zetex Group shall) upon the reasonable request made by or on behalf of Diodes use its reasonable endeavours provide Diodes with all information, cooperation and assistance that Diodes may require for the purpose of the Acquisition.

5.2 During the period from the release of the Press Announcement to the Effective Date, Zetex shall (and shall procure that each member of the Zetex Group shall) upon the reasonable request made by or on behalf of Diodes, provide all assistance and co-operation to the Clean Team (as defined in clause 5.4 below) as the Clean Team may reasonably require to enable it to carry out integration-planning work. Such assistance shall include but shall not be limited to providing the Clean Team with access to: (i) the management of the Zetex Group; and (ii) documents, books and records of the Zetex Group.

5.3 Zetex shall only be obliged to comply with its obligations under clause 5.2 if it has previously received a confidentiality undertaking in the Agreed Form from each relevant adviser forming part of the Clean Team confirming that any information provided to the Clean Team in accordance with clause 5.2 or other information relating to the Zetex Group discovered by the Clean Team in carrying out the integration-planning work referred to in clause 5.2 is confidential and will not (without the prior written consent of Zetex) be disclosed by the Clean Team to any member of the Diodes Group.

5.4 For the purposes of this clause 5, the **Clean Team** shall comprise such professional advisers nominated by Diodes and agreed to by Zetex (such agreement not to be unreasonably withheld or delayed).

6. CONDUCT OF BUSINESS

6.1 Zetex undertakes to Diodes that until the earlier of: (i) the Effective Date; and (ii) the termination of this deed in accordance with its terms Zetex will not and will procure that no other member of the Zetex Group will, without the prior consent of Diodes (not to be unreasonably withheld or delayed):

(a) carry on business other than in the ordinary and usual course;

(b) without prejudice to the generality of the foregoing paragraph (a), engage in any act or omission which would (i) require shareholder consent pursuant to Rule 21.1 of the Code; (ii) be material for disclosure in the context of the Scheme or the Offer; (iii) knowingly or wilfully cause any of the Conditions not to be satisfied;

(c) pay any dividend or make any other distribution of profits or capital;

(d) create any indebtedness between members of the Zetex Group which is not repayable at any time on the demand of the lender or the borrower;

(e) acquire or dispose of any fixed assets with an individual value in excess of £50,000;

(f) incur any expenditure exceeding £250,000 on capital account;

(g) repay, accelerate or otherwise amend the terms of the current debt facilities of the Zetex Group;

(h) issue any shares or options over shares (other than the issue by Zetex of   shares pursuant to the requirements of the Zetex Option Schemes in respect of options granted prior to the date hereof);

(i) make any capital contribution, gift or subscription for share capital or other securities in any other company;

(j) dispose of any interest in, or grant any encumbrance over, any real estate asset;

(k) make any amelioration to the terms of employment of any employee or the terms of any bonus arrangement;

(l) settle any litigation for a cost in excess of £50,000; or

(m) make any change to the terms of any of the Zetex Share Option Schemes other than as envisaged by this deed; or

(n) enter into any agreement or arrangement with the trustees of the Zetex Group Pension Scheme.

6.2 Zetex may, with the prior written consent of Diodes, implement an employee retention bonus plan in respect of such Zetex employees and on such terms as both parties may agree in writing.

6.3 Zetex shall agree to pay the Zetex non-executive directors in respect of fees due in June 2008 in cash.

7. INDUCEMENT FEE

7.1 Zetex shall pay £891,299 (the **Inducement Fee**) to Diodes if between the date of the issue of the Press Announcement and the date upon which the Scheme or Offer lapses or is withdrawn:

(a) a Competing Proposal (or any amendment, variation or revision of such) is announced and such Competing Proposal subsequently becomes or is declared unconditional in all respects or is otherwise completed or implemented; or

(b) the Directors (or any committee of the Directors) fail unanimously to recommend the Acquisition or withdraw or adversely modify or qualify their recommendation of the Acquisition; or

(c) Zetex enters into an agreement with any third party pursuant to which Zetex agrees to pay a fee to such third party upon the occurrence of any events similar or substantially equivalent to any of those detailed in this clause 7.1.

