

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

Or

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

For the transition period from _____ to _____.

Commission file number: 002-25577

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-2039518

(I.R.S. Employer
Identification Number)

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

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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's Common Stock outstanding as of August 7, 2008 was 40,851,587

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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	June 30, 2008 (unaudited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,179	\$ 86,132
Short-term investments	323,472	—
Total cash and short-term investments	379,651	86,132
Accounts receivable, net	89,578	111,934
Inventories	53,031	101,649
Deferred income taxes, current	5,173	6,620
Prepaid expenses and other	10,576	15,088
Total current assets	<u>538,009</u>	<u>321,423</u>
LONG-TERM INVESTMENT, available-for-sale securities	—	294,653
PROPERTY, PLANT AND EQUIPMENT, net	123,407	183,415
DEFERRED INCOME TAXES, non-current	3,241	17,626
OTHER ASSETS		
Goodwill	25,135	112,324
Intangible assets, net	9,643	17,418
Other	6,930	7,718
Total assets	<u>\$ 706,365</u>	<u>\$ 954,577</u>

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	June 30, 2008 (unaudited)
CURRENT LIABILITIES		
Line of credit	\$ —	\$ 16,520
Accounts payable	55,145	58,423
Accrued liabilities	27,841	41,541
Income tax payable	1,732	6,418
Current portion of long-term debt	1,345	1,365
Current portion of capital lease obligations	145	449
Total current liabilities	<u>86,208</u>	<u>124,716</u>
LONG-TERM DEBT, net of current portion		
2.25% convertible senior notes due 2026	230,000	230,000
Long-term borrowings	5,815	170,038
CAPITAL LEASE OBLIGATIONS, net of current portion	1,331	2,352
OTHER LONG-TERM LIABILITIES	<u>6,249</u>	<u>35,793</u>
Total liabilities	<u>329,603</u>	<u>562,899</u>
MINORITY INTEREST IN JOINT VENTURES	7,164	8,448
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 40,838,821 issued and outstanding at December 31, 2007 and June 30, 2008, respectively	26,782	27,226
Additional paid-in capital	121,412	127,248
Retained earnings	220,504	247,814
Accumulated other comprehensive income (loss)	900	(19,058)
Total stockholders' equity	<u>369,598</u>	<u>383,230</u>
Total liabilities and stockholders' equity	<u>\$ 706,365</u>	<u>\$ 954,577</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
NET SALES	\$ 96,283	\$ 116,018	\$ 188,303	\$ 211,598
COST OF GOODS SOLD	65,605	76,400	128,102	140,064
Gross profit	30,678	39,618	60,201	71,534
OPERATING EXPENSES				
Selling, general and administrative	13,397	17,127	26,075	31,786
Research and development	3,156	4,994	6,101	8,730
Restructuring charge and gain on disposal of fixed assets	1,770	—	1,770	(45)
Total operating expenses	18,323	22,121	33,946	40,471
Income from operations	12,355	17,497	26,255	31,063
OTHER INCOME (EXPENSES)				
Interest income	4,285	2,554	8,320	8,002
Interest expense	(1,696)	(2,285)	(3,421)	(3,983)
Other	72	(1,202)	(56)	(1,496)
Total other income (expenses)	2,661	(933)	4,843	2,523
Income before income taxes and minority interest	15,016	16,564	31,098	33,586
INCOME TAX PROVISION	(2,221)	(2,781)	(4,879)	(4,996)
Income before minority interest	12,795	13,783	26,219	28,590
Minority interest in earnings of joint ventures	(546)	(675)	(961)	(1,279)
NET INCOME	\$ 12,249	\$ 13,108	\$ 25,258	\$ 27,311
EARNINGS PER SHARE				
Basic	\$ 0.31	\$ 0.32	\$ 0.64	\$ 0.68
Diluted	\$ 0.29	\$ 0.31	\$ 0.60	\$ 0.64
Number of shares used in computation				
Basic	39,397	40,616	39,220	40,431
Diluted	42,023	42,843	41,897	42,695

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

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

	Six Months Ended June 30,	
	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 25,258	\$ 27,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,978	16,465
Amortization of intangibles	418	466
Amortization of convertible bond issuance costs	630	622
Minority interest earnings	961	1,284
Share-based compensation	4,654	5,133
Loss (gain) on disposal of property, plant and equipment	348	(37)
Changes in operating assets:		
Accounts receivable	(7,793)	(7,347)
Inventories	(442)	(16,652)
Prepaid expenses and other current assets	(1,876)	(1,242)
Deferred income taxes	863	(1,034)
Changes in operating liabilities:		
Accounts payable	(5,382)	(3,502)
Accrued liabilities	415	(1,248)
Other liabilities	2,210	(104)
Income taxes payable	(88)	3,064
Net cash provided by operating activities	<u>\$ 32,154</u>	<u>\$ 23,179</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	\$ —	\$ (152,934)
Acquired intangibles	—	(66)
Purchases of property, plant and equipment	(23,318)	(25,092)
Sales (purchases) of available-for-sale securities	(18,772)	2,797
Proceeds from sale of property, plant and equipment	5	45
Net cash used by investing activities	<u>\$ (42,085)</u>	<u>\$ (175,250)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit, net	\$ 1,056	\$ 16,463
Net proceeds from issuance of common stock	3,894	1,147
Proceeds from long-term debt	—	165,000
Repayments of long-term debt	(1,383)	(1,062)
Repayments of capital lease obligations	(81)	(156)
Net cash provided by financing activities	<u>\$ 3,486</u>	<u>\$ 181,392</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>236</u>	<u>632</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,209)	29,953
CASH AND CASH EQUIVALENTS, beginning of period	<u>48,888</u>	<u>56,179</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 42,679</u>	<u>\$ 86,132</u>

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

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Six Months Ended	
	June 30,	
	<u>2007</u>	<u>2008</u>
Acquisition:		
Fair value of assets acquired	\$ —	\$ 196,958
Liabilities assumed	—	(44,219)
Cash acquired	—	24,566
Cash paid for the acquisition	<u>\$ —</u>	<u>\$ 177,305</u>

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 Recently Issued Accounting Pronouncements

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 and six months ended June 30, 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. As permitted under accounting principles generally accepted in the U.S., interim accounting for certain expenses, including income taxes, are based on full year forecasts. Such amounts are expensed in full in the year incurred. For interim financial reporting purposes, income taxes are recorded based upon estimated annual effective income tax rates.

All significant intercompany balances and transactions have been eliminated.

Corporate Structure

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

In connection with our acquisition of Zetex plc (“Zetex”) (see-Note M — Business Acquisitions), we formed Diodes Holdings UK Limited and Diodes Investment Company, which are the holding companies for Diodes Zetex Limited.

