

DIODES INCORPORATED

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PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

Exhibit 10.3 - Kai Hong Compensation Trade Agreement
for MELF Product

(b) Reports on Form 8-K

None

SIGNATURE

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

DIODES INCORPORATED (Registrant)

/s/ Joseph Liu

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

October 25, 1995

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Exhibit 10.2, Compensation Trade Agreement for SOT-23 Product, constitutes a fair and accurate English translation of the exhibit.

DIODES INCORPORATED (Registrant)

/s/ Joseph Liu

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

October 25, 1995

EXHIBIT 10.2

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

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

I. Way of Cooperation:

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

II. Contents of Compensation Trade:

1. Diodes shall assist in securing qualified chip suppliers and provide product specifications to entrust Kai Hong to produce SOT-23 Products to export to Diodes. For the payment of production to Kai Hong, Diodes shall deduct a portion to repay Diodes' investment. (5)
2. Kai Hong guarantees to sell its monthly production of Products to Diodes. Any excess Products shall be handled subject to mutual negotiation, which may include domestic sale and export. (4)
3. The fall-off and scrap parts shall be kept in good custody. The quantity shall be confirmed by both parties before disposal.

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4. Kai Hong shall adopt rigid production management. Except for reasonable production consumption if there is a loss of finished Products and Work-In-Progress Products, Kai Hong agrees to make up the monthly capacity under the agreement. If there is a cost variable due to such a loss, it shall not be included when reviewing the cost structure. Kai Hong shall agree to take effective action to prevent such a loss within three months of learning of it.

II. Quality Standard:

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

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

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

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

1. Upon the execution of this agreement, the purchase of equipment shall be commenced based on the suppliers and specifications confirmed between both parties. The purchase of equipment necessary for the company shall be handled by Kai Hong. Diodes shall remit its investment to Kai Hong's bank account to maintain timely payment according to the equipment payment schedule.
2. SOT-23 produced by Kai Hong shall be priced competitively for export to Diodes (based on MMBT 3094/3906) of which a portion is compensation expense (as reimbursement on loan and interest) and actual remaining payment

shall be made by Diodes to Kai Hong within 30 days by T/T in US\$. Actual export price shall be reviewed once ever half year by both parties. (5)

3. The feasibility study of this item shall be acknowledged by the parties with their signature affixed. The offset price shall be adjusted when key material price has a major change (defined as +/-3%).
4. The interest on the capital to be invested by Diodes shall be calculated based on the actual interest rate charged by Diodes' bank. Interest will start from the date Kai Hong received the remittance. The quantity of product by compensation trade will be made over 58 months. (8)
5. The freight charges from the shipment of chips to Kai Hong will be charged to Kai Hong's account and the freight charge occurring from the shipment of Product to Diodes from Kai Hong will be charged to Diodes .
6. When there is significant change to the specification of SOT-23 Products and/or related Products, the export price and compensation expense will be changed by to mutual agreement.
7. All Product will meet Diodes quality requirements and standards as shown on Appendix.
8. Should Kai Hong liquidate or be closed due to other cause(s) prior to Diodes' loan and interest being fully repaid, Diodes shall have the ownership of the equipment equivalent to the sum not repaid and have the highest priority of debt claim against the bank with relation to Kai Hong.
9. During the effective period of this agreement, each party shall obtain the other party's written consent prior to speaking with a third party regarding additional investment plan(s) for same or similar Products. Both parties agree that the other party shall have the right of first refusal under the same terms and conditions.
10. The agreement shall remain valid until the end of December 31, 2000, or until the date the Products have been delivered as previously agreed. Kai Hong agrees to give Diodes the priority of the purchase of additional product for an additional five years, since the expiration of this agreement, and the selling price will be reduced from then current market price. During the extension period, Item V.9 and V.10 herein will remain valid while other items shall be invalid. (9)
11. During this period of agreement, if there is any dispute between the parties, it shall be amicably settled by the parties.

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

DIODES INCORPORATED

/s/ David Lin

David Lin, President

Date: June 9, 1995

Shanghai Kai Hong Electronics Co., Ltd.

/s/ J.Y. Xing

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

Date: June 9, 1995

ATTACHMENT 1

1. SOT-23 Product Content = Transistor, Switching diode, Zener diode, Schottky diode, etc.
2. Factory Monthly Capacity Target = Minimum 10,000K units per month.
3. Total Investment = US * (**)
 A. Diodes = Not to exceed US * - for acquisition of Equipment
 B. 3. Kai Hong Total Investment = US * million
 US * - for acquisition of equipment
 US * - for the construction of a factory building
 US * - for technical training
 US * - for working capital
- ** (Total investment amounts are subject to the actual cost of acquisition of equipment.)
4. SOT-23 Products Distribution
 A. Kai Hong Guarantees Minimum * units per month
 B. Excess Production Disbursement
 1. Diodes has first right of refusal for excess production at negotiated prices or
 2. Domestic sale and or export subject to * each for Kai Hong and Diodes
5. SOT-23 Transfer Price
 A. Transfer Price to Diodes = US *
 B. Payment Deduction to Repay Diodes' Investment = US *
 C. Actual Remitted Payment to Kai Hong = *
6. Initial Production Yield = *
7. Initial Kai Hong Chip Purchases = * units per month
8. Quantity of Product for Compensation Trade = Total Diodes loan and interest to be amortized equal to * (*)
9. Additional Quantity Available for Purchase at End of Agreement at December, 2000 = * units per month for * at favorable discount from market price

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Exhibit 10.3, Compensation Trade Agreement for MELF Product,
constitutes a fair and accurate English translation of the exhibit.

DIODES INCORPORATED (Registrant)

/s/ Joseph Liu

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

October 25, 1995

EXHIBIT 10.3

COMPENSATION TRADE AGREEMENT FOR MELF PRODUCT
(TRANSLATED FROM CHINESE)

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

I. Terms and Conditions:

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

II. Technical Support

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

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

III. Payment Terms

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

IV. Responsibilities

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

DIODES INCORPORATED

SHANGHAI KAI HONG ELECTRONICS, LTD.

/s/ David Lin

/s/ J. Y. Xing

David Lin, President

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

Date: June 9, 1995

Date: June 9, 1995

COMPENSATION TRADE AGREEMENT FOR MELF PRODUCT

ATTACHMENT 1

1. Total Investment for Compensation Trade

Total capital requirement for MELF production is U.S.* , to be invested in two phases, both Diodes and Kai Hong will contribute U.S. * .

Phase 1	Diodes: Investment by Equipment:	U.S.	*
	In cash:	U.S.	*
	Kai Hong: Investment by Eqpt., Facility	U.S.	*
	In cash:	U.S.	*
Phase 2	Diodes: Investment by Equipment:	U.S.	*
	Kai Hong: Investment by Equipment:	U.S.	*
	In cash:	U.S.	*

2. Quantity of Product for Compensation Trade =
Total * units of MELF Product. (*).

3. MELF Transfer Price:
A. Transfer price to Diodes = US *
B. Payment Deduction to Repay Diodes' Investment = US *
C. Actual Remitted Payment to Kai Hong = US *

4. Technical Assistance Fee to be paid to Diodes = US *

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