7.2 The Inducement Fee shall become due and payable (without any set-off, deduction or withholding, save as required by law) seven days after the Scheme or Offer lapses or is withdrawn.

7.3 Zetex confirms that the Directors believe the arrangements set out in this clause to be in the best interests of the Zetex Shareholders and that these arrangements have been approved by the Panel pursuant to Rule 21.2 of the Code.

7.4 Nothing in this deed shall oblige Zetex to pay an amount which the Panel determines would not be permitted by Rule 21.2 of the Code.

8. APPROVALS

Each of Diodes and Zetex confirm to each other that they have obtained all appropriate internal authorisations for the purpose of entering into this deed and releasing the Press Announcement.

9. SHARE SCHEMES

9.1 Diodes and Zetex agree that:

(a) any option that is already exercisable in accordance with the rules of the applicable Zetex Share Scheme may, subject to the rules of the applicable Zetex Share Scheme and any applicable law or regulation, be exercised in sufficient time prior to the date of the sanctioning of the Scheme so that any Zetex Shares issued in relation to such exercise shall be subject to the Scheme;

(b) all subsisting options under the 1994 ESOS are already exercisable. A Cashless Exercise Facility will only be offered to an optionholder under the 1994 ESOS in respect of options whose exercise price is less than the price offered by Diodes for each Zetex Share and where the exercise of such options takes effect on the sanctioning of the Scheme, so that any Zetex

Shares issued in relation to such exercise shall be subject to the Scheme. To the extent not exercised prior to the date of the sanctioning of the Scheme, options under the 1994 ESOS continue to be subject to the rules of the 1994 ESOS;

(c) all subsisting SAYE options are already exercisable but the exercise price in respect of each of them is greater than the price offered by Diodes for each Zetex Share. All subsisting SAYE options will lapse in accordance with the rules of the SAYE on 30 June 2008;

(d) all subsisting options under the 2003 ESOS are already exercisable, save for an option over Zetex Shares granted in March 2007 (the **March 2007 Option**). A Cashless Exercise Facility will only be offered to an optionholder under the 2003 ESOS (other than the holder of the March 2007 Option) in respect of options whose exercise price is less than the price offered by Diodes for each Zetex Share and where the exercise of such options takes effect on the sanctioning of the Scheme so that any Zetex Shares issued in relation to such exercise shall be subject to the Scheme;

(e) in respect of the March 2007 Option, Diodes and Zetex agree that they will co-operate to enable the optionholder of the March 2007 Option (provided that the March 2007 Option still subsists under the 2003 ESOS) either: (i) to exercise it on or soon after the Effective Date, so that he receives for the Zetex Shares he acquires the same price offered by Diodes for Zetex Shares; or (ii) to surrender it some time on or after the sanctioning of the Scheme in exchange for a cash sum payable by Zetex equal to the difference between the option exercise price of the March 2007 Option and the price offered by Diodes for Zetex Shares in respect of which the March 2007 Option is being surrendered. A Cashless Exercise Facility will only be offered to the holder of the March 2007 Option in respect of that option to the extent that he is permitted to exercise it on or soon after the Effective Date;

(f) no options under the 2007 ESOS and the PSP are already exercisable, but they will become exercisable from the Effective Date. A Cashless Exercise Facility will only be offered to an optionholder under the 2007 ESOS who exercises his option conditionally on the Effective Date. To the extent not exercised conditionally on the Effective Date, options under the 2007 ESOS and the PSP will lapse at the end of the period of three months from the Effective Date, in accordance with the rules of the 2007 ESOS and the PSP;

(g) no options under the BCP are already exercisable but all such options (having been granted as matching awards under the BCP) will become exercisable upon the sanctioning of the Scheme in accordance with the rules of the BCP. To the extent not exercised at the end of the period of six months from the sanctioning of the Scheme, they will lapse, in accordance with the rules of the BCP; and

(h) the Remuneration Committee has the discretion to grant further options under and in accordance with the BCP to selected participants, in respect of the financial year ending 31 December 2007, but if it decides to exercise such discretion, any such options will be granted by reference to net of tax aggregate bonuses not exceeding £213,943.44. For the avoidance of doubt, clause 6 does not preclude the exercise of this discretion by the Remuneration Committee, except that no Zetex Shares allocated for the purposes of any award under the BCP will be issued and, so far as possible, any such award will be in respect of Zetex Shares already held in the EBT.