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

Holding companies

Diodes International B.V. (“Diodes-International”)	100% owned
Diodes Hong Kong Holding Company Limited	100% owned
Diodes Holdings UK Limited	100% owned (2008)
Diodes Investment Company	100% owned (2008)

Subsidiaries

Diodes Taiwan, Inc. (“Diodes-Taiwan”)	100% owned
Diodes Hong Kong Limited (“Diodes-Hong Kong”)	100% owned
Anachip Corp. (“Anachip” or “Diodes-Anachip”)	99.81% owned
Shanghai Kai Hong Electronic Co., Ltd. (“Diodes-China”)	95% owned
Shanghai Kai Hong Technology Co., Ltd. (“Diodes-Shanghai”)	95% owned
Diodes FabTech, Inc. (“FabTech” or “Diodes-FabTech”)	100% owned
Diodes United Kingdom Limited	100% owned
Diodes Korea Inc.	100% owned
Diodes Germany GmbH	100% owned
Diodes France SARL	100% owned (2008)
Diodes Zetex Limited (“Diodes-Zetex”)	100% owned (2008)

Reclassifications

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 May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion are not addressed by paragraph 12 of Accounting Principles Board Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. FSP APB 14-1 also specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the future impacts and required disclosures of this pronouncement and believes that there will be a material adjustment made to account for the liability and equity components of the Company's \$230 million convertible senior notes separately.

In May 2008, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. This standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS No. 162 is effective 60 days following approval by the U.S. Securities and Exchange Commission ("SEC") of the Public Company Accounting Oversight Board's amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. We do not expect SFAS No. 162 to have a material impact on the preparation of our consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Asset*. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, *Business Combinations*, and other accounting principles generally accepted in the U.S. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance for determining the useful life of a recognized intangible asset in this FSP shall be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The Company is currently evaluating the impacts and required disclosures of adopting this pronouncement.

In March 2008, the 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 impacts and required disclosures 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. Early adoption is prohibited. The Company is currently evaluating the future impacts and required disclosures of this pronouncement.

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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 decreases 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 NCIs 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 pronouncement.

In December 2007, the FASB ratified the Emerging Issues Task Force (“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 is 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 future impacts and required disclosures of this pronouncement.

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 research and development 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’s adoption of this pronouncement did not have a material impact and the Company does not have any arrangements in the scope of this pronouncement.

In February 2007, the 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, the FASB issued SFAS No. 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 SFAS 157, 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 E — Fair Value Measurements).

NOTE B — Functional Currencies, Comprehensive Income and Foreign Currency Translation

Functional Currencies and Translation — The functional currency for most of our international operations is the U.S. dollar. The functional currency for our subsidiaries Diodes-Taiwan, Diodes-Anachip and Diodes-Zetex is their local currency, as the Company believes it is the appropriate currency for them to use. Assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Income and expense accounts denominated in foreign currencies are translated at the average exchange rate during the period presented. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income or loss within stockholders’ equity in the consolidated condensed balance sheets. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are recorded as other income (expense) in the consolidated condensed statements of income. The Company had foreign exchange transaction losses of approximately \$0.1 million and \$1.2 million for the three months ended June 30, 2007 and 2008, respectively, and approximately \$0.3 million and \$1.7 million for the six months ended June 30, 2007 and 2008, respectively.

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Comprehensive Income — Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as 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, unrealized holding losses for available-for-sale securities, unrealized loss on defined benefit plan and foreign currency gain on forward contracts. Accumulated other comprehensive income was \$0.9 million at December 31, 2007 and accumulated other comprehensive loss was \$19.1 million at June 30, 2008. The \$20.0 million change in other comprehensive loss was primarily a result of a \$16.5 million, net of tax, unrealized loss of available-for-sale securities (see Note F — Short-term and Long-term Investments) and \$8.5 million, net of tax, unrealized loss on defined benefit plan (see Note P — Defined Benefit Plan) during the first six months of 2008, partially offset by a \$4.7 million currency translation gain.

Total comprehensive income for the three and six months ended June 30, 2007 and 2008 was as follows (*in thousands*):

Total Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Net income	\$ 12,249	\$ 13,108	\$ 25,258	\$ 27,313
Translation adjustment	257	1,622	(189)	4,681
Unrealized loss on available-for-sale securities, net of tax	—	(5,031)	—	(16,524)
Unrealized loss on defined benefit plan, net of tax	—	(8,540)	—	(8,540)
Foreign currency gain on forward contracts, net of tax	—	425	—	425
Comprehensive income	\$ 12,506	\$ 1,584	\$ 25,069	\$ 7,355

NOTE C — Hedging

As a multinational company, our transactions are denominated in a variety of currencies. During the second quarter of 2008, in connection with the acquisition of Zetex, the Company adopted forward exchange contracts, designated as foreign-currency cash flow hedges, to reduce the potentially adverse effects of foreign-currency exchange rate fluctuations that occur in the normal course of business. The Company uses forward exchange contracts to hedge, thereby attempting to reduce our overall exposure to the effects of currency fluctuations on cash flows. The Company does not permit speculation in financial instruments for profit on the exchange rate price fluctuation, trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increase the underlying exposure.

These forward exchange contracts are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as assets and unrealized loss positions are recorded as liabilities. Changes in the fair values of the outstanding forward exchange contracts that are highly effective are recorded in other comprehensive income until net income is affected by the variability of the cash flows of the hedged transaction. Changes in the fair values of the forward exchange contracts not effective as hedging instruments are recognized in earnings in the current period. Results of ineffective hedges are recorded in the expense line item being hedged.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those forward exchange contracts are expected to remain highly effective in future periods.

As of June 30, 2008, the Company had forward contracts, primarily relating to the Zetex operations, of approximately \$53.2 million that mature monthly over the next 18 months. For the six months ended June 30, 2008, the Company had net foreign exchange hedge-related transaction losses of \$1.5 million related to hedging the Zetex acquisition purchase price and deferred net unrealized losses on outstanding forward exchange contracts recorded as other comprehensive gain of \$0.4 million (net of tax). For the six months ended June 30, 2008, the Company had no ineffective hedges because forward foreign currency contract amounts were less than the specifically identified anticipated transactions.

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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 June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
BASIC				
Weighted average number of common shares outstanding used in computing basic earnings per share	39,397	40,617	39,220	40,431
Net income	<u>\$ 12,249</u>	<u>\$ 13,108</u>	<u>\$ 25,258</u>	<u>\$ 27,313</u>
Earnings per share	<u>\$ 0.31</u>	<u>\$ 0.32</u>	<u>\$ 0.64</u>	<u>\$ 0.68</u>
DILUTED				
Weighted average number of common shares outstanding used in computing basic earnings per share	39,397	40,617	39,220	40,431
Add: Assumed exercise of stock options and stock awards	2,626	2,227	2,677	2,264
	42,023	42,844	41,897	42,695
Net income	<u>\$ 12,249</u>	<u>\$ 13,108</u>	<u>\$ 25,258</u>	<u>\$ 27,313</u>
Earnings per share	<u>\$ 0.29</u>	<u>\$ 0.31</u>	<u>\$ 0.60</u>	<u>\$ 0.64</u>

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 of \$39.00 and, therefore, there is no conversion spread.

NOTE E — Fair Value Measurements

As stated in “Note A — Basis of Presentation and Recently Issued Accounting Pronouncements,” 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

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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 the Company's 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 ARS 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. Fair value presented for the ARS is based on third-party information and were determined using proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions 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 F — Short-term and Long-term Investments).

Financial assets and liabilities carried at fair value as of June 30, 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 June 30, 2008
Available-for-sale securities	\$ —	\$ —	\$ 294,653	\$ 294,653
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 294,653</u>	<u>\$ 294,653</u>

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 June 30, 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	(26,072)
Purchases, issuances, and settlements	25
Ending balance as of June 30, 2008	<u>\$ 294,653</u>

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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 June 30, 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 previously stated above, SFAS 157 will be applicable to these fair value measurements beginning January 1, 2009.

NOTE F — Short-term and Long-term Investments

Short-term and long-term investments at June 30, 2008 and December 31, 2007, were as follows (*in thousands*):

<u>As of June 30, 2008</u>	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Long-term investments:				
Available-for-sale investment in auction rate securities	\$ 320,675	\$ —	\$ (26,072)	\$ 294,653
Total long-term investments	<u>\$ 320,675</u>	<u>\$ —</u>	<u>\$ (26,072)</u>	<u>\$ 294,653</u>
<u>As of December 31, 2007</u>	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
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	<u>\$ 323,472</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 323,472</u>

As of June 30, 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 resets the applicable interest rate at pre-determined calendar intervals. These mechanisms historically have allowed existing investors to roll over their holdings and continue to own the respective securities or to liquidate their holdings by selling their securities at par value.

Historically, the Company invested in ARS for short periods of time as part of its cash management program. However, the recent uncertainties in the credit markets and the failure of the auctions for the Company's ARS have prevented us and other investors from liquidating holdings of ARS. An auction failure, which is not a default in the underlying debt instrument, occurs when the amount of securities submitted for sale exceed the amount of purchase orders, resulting in our continuing to hold these securities. The maturity dates for the Company's ARS range from 19 to 39 years and averages 32 years. Based on current market conditions, if a secondary market does not develop, it is likely that auctions related to 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-backed or real estate-backed security.

As of June 30, 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*).

<u>% of FFELP guaranty</u>	<u>Par Value</u>	<u>% of Total</u>
Greater than 99.0%	\$195,000	60.8%
Between 81.2% and 82.1%	86,825	27.1%
50.50%	17,000	5.3%
10.00%	3,850	1.2%
non-FFELP guaranteed	18,000	5.6%
Total	\$320,675	100.0%

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As of June 30, 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 5.5% to 23.1% of par value. The resulting discount of the total ARS portfolio was 8.1% of par value, or \$26.1 million pre-tax unrealized loss (see Note E — Fair Value Measurements).

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 \$294.7 million by recording a \$16.5 million unrealized loss (net of \$9.6 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 G — 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	June 30, 2008
Raw materials	\$ 19,918	\$ 36,390
Work-in-progress	11,868	30,609
Finished goods	21,245	34,650
	<u>\$ 53,031</u>	<u>\$ 101,649</u>

NOTE H — Goodwill and Other Intangible Assets

The following amounts of goodwill and intangible assets relating to the acquisition of Zetex are preliminary (See Note M — Business Acquisitions). The Company is undergoing an independent valuation of the assets acquired, and upon completion of the valuation the amounts of goodwill and intangible assets are subject to change.

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, June 30
Total	\$25,030	\$ —	\$105	\$25,135	\$25,135	\$85,231	\$1,958	\$112,324

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Intangible assets at June 30, 2008 are (in thousands):

Intangible Assets	Useful life	As of June 30, 2008			Net
		Gross Carrying Amount	Accumulated Amortization	Currency exchange and other	
Amortized Intangible Assets:					
Patents and trademarks	3-15 years	\$11,422	\$(2,025)	\$(37)	\$ 9,360
Software license	3 years	648	(33)	4	619
Total amortized intangible assets:		\$12,070	\$(2,058)	\$(33)	\$ 9,979
Indefinite Life Intangible Assets:					
Intellectual property	Indefinite	\$ 7,387	\$ —	\$ 52	\$ 7,439
Total indefinite life intangible assets:		\$ 7,387	\$ —	\$ 52	\$ 7,439
Total intangible assets:		\$19,457	\$(2,058)	\$ 19	\$17,418

Amortization expense related to intangible assets subject to amortization was \$0.2 million and \$0.3 million for the three months ended June 30, 2007 and 2008, respectively.

Amortization expense related to intangible assets subject to amortization was \$0.4 million and \$0.5 million for the six months ended June 30, 2007 and 2008, respectively.

NOTE I — Income Tax Provision

Income tax expense of \$2.8 million and \$5.0 million was recorded for the three and six months ended June 30, 2008, respectively. This resulted in an effective tax rate of 14.9% in the six months ended June 30, 2008, as compared to 15.7% in the same period 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 income in the U.S. and higher income in lower-taxed jurisdictions, partially offset by an increased income tax rates 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 16.5% 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 tax rate of 25%. 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% through 2007. However, as an incentive for establishing Diodes-China, the local government waived this tax from 1996 through 2007.

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 12.5%.

It is unclear to what extent our China subsidiaries will 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 increased 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% and Diodes-China may qualify for a transitional tax rate of 9%.

On June 9, 2008, the Company completed the acquisition of all the outstanding ordinary capital stock of Zetex. Earnings of the Zetex United Kingdom subsidiaries are currently subject to a tax rate of 28% and the earnings of Zetex-Hong Kong are subject to a 16.5% tax rate. In addition, the German subsidiaries are subject to a 30% tax rate.

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. The IRS has contacted the Company regarding an examination for the tax year ended 2005. 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 June 30, 2008, the gross amount of unrecognized tax benefits was approximately \$4.1 million and \$4.3 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.

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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 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 offsets its obligations under the Deferred Compensation Plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At June 30, 2008, these investments totaled approximately \$2.1 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. For further details regarding the Company’s share-based compensation plans, please see Note 15 of our notes to consolidated financial statements 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 and six months ended June 30, 2007 and 2008, share-based compensation expense associated with the Company’s stock options recognized in the income statement is as follows (*in thousands*):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Cost of sales	\$ 79	\$ 51	\$ 160	\$ 105
Selling and administrative expense	1,205	1,072	2,508	2,151
Research and development expense	118	110	243	211
Total stock option expense	\$ 1,402	\$ 1,233	\$ 2,911	\$ 2,467

Stock option expense for the three months and six months ended June 30, 2007 and 2008 was estimated on the date of grant using the Black-Scholes option pricing model. For the six months ended June 30, 2008, the Company granted stock options to purchase approximately 241,000 shares of the Company’s Common Stock, which vests in equal annual installments over a four-year period and expire ten years from the date of grant. Options granted during the six months ended June 30, 2008 had a weighted-average grant date fair value of \$16.70.