9.2 Diodes and Zetex agree that:

(a) in relation to any outstanding option granted pursuant to a Zetex Share Scheme, the Remuneration Committee shall be solely responsible for determining if, and the extent to which, any performance condition attaching to such option has been satisfied and shall exercise any discretion it has in relation to such outstanding option in accordance with the rules of the applicable Zetex Share Scheme;

(b) with the effect from the Effective Date, the articles of association of Zetex will be amended to provide that any Zetex Shares issued and allotted after the Effective Date will automatically be transferred to or to the order of Diodes for a cash price that is equivalent to the consideration offered for Zetex Shares acquired under the Scheme;

(c) they will co-operate to ensure that all the Zetex Shares held in the EBT are used to satisfy all outstanding options granted pursuant to the Zetex Share Schemes subject, where necessary, to the consent of the trustee of the EBT;

(d) to the extent that the Zetex EBT holds or may hold any Zetex Shares as at 6.00p.m. on the Business Day immediately before the Reduction Court Hearing and such Zetex Shares remain subject to outstanding options granted pursuant to the Zetex Share Schemes, or the trustee of the Zetex EBT has agreed to use such Zetex Shares to satisfy such outstanding options, Diodes and Zetex undertake to cooperate to ensure that a suitable arrangement is put in place that allows the trustee of the Zetex EBT to satisfy such outstanding options in Zetex Shares on or after the Effective Date.

9.3 As soon as reasonably practicable after the Scheme Document is posted to the Zetex Shareholders, Zetex will write to all the holders of outstanding options under the Zetex Share Schemes and explain the effects of the Scheme on such options provided that:

(a) Zetex and its advisers will consult in a timely manner with Diodes and its advisers as to the contents of such communications prior to them being sent; and

(b) such communications will be drafted so as to comply with the provisions of Rule 15 of the Code and so as to discharge Diodes' obligations thereunder.

9.4 For the avoidance of doubt, no Cashless Exercise Facility will be made available except as specified in clause 9.1.

9.5 In relation to all other issues arising in relation to the Zetex Share Schemes as a result of or in connection with the Scheme, Zetex and Diodes undertake to cooperate with one another and to consult in advance on any proposals, or arrangements relevant to the proposals, to be made to the holders of options under the Zetex Share Schemes.

10. COMPETING PROPOSALS

10.1 In the event that the Directors are approached by any person who may be interested in making a Competing Proposal, Zetex shall procure that the Directors shall promptly notify Diodes of the fact of that approach and shall promptly notify Diodes if such person is given access to confidential information relating to Zetex.

10.2 If any person makes an Independent Competing Offer Announcement Diodes may amend the terms of its Offer (the **Revised Offer**) and for a period of 2 Business Days from the Independent Competing Offer Announcement, Zetex shall not withdraw the Scheme. In the event that such Revised Offer:

(A) is communicated to either the Directors or Zetex's financial adviser within 2 Business Days of the Independent Competing Offer Announcement; and

(B) increases the cash price previously offered by Diodes for each Zetex Share so that such increased cash price is no less than the price offered in the Independent Competing Offer Announcement the Directors acting reasonably and having sought independent advice consider that and the terms and circumstances of the Revised Offer are more favourable taking into account all circumstances including without limitation any obligation to pay any amount under clause 7 and the relative progress of each offer,

the Directors shall recommend the Revised Offer to the Zetex Shareholders and shall withdraw any recommendation that they may have made of the Competing Proposal and shall not recommend the Competing Proposal set out in such Independent Competing Offer Announcement.