The total intrinsic value (actual gain) of options exercised during the six months ended June 30, 2008 was approximately \$6.5 million. The total net cash proceeds received from stock option exercises during the six months ended June 30, 2008 was \$1.1 million.

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A summary of the stock option plans as of June 30, 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	6.0	\$ 85,393
Granted	241	27.95		
Exercised	(292)	3.93		6,513
Forfeited or expired	(15)	18.84		
Outstanding at June 30, 2008	<u>4,202</u>	<u>\$ 11.48</u>	<u>5.8</u>	<u>\$ 67,974</u>
Exercisable at June 30, 2008	<u>3,317</u>	<u>\$ 8.59</u>	<u>5.1</u>	<u>\$ 63,204</u>

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 June 30, 2008, total unrecognized stock-based compensation expense related to unvested stock options, net of forfeitures, was approximately \$8.6 million, before income taxes, and is expected to be recognized over a weighted average of approximately 2.2 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 June 30, 2008 follows (*in thousands*):

Share 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	105	27.91	
Vested	(375)	15.77	9,342
Forfeited	(28)	26.35	
Nonvested at June 30, 2008	<u>720</u>	<u>\$ 20.78</u>	<u>\$ 19,897</u>

During the three months ended June 30, 2007 and 2008, there was \$0.8 million and \$1.3 million, respectively, of share-based compensation expense related to non-vested stock award arrangements granted under the plans.

During the six months ended June 30, 2007 and 2008, there was \$1.7 million and \$2.7 million, respectively, of share-based compensation expense related to non-vested stock award arrangements granted under the plans.

The total intrinsic value (actual gain) of restricted stock grants vested during the six months ended June 30, 2008 was approximately \$9.3 million.

As of June 30, 2008, total un-recognized share-based compensation expense related to non-vested stock award arrangements, net of forfeitures, was approximately \$12.9 million, before income taxes, and is expected to be recognized over a weighted average of approximately 2.2 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 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 in North America and the Far East. For reporting purposes, European sales, which accounted for approximately 4.2% and 8.7% of total sales for the three months ended June 30, 2007 and 2008, respectively, and approximately 4.3% and 7.4% of total sales for the six months ended June 30, 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 in our Annual Report on Form 10-K for the year ended December 31, 2007. Revenues are attributed to geographic areas based on the location of the market producing the revenues (*in thousands*):

Three Months Ended June 30, 2007	Far East	North America	Consolidated Segments
Total sales	\$ 121,240	\$ 29,943	\$ 151,183
Inter-company sales	(48,585)	(6,315)	(54,900)
Net sales	\$ 72,655	\$ 23,628	\$ 96,283
Property, plant and equipment Assets	\$ 97,658 <u>\$ 199,278</u>	\$ 12,766 <u>\$ 462,145</u>	\$ 110,424 <u>\$ 661,423</u>
Three Months Ended June 30, 2008	Far East	North America	Consolidated Segments
Total sales	\$ 154,228	\$ 42,366	\$ 196,594
Inter-company sales	(72,855)	(7,721)	(80,576)
Net sales	\$ 81,373	\$ 34,645	\$ 116,018
Property, plant and equipment Assets	\$ 107,323 <u>\$ 344,715</u>	\$ 76,092 <u>\$ 609,862</u>	\$ 183,415 <u>\$ 954,577</u>
Six Months Ended June 30, 2007	Far East	North America	Consolidated Segments
Total sales	\$ 231,907	\$ 60,666	\$ 292,573
Inter-company sales	(93,395)	(10,875)	(104,270)
Net sales	\$ 138,512	\$ 49,791	\$ 188,303
Property, plant and equipment Assets	\$ 97,658 <u>\$ 199,278</u>	\$ 12,766 <u>\$ 462,145</u>	\$ 110,424 <u>\$ 661,423</u>

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Six Months Ended June 30, 2008	Far East	North America	Consolidated Segments
Total sales	\$ 292,698	\$ 72,222	\$ 364,920
Inter-company sales	(137,402)	(15,920)	(153,322)
Net sales	<u>\$ 155,296</u>	<u>\$ 56,302</u>	\$ 211,598
Property, plant and equipment	\$ 107,323	\$ 76,092	\$ 183,415
Assets	<u>\$ 344,715</u>	<u>\$ 609,862</u>	\$ 954,577

Geographic Information

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

	Net Sales for the Three Months Ended June 30,		Percentage of Net Sales	
	2007	2008	2007	2008
China	\$ 37,047	\$ 34,983	38.5%	30.2%
Taiwan	23,201	33,433	24.1%	28.8%
United States	20,643	21,923	21.4%	18.9%
All Others	15,392	25,679	16.0%	22.1%
Total	<u>\$ 96,283</u>	<u>\$ 116,018</u>	<u>100.0%</u>	<u>100.0%</u>

	Net Sales for the Six Months Ended June 30,		Percentage of Net Sales	
	2007	2008	2007	2008
China	\$ 62,039	\$ 61,085	32.9%	28.9%
Taiwan	56,820	66,048	30.2%	31.2%
United States	40,829	41,239	21.7%	19.5%
All Others	28,615	43,226	15.2%	20.4%
Total	<u>\$ 188,303</u>	<u>\$ 211,598</u>	<u>100.0%</u>	<u>100.0%</u>

NOTE M— Business Acquisitions

Zetex Acquisition — On June 9, 2008, the Company completed the acquisition of all the outstanding ordinary capital stock of Zetex, a company incorporated under the laws of England and Wales. The shareholders of Zetex received 85.45 pence in cash per Zetex ordinary share, valuing the fully diluted share capital of Zetex at approximately U.S.\$176.3 million (based on a USD:GBP exchange rate of 1.9778), excluding acquisition costs, fees and expenses.

As consideration for Zetex, the Company paid the following (in thousands):

Purchase price (net of cash acquired)	\$ 149,143
Acquisition related costs	3,595
Total purchase price	<u>\$ 152,738</u>

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In addition, in order to finance the acquisition, the Company entered into a loan for \$165 million, which accrues interest at a floating rate of interest per annum equal to the sum of the prevailing daily 30-day LIBOR plus 1.25% (see Note N — Margin Loan), secured by its ARS portfolio.

The results of operations of the Zetex acquisition have been included in the consolidated financial statements from June 1, 2008. The purpose of this acquisition was to create revenue, operating and cost synergies and to enhance the Company's leadership in discrete and analog solutions. In addition, the Company believes that the acquisition will strengthen and broaden the Company's product offerings, including entry into the LED lighting and automotive markets and expand the Company's geographical footprint in the European markets.