10.3 Zetex undertakes to Diodes that it shall not, and shall procure that the members of the Zetex Group and its and their respective directors, employees, advisers, agents or other representatives shall not, directly or indirectly, solicit, encourage to be made or otherwise seek to procure any Competing Proposal.

11. TERMINATION

11.1 This deed may be terminated with immediate effect by Diodes or Zetex notifying the other to that effect and all rights and obligations of Diodes and Zetex hereunder shall, subject to subclause 11.2 and 11.3, cease forthwith as follows:

(a) if a Competing Proposal (or any amendment, variation or revision of such offer) becomes or is declared wholly unconditional or is completed; or

(b) if the Scheme is not sanctioned by Zetex Shareholders at the Court Meeting or the Zetex Resolution is not passed at the Zetex General Meeting, unless Diodes has previously bindingly elected to implement the Acquisition by way of an Offer (in accordance with this deed); or

(c) if the Court declines or refuses to sanction the Scheme, unless Diodes has previously bindingly elected to implement the Acquisition by way of an Offer (in accordance with this deed); or

(d) if Diodes elects to implement the Acquisition by way of Offer (in accordance with this deed) and such Offer lapses or is withdrawn; or

(e) if either party is in material breach of this deed, by notice from the party not in breach; or

(f) if at any time prior to satisfaction of the Conditions, the recommendation by the Directors of Zetex (or as the case may be the Independent Directors) to vote in favour of the Scheme or to accept an Offer, is withdrawn, qualified or adversely amended; or

(g) if any of the Conditions which has not been waived is (or becomes) incapable of satisfaction or if Diodes notifies Zetex that, notwithstanding the fact that it has the right to waive such Condition, it will not do so; or

(h) if any Condition which is incapable of waiver becomes incapable of satisfaction; or

(i) if the Conditions shall not have been all satisfied or waived (as the case may be) by 31 July 2008.

11.2 If Diodes elects in accordance with this deed to implement the Acquisition by way of an Offer, then the parties’ obligations under clauses 3 (except clause 3.1(l)), 4, 5, 6, 9 and 10 shall terminate but this shall be without prejudice to the rights of any party that have arisen prior to that date under those clauses including (without limitation) any claim in respect of a breach of those clauses.

11.3 Termination of this deed shall be without prejudice to the rights of any party that have arisen prior to termination, including (without limitation) any claim in respect of a breach of this deed. Clauses 7 (Inducement Fee), 10 (Competing Proposals), 11 (Termination), 12 (Non-Solicitation of Employees) and 14 (Notices) to 18 (Governing Law and Jurisdiction) shall survive any such termination.

12. NON-SOLICITATION OF EMPLOYEES

12.1 Diodes will not (whether alone or in conjunction with, or on behalf of, another person and whether directly or indirectly) for a period of nine months from the date of this deed, solicit or entice away, or endeavour to solicit or entice away, from Zetex or any member of Zetex Group, any person who is both a senior employee employed in a managerial, supervisory, technical or sales capacity by Zetex or any member of Zetex Group, and (b) a person (i) with whom Diodes had direct contact during the course of either the negotiations or the due diligence it conducted in connection with its proposed offer for the share capital of Zetex or (ii) whose name was specified in the materials included in an online data room relating to the Acquisition provided by Codex from 25 February 2008 until the date of this deed (each a **Relevant Employee**).

12.2 The employment of any Relevant Employee who (i) responded to an advertisement of a post available to a member of the public generally; or (ii) was recruited through an employment agency; or (iii) made an unsolicited approach to Diodes or any member of Diodes Group, shall not constitute a breach of clause 12.1 provided that in the case of sub clause (ii) of this clause 12.2 no company in Diodes Group or any of its respective officers and employees had encouraged or advised such agency to approach such Relevant Employee.

12.3 For the purposes of this clause 12: **senior employee** shall mean a person whose annual salary is in an amount in excess of £40,000; and **Group** shall, in relation to any company, mean its holding company and each of its subsidiary companies (as such terms are defined in section 736 of the Companies Act 1985).

13. PROCUREMENT

Each party to this deed shall use its reasonable endeavours to procure that its employees, auditors and advisers shall do all such acts as reasonably necessary to give effect to the terms of this deed.

14. NOTICES

14.1 Any notice, approval, consent or other formal communication to be given or made under this deed must (unless expressly provided otherwise) be in writing and be delivered or sent by fax to the party to be served at its address or fax number appearing in this deed or at such other address and/or fax number as it may have notified to the other parties in accordance with this clause 14.1.

14.2 Any notice, approval, consent or other formal communication shall be deemed to have been given or made:

(a) if delivered, at the time of delivery; or

(b) if sent by fax, on the date of transmission, if despatched before 3.00 p.m. (local time at the place of destination) on any Business Day, and in any other case on the Business Day after the date of despatch.

14.3 In proving service of a notice or document it shall be sufficient to prove that delivery was made or that the fax message was properly addressed and transmitted, as the case may be.

15. ANNOUNCEMENTS

None of the parties will make any announcement about the implementation of the Acquisition, the Scheme or the financing of the Acquisition or any matters arising in relation to or in connection with the Acquisition, the Scheme or the financing of the Acquisition or about any discussions between the parties concerning any of the foregoing, without the prior consent of the other parties (such consent in each case not to be unreasonably withheld or delayed) except to the extent required by law, any court of competent jurisdiction or any governmental or regulatory body provided that, so far as it is lawful to do so prior to such disclosure, such party seeks the prior consent of the other parties to such announcement.

16. REMEDIES AND WAIVERS

16.1 The rights of each party under this deed may be exercised as often as necessary, are cumulative and not exclusive of rights and remedies provided by law and may be waived only in writing and specifically. Delay in exercising or non-exercise of any such right is not a waiver of that right unless a time limit is set out in this deed or provided by law.

16.2 The rights, powers and remedies provided in this deed are cumulative and not exclusive of any rights, powers and remedies provided by law.

16.3 Without prejudice to any other rights and remedies which any party may have, each party acknowledges and agrees that damages may not be an adequate remedy for any breach by any party of the provisions of this deed and any party may be entitled to seek the remedies of injunction, specific performance and other equitable relief (and none of the parties shall contest the appropriateness or availability thereof), for any threatened or actual breach of any such provision of this deed by any party and no proof of special damages shall be necessary for the enforcement by any party of the rights under this deed.

17. GENERAL

17.1 Each of the provisions of this deed shall be enforceable independently of each of the others and its validity shall not be affected if any of the others is invalid. If any provision is void but would be valid if some part of it were deleted, the provision shall apply with such modification as may be necessary to make it valid.

17.2 Nothing in this deed and no action taken by the parties under this deed shall constitute a partnership, association, joint venture or other co-operative entity between any of the parties.

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

17.4 This deed and the documents referred to in it contain the whole agreement between the parties relating to the transactions contemplated by this deed and supersede all previous agreements between the parties relating to these transactions save as set out in the confidentiality agreement between the parties, dated 13 June 2007.

17.5 Each party acknowledges that, in agreeing to enter into this deed, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this deed) made by or on behalf of any other party at any time before the signature of this deed. Each of the parties waives all rights and remedies which, but for this clause 17.5, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance. Nothing in this clause 17.5 limits or excludes any liability for fraud.

17.6 This deed may only be varied in writing signed by each of the parties.

17.7 No party shall assign all or any part of the benefit of, or its rights or benefits under, this deed.

17.8 Save as otherwise expressly provided in this deed, each party shall pay its own costs and expenses in relation to the negotiation and preparation of this deed and the implementation of the transactions contemplated hereby.

17.9 This deed may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.

17.10 Each counterpart shall constitute an original of this deed, but all the counterparts shall together constitute but one and the same instrument.