Because Zetex was acquired late in the second quarter of 2008 and was a significant acquisition, it will require a comprehensive review of asset values and liabilities, and a significant part of the evaluation will take into consideration the integration of Zetex. A final determination of the allocation of the purchase price to the assets acquired and liabilities assumed has not been made and should be considered preliminary. The final determination is subject to the completion of a comprehensive independent valuation of the assets acquired and liabilities assumed. The Company is in the process of an independent valuation and expects to have this valuation completed by 2008 year-end.

The following summarizes the preliminary (subject to final determination) allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:	
Accounts receivable, net	\$ 13,445
Inventory	30,605
Prepaid expenses and other current assets	4,363
Property, plant and equipment, net	50,145
Deferred tax assets	5,235
Other long-term assets	136
Trademarks and other intangible assets	7,991
Goodwill	85,036
Total assets acquired	<u>\$ 196,956</u>
Liabilities assumed:	
Accounts payable	\$ 6,057
Accrued expenses and other liabilities	16,154
Pension liability	10,873
Deferred tax liabilities	7,288
Other liabilities	3,846
Total liabilities assumed	<u>44,218</u>
Total net assets acquired	<u>\$ 152,738</u>

The following unaudited pro forma consolidated results of operations for the quarters ended June 30, 2007 and 2008 have been prepared as if the acquisition of Zetex had occurred at January 1, 2007 and January 1, 2008, respectively for each quarter (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2008	2007	2008
Net revenues	\$128,999	\$149,271	\$251,442	\$262,124
Net income	\$ 14,248	\$ 4,254	\$ 29,255	\$ 14,802
Net income per common share—Basic	\$ 0.36	\$ 0.10	\$ 0.75	\$ 0.37
Net income per common share—Diluted	\$ 0.34	\$ 0.10	\$ 0.70	\$ 0.35

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The unaudited pro forma consolidated results of operations do not purport to be indicative of the results that would have been obtained if the above acquisition had actually occurred as of the dates indicated or of those results that may be obtained in the future. The unaudited pro forma consolidated results of operations do not include any adjustments to net income to give effect to depreciation of property, plant and equipment acquired and amortization of intangible assets acquired as the Company is undergoing an independent valuation of the assets and liabilities acquired and is unable to determine what those effects would be. Upon completion of the valuation, the Company intends to make adjustments for these items in future pro forma disclosures for Zetex. These unaudited pro forma consolidated results of operations were derived, in part, from the historical consolidated financial statements of Zetex and other available information and assumptions believed to be reasonable under the circumstances.

Note N — Long-Term Borrowings — Margin Loan

On March 31, 2008, the Company obtained from UBS Financial Services Inc. (“UBS”) an Irrevocable Standby Letter of Credit (“Letter of Credit”) in favor of Diodes-FabTech, in an aggregate amount of \$165 million.

In connection with the acquisition of Zetex (see Note M — Business Acquisitions), the Company drew \$165 million, which accrues interest at a floating rate of interest per annum equal to the sum of the prevailing daily 30-day LIBOR plus 1.25% and is payable monthly. The margin loan is secured by the Company’s ARS and does not have a maturity date. The margin loan may be called if the value of the ARS portfolio falls below 75% of the par value or below a required percentage of the par value under applicable statutes, rules and regulations and may be called any time subject to the discretion of UBS if UBS considers a margin call necessary for its protection. There are no scheduled principal payments and the margin loan can be paid in part or in its entirety by the Company at anytime without penalty. Management does not believe the margin loan will be called within the next twelve months.

NOTE O — Commitments

Purchase commitments — As of June 30, 2008, we have approximately \$9.1 million in non-cancelable purchase contracts related to capital expenditures, primarily for manufacturing equipment in China.

NOTE P — Defined Benefit Plan

In connection with the acquisition of Zetex (see Note M — Business Acquisitions), the Company has adopted a contributory defined benefit plan that covers certain employees in the United Kingdom (“U.K.”) and Germany. The defined benefit plan is closed to new entrants and frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. On the acquisition date, the Company determined the fair value of the defined benefit plan assets and plans to utilize an annual measurement date of December 31. At subsequent measurement dates, defined benefit plan assets will be determined based on fair value. Defined benefit plan assets consist primarily of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses.

For the six months ended June 30, 2008, net period benefit costs associated with the defined benefit in accordance with SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans* (an amendment of FASB Statements No. 87, 88, 106 and 132R), were approximately \$0.1 million. All unrecognized actuarial gains and losses, prior service costs and accumulated other comprehensive income are eliminated and the balance sheet liability is set equal to the funded status of the defined benefit plan at acquisition date.

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The following tables set forth the benefit obligation, the fair value of plan assets, and the funded status of the Company's plans; the amounts recognized in the Company's financial statements; and the principal weighted-average assumptions used for the six months ended June 30, 2008:

	Defined Benefit Plan
Change in benefit obligation:	
Beginning balance at date of acquisition	\$ 123,599
Service cost	34
Interest cost	675
Actuarial loss	1,524
Benefits paid	(229)
Benefit obligation at June 30, 2008	<u>\$ 125,604</u>
Change in plan assets:	
Fair value of plan assets at date of acquisition	\$ 112,450
Actual return on plan assets	(6,108)
Benefits paid	(229)
Fair value of plan assets at June 30, 2008	<u>\$ 106,113</u>
Funded status at June 30, 2008	<u>(19,490)</u>

Based on an actuarial study performed as of June 30, 2008, the plan is under-funded and a liability of \$19.5 million is reflected in the Company's consolidated financial statements as noncurrent liabilities. The amount recognized in accumulated other comprehensive income was a net loss of \$8.5 million and the weighted-average discount rate assumption used to determine benefit obligations as of June 30, 2008 was 6.7%.

The following are weighted-average assumptions used to determine net periodic benefit costs for the six months ended June 30, 2008:

Discount rate	6.6%
Expected long-term return on plan assets	6.7%

The Company does not expect to make any contributions to the defined benefit plan during fiscal year 2008. The Company adopted a payment plan that Zetex had in place with the trustees of the defined benefit plan, in which the Company will pay approximately 1.0 million GBP (approximately \$2.0 million based on a USD:GBP exchange rate of 2:1) every March from 2009 through 2012.

NOTE Q — Related Parties

We conduct business with one related party company, Lite-On Semiconductor Corporation (“LSC”), and its subsidiaries and affiliates, that owns 20.7% of our outstanding Common Stock as of June 30, 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. For further details about related parties, please see Note 16 of our notes to consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007

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 six months ended June 30, 2007 and 2008, we sold silicon wafers to LSC totaling 6.8% and 3.8% of our net sales, respectively, making LSC one of our largest customers. Also for the six months ended June 30, 2007 and 2008, 11.2 % and 10.3%, respectively, 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 the six months ended June 30, 2007 and 2008, we reimbursed this entity in aggregate amounts of \$0.3 million and \$0.3 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 the three and six months ended June 30, 2007 and 2008 were as follows (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Net sales	\$ 6,132	\$ 4,160	\$12,888	\$ 8,030
Purchases	\$11,821	\$14,400	\$23,720	\$27,166

Zi Yun International Pte., Ltd. — During the six months ended June 30, 2007 and 2008, we sold silicon wafers to companies owned by Zi Yun totaling 0.4% and 0.5% of our net sales, respectively. Also for the six months ended June 30, 2007 and 2008, 1.6% and 1.4%, respectively, of our net sales were from discrete semiconductor products purchased from companies owned by Zi Yun. 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. For the six months ended June 30, 2007 and 2008, we paid Zi Yun an aggregate of \$4.3 million and \$5.3 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 and six months ended June 30, 2007 and 2008 were as follows (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Net sales	\$835	\$ 317	\$ 835	\$ 994
Purchases	\$950	\$1,588	\$1,921	\$3,410

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Accounts receivable from, and accounts payable to, LSC and Zi Yun were as follows as of December 31, 2007 and June 30, 2008 (in thousands):

	December 31, 2007	June 30, 2008
Accounts receivable		
LSC	\$ 3,526	\$ 3,392
Zi Yun International	1,879	601
	<u>\$ 5,405</u>	<u>\$ 3,993</u>
Accounts payable		
LSC	\$ 8,906	\$ 9,339
Zi Yun International	4,229	4,385
	<u>\$ 13,135</u>	<u>\$ 13,724</u>

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

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

Highlights For the Three and Six Months Ended June 30, 2008

- Revenue for the three months ended June 30, 2008 increased 20.5% over the prior year same period to \$116.0 million;
- Revenue for the six months ended June 30, 2008 increased 12.4% over prior year same period to \$211.6 million;
- Gross profit for the three months ended June 30, 2008 increased 29.1% over the prior year same period to \$39.6 million and gross margin increased 2.2% over the prior year same period to 34.1%;
- Gross profit for the six months ended June 30, 2008 increased 18.8% over the prior year same period to \$71.5 million and gross margin increased 1.8% over the prior year same period to 33.8%;
- Income from operations for the three months ended June 30, 2008 increased 38.0% over the prior year same period to \$17.1 million;
- Income from operations for the six months ended June 30, 2008 increased 16.6% over the prior year same period to \$30.6 million;
- On June 9, 2008, we completed the acquisition of Zetex plc (“Zetex”), which is expected to result in revenue, operating and cost synergies;
- In connection with the acquisition of Zetex, we entered into a margin loan for \$165 million.

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 for 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 in Neuhaus, Germany and a joint venture facility in Chengdu, China, and our wafer fabrication facilities are in Kansas City, Missouri and Manchester, England. Our sales, marketing, engineering and logistical centers are located in Westlake Village, California; Taipei, Taiwan; Shanghai and Shenzhen, China; Manchester, England; and Hong Kong. We have strengthened our product design centers in Dallas, San Jose, Shanghai, England, Germany 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.

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.

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.

As described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, the principal elements of our strategy include the following:

- *Continue to rapidly introduce innovative discrete and analog semiconductor products;*
- *Expand our available market opportunities;*
- *Maintain intense customer focus;*
- *Enhance cost competitiveness; and*
- *Pursue selective strategic acquisitions.*

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.
- For the six months ended June 30, 2008, our 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 showed greater weakness than our core revenue drivers.
- Our net sales were derived from new products introduced within the last three years, comprising of 35.1% and 36.4% for the six months ended June 30, 2007 and 2008, respectively, compared to 28.2% in 2006. The significant increase in new products primarily resulted from the Anachip and Zetex acquisitions. 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.
- For the six months ended June 30, 2008, the percentage of our net sales derived from our Asian subsidiaries was 73.4%, compared to 73.6% in the same period last year. 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, although, the Zetex acquisition will begin to add significant revenue in Europe.

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- Our gross profit margin was 33.8% for the six months ended June 30, 2008, compared to 32.0% in the same period last year. Our gross margin percentage was higher than the same period last year as average selling prices remained flat and average unit cost decreased for the six months ended June 30, 2008 due to improvement of manufacturing efficiency. 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 June 30, 2008, we had invested approximately \$198 million in our Asian manufacturing facilities. For the six months ended June 30, 2008, we invested approximately \$25.8 million in capital expenditures, primarily in our Asian manufacturing facilities. For 2008, we anticipate total capital expenditures of approximately 10-12% of annual revenue 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 \$6.1 million, or 3.2% of net sales, for the six months ended June 30, 2007 to \$9.2 million, or 4.3% of net sales, for the six months ended June 30, 2008 primarily as a result of the Zetex acquisition. We continue to seek to hire qualified engineers who fit our focus on proprietary semiconductor processes and packaging technologies. We expect research and development expenses to be approximately 5% to 6% of net sales, which will enable us to bring additional proprietary devices to the market.

Recent Acquisitions

Zetex Acquisition

On June 9, 2008 we acquired Zetex. See Note M — “Business Acquisitions” to Notes to Consolidated Condensed Financial Statements for detailed information regarding this acquisition.

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Results of Operations for the Three Months Ended June 30, 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 June 30,		Percentage Dollar Increase (Decrease)
	2007	2008	'07 to '08
Net sales	100	100	20.5
Cost of goods sold	(68.1)	(65.9)	16.5
Gross profit	31.9	34.1	29.1
Operating expenses	(19.1)	(19.0)	20.7
Operating income	12.8	15.1	41.6
Interest income	4.5	2.2	(40.4)
Interest expenses	(1.8)	(2.0)	34.7
Other income (expense)	0.1	(1.0)	(1,793.0)
Income before taxes and minority interest	15.6	14.3	10.3
Income tax provision	(2.3)	(2.4)	25.2
Income before minority interest	13.3	11.9	7.7
Minority interest	(0.6)	(0.6)	23.6
Net income	12.7	11.3	7.0

The following discussion explains in greater detail our consolidated operating results and financial condition for the three months ended June 30, 2008, compared to the three months ended June 30, 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	\$96,283	\$116,018

Net sales increased approximately \$19.7 million for the three months ended June 30, 2008, compared to the same period last year. The 20.5% increase in net sales represents an approximately 16.6% increase in units sold with a 3.3% increase in average selling prices (“ASP”). The revenue increase for the three months ended June 30, 2008 was attributable to sales increases in all industry segments, primarily due to the Zetex acquisition, partially offset by an overall weaker global economy, 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 sales for the three months ended June 30, 2008.

	2007	2008
Cost of goods sold	\$65,605	\$76,400
Gross profit	\$30,678	\$39,618
Gross profit margin	31.9%	34.1%

Cost of goods sold increased approximately \$10.8 million, or 16.5%, for the three months ended June 30, 2008 compared to the same period last year. As a percent of sales, cost of goods sold decreased to 65.9% for the three months ended June 30, 2008 compared to 68.1% in the same period last year and our average unit cost (“AUP”) decreased 0.2%. 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 June 30, 2007 and 2008.