18. GOVERNING LAW AND JURISDICTION

18.1 This deed is governed by English law.

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

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

SCHEDULE 1

INDICATIVE TIMETABLE

Release of Press Announcement	4 April
Filing of the claim form with the Court	10 April
Hearing for leave to convene the Court Meeting	17 April
Posting of the Scheme Document	18 April
Court Meeting and General Meeting	12 May
Hearing for directions in relation to the Capital Reduction	20 May
Advertise court hearing	22 May
Hearing to sanction the Scheme	2 June
Final Court Hearing	4 June
Effective Date	5 June

SCHEDULE 2

PRESS ANNOUNCEMENT

SCHEDULE 3

INTERPRETATION

1. In this deed:

Acquisition	means the proposed acquisition by Diodes of the entire issued and to be issued share capital of Zetex as described in the Press Announcement;
Agreed Form	means, in relation to any document, the form of that document which has been initialled for the purpose of identification by or on behalf of each of Diodes and Zetex;
BCP	means the Zetex plc 2007 Bonus Co-Investment Plan;
Business Day	means a day (other than a Saturday or Sunday) on which banks are generally open in London for normal business;
Capital Reduction	means the proposed reduction of share capital of Zetex pursuant to the Scheme;
Cashless Exercise Facility	on the exercise of any option granted pursuant to a Zetex Share Scheme, a facility under which Diodes: (a) withholds from the consideration due on the acquisition of the Zetex Shares received on the exercise of such option an amount equal to any exercise price payable, and any taxation arising, as a result of the exercise; and (b) pays such withheld sums to Zetex, which will ensure that the correct sums are paid to the relevant taxation authority in respect of the exercise of such option;
Code	means the City Code on Takeovers and Mergers;
Competing Proposal	means a proposed offer, tender offer, merger, acquisition, scheme of arrangement, recapitalisation or other business combination (including a transaction involving a dual listed company structure) (for the avoidance of doubt, whether or not subject to the satisfaction of any pre-condition) relating to any direct or indirect acquisition or purchase of 51 per cent. or more of the Zetex Shares or of the business or assets of Zetex and its subsidiaries (taken as a whole) proposed by any third party which is not an associate (as defined in the Code) of Diodes;
Conditions	means the conditions to implementation of the Scheme and the Acquisition or, if applicable, the Offer, set out in the Press Announcement;
Court	means the High Court of Justice in England and Wales or the Court of Appeal of England and Wales, as the case may be;
Court Meeting	means any meeting or meetings of the Zetex Shareholders as may be convened pursuant to an order of the Court pursuant to section 896 of the Companies Act 2006 for the purposes of considering and, if thought fit, approving the Scheme (with or without amendment), including any adjournment or postponement of any such meeting;

Directors	means the board of directors of Zetex;
Effective Date	means the date upon which (i) the Scheme becomes effective in accordance with its terms, or (ii) if Diodes elects to implement the Acquisition by way of Offer, the Offer becomes or is declared unconditional in all respects;
1994 ESOS	means the Zetex plc 1994 Executive Share Option Scheme;
2003 ESOS	means the Zetex plc 2003 Executive Share Option Scheme;
2007 ESOS	means the Zetex plc 2007 Executive Share Option Scheme;
Final Court Hearing	means the final hearing of the Petition by the Court;
Final Court Order	means the order of the Court confirming the reduction of capital provided for by the Scheme under section 137 of the Companies Act 1985;
Independent Competing Offer Announcement	means an announcement of a firm intention to make an offer comprising a Competing Proposal whether or not made pursuant to Rule 2.5 of the Code;
Meetings	means the Zetex General Meeting and the Court Meeting;
Merger Clearances	means all relevant merger control clearances to allow the implementation of the Acquisition having been obtained pursuant to Conditions 4a and 4b as set out in Appendix 1 to the Press Announcement;
Offer	means a recommended offer made on behalf of Diodes to acquire all of the Zetex Shares, on the terms and subject to the conditions set out in the Press Announcement (subject to appropriate amendments, including (without limitation) the inclusion of an acceptance condition set at ninety per cent. (or such lesser percentage (being more than 50 per cent.) as Diodes may decide), of the shares to which such offer relates) and, where the context admits, any subsequent revision, variation, extension or renewal of such offer;
Panel	means the Panel on Takeovers and Mergers;
Petition	means the petition applying to the Court for the Final Court Order;
Press Announcement	means the press announcement to be issued in accordance with Rule 2.5 of the Code announcing the terms of the Scheme, a final draft of which is set out in the scheduled headed "Press Announcement";
PSP	means the Zetex plc 2007 Performance Share Plan;
Reduction Court Hearing	means the hearing by the Court of the application to confirm the Capital Reduction;
Registrar	means the Registrar of Companies for England and Wales;
Relevant Authority	means any central bank, ministry, government, government department, governmental, quasi-governmental, (including the European Union), supranational, statutory, regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority), national, state, municipal or local