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For the three months ended June 30, 2008, gross profit increased by approximately \$8.9 million, or 29.1%, compared to the same period last year. Gross margin increased to 34.1% for the three months ended June 30, 2008, compared to 31.9% for the same period last year, due primarily to (i) the ASP increase and AUP decrease related to improved manufacturing efficiency, (ii) demand-induced changes in product mix and (iii) the acquisition of Zetex.

	<u>2007</u>	<u>2008</u>
Selling, general and administrative expenses (“SG&A”)	\$13,397	\$17,127

SG&A for the three months ended June 30, 2008 increased approximately \$3.7 million, or 27.8%, compared to the same period last year, due primarily to (i) \$2.1 million increase in wages and related benefits, including share-based compensation, associated with increased sales and the acquisition of Zetex and (ii) \$0.9 million increase in building maintenance and utilities expenses including additional costs due to the Zetex acquisition. SG&A as a percentage of sales, increased to 14.8% for the three months ended June 30, 2008, compared to 13.9% in the same period last year, due to higher revenue in the second quarter of 2008. As per SFAS 123R, included in SG&A expenses was \$1.2 million and \$1.1 million of non-cash, stock option compensation expense for the three months ended June 30, 2007 and 2008, respectively.

	<u>2007</u>	<u>2008</u>
Research and development expenses (“R&D”)	\$3,156	\$4,994

Investment in R&D for the three months ended June 30, 2008 was \$5.0 million, an increase of approximately \$1.8 million from the same period last year due primarily to (i) \$1.3 million increase in wages and related benefits as a result of hiring additional engineers and the acquisition of Zetex, (ii) \$0.5 million increase in building maintenance and utilities expense including additional costs due to the Zetex acquisition. R&D, as a percentage of sales, was 4.3% for the three months ended June 30, 2008 compared 3.3% in the same period last year. Included in R&D expenses was \$0.1 million of non-cash, SFAS 123R stock option compensation expense for the three months ended June 30, 2007 and 2008.

	<u>2007</u>	<u>2008</u>
Interest income	\$4,285	\$2,554

Interest income decreased for the three months ended June 30, 2008 to \$2.6 million, compared to \$4.3 million in the same period last year, due primarily to less interest income earned on available-for-sale securities purchased with the proceeds from the \$230 million convertible bonds. Interest income for the three months ended June 30, 2008 has been impacted by the continued 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 to continue to decline in the third quarter of 2008, as compared to the three months ended June 30, 2008.

	<u>2007</u>	<u>2008</u>
Interest expense	\$1,696	\$2,285

Interest expense for the three months ended June 30, 2008 was approximately \$2.3 million, compared to \$1.7 million in the same period last year. Interest expense is primarily associated with interest expense related to the \$230 million-2.25% convertible bonds and the margin loan.

	<u>2007</u>	<u>2008</u>
Other income (expense)	\$72	\$(1,202)

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Other expense for the three months ended June 30, 2008 was \$1.2 million, compared to other income of \$0.1 million in the same period last year. Included in other expense for the three months ended June 30, 2008 was \$1.2 million foreign currency transaction loss primarily due to \$1.5 million loss from forward contract hedging related to hedging the Zetex acquisition purchase price and \$0.3 million foreign currency transaction gain due to Taiwan currency and China currency exchange rate changes during the period. The other income for the three months ended June 30, 2007 was an approximate \$0.1 million foreign currency gain due primarily to Taiwan currency and China currency exchange rate changes during the periods.

	<u>2007</u>	<u>2008</u>
Income tax provision	\$2,221	\$2,781

We recognized income tax expense of \$2.8 million for the three months ended June 30, 2008, resulting in an effective tax rate of 16.8%, as compared to 14.8% in the same period last year. Income taxes for interim periods ended June 30, 2008 and 2007 have been included in the accompanying financial statements on the basis of an estimated annual effective rate. The increase in the effective tax rate was the result of the higher income tax rate on Diodes-Zetex's earnings and an increased income tax rate on our China subsidiaries, partially offset by lower quarterly income in the U.S. and higher income in lower-taxed jurisdictions. We continue to take advantage of available strategies to optimize our tax rate across the jurisdictions in which we operate.

	<u>2007</u>	<u>2008</u>
Minority interest	\$546	\$675

Minority interest represented the minority investors' share of the earnings of Diodes-China, Diodes-Shanghai and Diodes-Anachip for the three months ended June 30, 2008 and 2007. 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 June 30, 2008, we had 95% controlling interests in Diodes-China and Diodes-Shanghai, and a 99.81% controlling interest in Anachip.

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Results of Operations for the Six Months Ended June 30, 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 Six months ended June 30,		Percentage Dollar Increase (Decrease)
	2007	2008	'07 to '08
Net sales	100	100	12.4
Cost of goods sold	(68.0)	(66.2)	9.3
Gross profit	32.0	33.8	18.8
Operating expenses	(18.0)	(19.1)	19.2
Operating income	14.0	14.7	18.3
Interest income	4.4	3.8	(3.8)
Interest expenses	(1.8)	(1.9)	16.4
Other income (expense)	(0.1)	(0.7)	2,524.6
Income before taxes and minority interest	16.5	15.9	8.0
Income tax provision	(2.6)	(2.4)	2.4
Income before minority interest	13.9	13.5	9.1
Minority interest	(0.5)	(0.6)	33.1
Net income	<u>13.4</u>	<u>12.9</u>	<u>8.1</u>

The following discussion explains in greater detail our consolidated operating results and financial condition for the six months ended June 30, 2008, compared to the six months ended June 30, 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	\$188,303	\$211,598

Net sales increased approximately \$23.3 million for the six months ended June 30, 2008, compared to the same period last year. The 12.4% increase in net sales represents an approximately 13.9% increase in units sold partially offset by a 1.3% decrease in ASP. The revenue increase for the six months ended June 30, 2008 was attributable to sales increases in all industry segments mainly due to Zetex acquisition, partially offset by an overall weakening of the global economy, 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 sales for the six months ended June 30, 2008.

	2007	2008
Cost of goods sold	\$128,102	\$140,064
Gross profit	\$ 60,201	\$ 71,534
Gross profit margin	32.0%	33.8%

Cost of goods sold increased approximately \$12.0 million, or 9.3%, for the six months ended June 30, 2008 compared to the same period last year. As a percent of sales, cost of goods sold decreased to 66.2% for the six months ended June 30, 2008 compared to 68.0% in the same period last year and our average unit cost ("AUP") decreased 4.0%. As per SFAS 123R, included in cost of goods sold was \$0.2 million and \$0.1 million of non-cash, stock option compensation expense related to our manufacturing facilities for the six months ended June 30, 2007 and 2008, respectively.

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For the six months ended June 30, 2008, gross profit increased by approximately \$11.3 million, or 18.8%, compared to the same period last year. Gross margin increased to 33.8% for the six months ended June 30, 2008, compared to 32.0% for the same period last year, due primarily to (i) the AUP decline exceeding the ASP decline related to improved manufacturing efficiency (ii) demand-induced changes in product mix and (iii) the acquisition of Zetex.