	government (including any subdivision, court, administrative agency or commission or other authority thereof), private body or other authority, trade agency, association, institution or professional or environmental body in any relevant jurisdiction;
Remuneration Committee	means the remuneration committee from time to time until the Effective Date of the board of directors of Zetex;
SAYE Scheme	means the Zetex plc SAYE scheme;
Scheme	means the proposed acquisition of the Zetex Shares by Diodes by way of a scheme of arrangement under section 895 of the Companies Act 2006, on the terms and subject to the Conditions set out in the Press Announcement and to be set out in the Scheme Document with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Zetex and Diodes;
Scheme Document	means the document to be sent to Zetex Shareholders which will contain, among other things, the terms and conditions of the Scheme and which will include the notices convening the Court Meeting and the Zetex General Meeting, a draft of which is in the Agreed Form;
Timetable	means the timetable for the implementation of the Scheme, the current form of which is set out in the schedule headed “Indicative Timetable”;
Zetex EBT	means the Zetex Employee Share Ownership Plan Trust created by a trust deed dated 8 March 1999;
Zetex General Meeting	means the general meeting of Zetex Shareholders to be convened for the purposes of considering and, if thought fit, approving the Zetex Resolution, including any adjournment or postponement of that meeting;
Zetex Group	means Zetex and its subsidiary undertakings, and references to a “member” or “members” of the Zetex Group shall be construed accordingly;
Zetex Resolution	means the special resolution to approve, amongst other things, the cancellation of the entire issued share capital of Zetex and such other matters as may be necessary or desirable to implement the Scheme and any Offer;
Zetex Shareholders	means the holders of Zetex Shares;
Zetex Share Schemes	means the 1994 ESOS, the 2003 ESOS, the 2007 ESOS, the BCP, the PSP and the SAYE Scheme; and
Zetex Shares	means ordinary shares of 5p each in the capital of Zetex.

2. In this deed:

(a) references to a person include a body corporate and an unincorporated association of persons;

(b) references to an individual include his estate and personal representatives;

(c) references to a party to this deed include references to the successors and assigns (immediate or otherwise) of that party;

(d) a person shall be deemed to be **connected** with another if that person is connected with that other within the meaning of section 839 of the Income and Corporation Taxes Act 1988 (as in force at the date of this deed);

(e) the expressions **acting in concert**, **control** and **offer** shall have the meaning given in the Code;

(f) references to a transfer of a share include the disposal of any interest in that share (including the creation of any security interest or other third party right over any interest in that share and any renouncement in favour of another person of any right to the allotment or transfer of that share);

(g) the words **including** and **include** shall mean including without limitation and include without limitation, respectively;

(h) any reference importing a gender includes the other gender;

(i) any reference to a time of day is to London time;

(j) any reference to **£** is to Pound Sterling, any reference to ñ is to Euro and any reference to **$** is to United States Dollars; and

(k) any reference to a document is to that document as amended, varied or novated from time to time otherwise than in breach of this deed or that document.

3. In this deed, any reference, express or implied, to an enactment includes:

(a) that enactment as re-enacted, amended, extended or applied by or under any other enactment (before, on or after the signature of this deed);

(b) any enactment which that enactment re-enacts (with or without modification); and

(c) any subordinate legislation made (before, on or after the signature of this deed) under any enactment, as re-enacted, amended, extended or applied as described in paragraph (a) above, or under any enactment referred to in paragraph (b) above ,

provided that no such enactment or subordinate legislation made after the date of this deed shall increase the liability of any party under this deed, and **enactment** includes any legislation in any jurisdiction.

4. The *eiusdem generis* rule does not apply to this deed. Accordingly, specific words indicating a type, class or category of thing do not restrict the meaning of general words following such specific words, such as general words introduced by the word **other** or a similar expression. Similarly, general words followed by specific words shall not be restricted in meaning to the type, class or category of thing indicated by such specific words.

5. A reference in this deed to any English legal term for any action, remedy, method or form of judicial proceeding, legal document, court or any other legal concept or matter will be deemed to include a reference to the corresponding or most similar legal term in any jurisdiction other than England, to the extent that such jurisdiction is relevant to the transactions contemplated by this deed or the terms of this deed.

6. Paragraphs 1 to 5 above apply unless the contrary intention appears.

IN WITNESS of which this document has been executed and delivered as a deed on the date which first appears on page 1 above.

EXECUTED as a **DEED** by	)	
DIODES INCORPORATED	)	
acting by Keh-Shew Lu	)	/s/ Keh-Shew Lu
EXECUTED as a **DEED** by	)	
ZETEX PLC	)	
acting by Hans Rohrer	)	/s/ Hans Rohrer
and	)	

Exhibit 10.11

REVOLVING NOTE

Borrower's Name: Diodes Incorporated Borrower's Address: 3050 East Hillcrest Drive Westlake Village, California 91362-3154	Office: 30361 Revolving Credit Commitment Termination Date: August 29, 2008	Loan Number: 0080000000 Amount: $22,500,000

Westlake Village, California	$22,500,000	March 28, 2008

FOR VALUE RECEIVED, on August 29, 2008 (the "Revolving Credit Commitment Termination 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 Twenty-Two Million Five Hundred Thousand Dollars ($22,500,000), 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 Revolving Note (this "Note") is the replacement Revolving Note referred to in the Amended and Restated Credit Agreement (as such term is defined herein below) 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.

1. INTEREST PAYMENTS. Borrower shall pay interest on the outstanding principal amount hereof on the first day of each month, commencing April 1, 2008. 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 one and fifteen one-hundredths percent (1.15%).

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 Revolving Credit Commitment Termination 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, which rate shall vary as and when the Reference Rate changes.

If any interest rate defined in this Note ceases to be available from Bank for any reason, then said interest rate shall be replaced by the rate then offered by Bank, which, in the sole discretion of Bank, most closely approximates the unavailable rate.

At any time prior to the Revolving Credit Commitment Termination Date, subject to the provisions of paragraph 4 of this Note, Borrower may borrow, repay and reborrow hereon so long as the total outstanding at any one time does not exceed the principal amount of this Note. 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.

Initial Here: ___/s/ LPK___

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 27, 2003, by and between Borrower and Bank, as amended and as at any time and from time to time further 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. **"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.

DIODES INCORPORATED

By: /s/ Larry P. Katz

Title: Reg. Controller

Exhibit 31.1

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

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

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Keh-Shew Lu

Keh-Shew Lu
President and Chief Executive Officer
Date: May 9, 2008

Exhibit 31.2

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

I, **Carl C. Wertz**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diodes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Carl C. Wertz

Carl C. Wertz
Chief Financial Officer
Date: May 9, 2008

Exhibit 32.1

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the three-month period ended **March 31, 2008** of Diodes Incorporated (the “Company”) fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in such report.

Very truly yours,

/s/ Keh-Shew Lu

Keh-Shew Lu
President and Chief Executive Officer
Date: May 9, 2008

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

Exhibit 32.2

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the three-month period ended **March 31, 2008** 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 C. Wertz

Carl C. Wertz
Chief Financial Officer
Date: May 9, 2008

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