	<u>2007</u>	<u>2008</u>
Selling, general and administrative expenses (“SG&A”)	\$26,075	\$31,786

SG&A for the six months ended June 30, 2008 increased approximately \$5.7 million, or 21.9%, compared to the same period last year, due primarily to (i) \$3.2 million increase in wages and related benefits, including share-based compensation, associated with increased sales and the acquisition of Zetex and (ii) \$1.1 million increase in building maintenance and utilities expenses including additional cost due to the Zetex acquisition. SG&A, as a percentage of sales, increased to 15.0% for the six months ended June 30, 2008, compared to 13.8% in the same period last year. As per SFAS 123R, included in SG&A expenses was \$2.5 million and \$2.2 million of non-cash, stock option compensation expense for the six months ended June 30, 2007 and 2008, respectively.

	<u>2007</u>	<u>2008</u>
Research and development expenses (“R&D”)	\$6,101	\$8,730

Investment in R&D in the six months ended June 30, 2008 was \$8.7 million, an increase of approximately \$2.6 million from the same period last year due primarily to (i) \$1.9 million increase in wages and related benefits as a result of hiring additional engineers and the acquisition of Zetex, (ii) \$0.5 million increase in building maintenance and utilities expense including additional costs due to the Zetex acquisition. R&D, as a percentage of sales, was 4.1% for the six months ended June 30, 2008 compared 3.2% in the same period last year. Included in R&D expenses was \$0.2 million of non-cash, SFAS 123R stock option compensation expense for the six months ended June 30, 2007 and 2008.

	<u>2007</u>	<u>2008</u>
Interest income	\$8,320	\$8,002

Interest income for the six months ended June 30, 2008 was \$8.0 million, compared to \$8.3 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. Interest income for the first six months of 2008 has been impacted by the continued 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 to continue to decline in the third quarter of 2008, as compared to the six months ended June 30, 2008.

	<u>2007</u>	<u>2008</u>
Interest expense	\$3,421	\$3,983

Interest expense for the six months ended June 30, 2008 was approximately \$4.0 million, compared to \$3.4 million in the same period last year. Interest expense is primarily associated with interest expense related to the \$230 million-2.25% convertible bonds and the margin loan.

	<u>2007</u>	<u>2008</u>
Other income (expense)	\$(56)	\$(1,496)

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Other expense for the six months ended June 30, 2008 was \$1.1 million, compared to \$0.1 million for the same period last year. Included in other expense for the six months ended June 30, 2008 was approximately \$1.5 million of loss from forward contract hedging related to hedging the Zetex acquisition purchase price. Included in other expense for the six months ended June 30, 2007 was approximately \$0.3 million of foreign currency losses, due primarily to Taiwan currency and China currency exchange rate changes during the periods.

	<u>2007</u>	<u>2008</u>
Income tax provision	\$4,879	\$4,996

We recognized income tax expense of \$5.0 million for the six months ended June 30, 2008, resulting in an effective tax rate of 14.9%, as compared to 15.7% in the same period last year. Income taxes for interim periods ended June 30, 2008 and 2007 have been included in the accompanying financial statements on the basis of an estimated annual effective rate. 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 the higher income tax rate on Diodes-Zetex's earnings and 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.

	<u>2007</u>	<u>2008</u>
Minority interest	\$961	\$1,279

Minority interest represented the minority investors' share of the earnings of Diodes-China, Diodes-Shanghai and Diodes-Anachip for the six months ended June 30, 2008 and 2007. 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 June 30, 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 and to fund on-going operations. At December 31, 2007 and June 30, 2008, our working capital was \$451.8 million and \$196.7 million, respectively. Our working capital decreased in the first six months 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 June 30, 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 June 30, 2008, we recorded unrealized losses of \$16.5 million (net of \$9.6 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 our intent was to use the net proceeds from this offering for working capital and other general corporate purposes, including acquisitions. We have subsequently invested the proceeds primarily in ARS, which is discussed above.

Capital expenditures for the six months ended June 30, 2007 and 2008 were \$27.3 million and \$25.8 million, respectively. Our capital expenditures for these periods were primarily related to manufacturing expansion in our facilities in China. Capital expenditures in the first six months of 2008 were 12.2% of revenue, which is in line with our 10-12% full-year estimate.

Discussion of Cash Flow

Cash and cash equivalents increased from \$56.2 million at December 31, 2007, to \$86.1 million at June 30, 2008 primarily from cash generated by operating activities.

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2008 was \$23.2 million, resulting primarily from \$27.3 million of net income in the period, as well as \$17.6 million in depreciation and amortization. Net cash provided by operating activities was \$32.2 million for the same period last year. Net cash provided by operating activities decreased \$9.0 million for the six months ended June 30, 2008 compared to the same period last year. This decrease resulted primarily from an approximately \$17.0 million increase in assets, partially offset by a \$1.1 million increase in liabilities, \$2.0 million increase in net income and a \$4.5 million increase in depreciation and amortization expense. 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 by investing activities was \$175.3 million for the six months ended June 30, 2008 compared to \$42.1 million for the same period last year. The \$133.2 million increase in net cash used by investing activities resulted primarily from an approximately \$153.0 million increase in acquisitions, net of cash acquired, partially offset by a decrease of \$21.6 million in investment in available-for-sale securities.

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 \$181.4 million for the six months ended June 30, 2008 compared to \$3.5 million in the same period last year. This increase is primarily the result of \$165.0 million draw on the margin loan in connection with the acquisition of Zetex and a \$15.4 million increase in advances on line of credit.

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 June 30, 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 June 30, 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. Due to the margin loan used to finance the Zetex acquisition, we received a covenant waiver from Union Bank for the leverage ratio covenant; therefore, as of June 30, 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.

On June 9, 2008, in connection with the acquisition of Zetex, the Company drew \$165 million under the Letter of Credit, which accrues interest at a floating rate of interest per annum equal to the sum of the prevailing daily 30-day LIBOR plus 1.25% and is payable monthly. See Note N to Notes to Consolidated Financial Statements for detailed information regarding the margin loan.

As of June 30, 2008, our Asia subsidiaries have available lines of credit of up to an aggregate of \$36.8 million, with several Chinese and Taiwanese financial institutions. These lines of credit, except for one Taiwanese credit facility, are collateralized by each subsidiary’s 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. At June 30, 2008, \$3.0 million was outstanding on these lines of credit.

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 defined) 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 June 30, 2008 through 2011 and thereafter include \$75.0 million in interest and \$230 million in principal for a total of \$305.0 million.

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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.

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.

Our critical accounting policies, as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, relate to revenue recognition, inventories, accounting for income taxes, allowance for doubtful accounts, impairment of goodwill and long-lived assets and share based compensation. There have been no material changes to our critical accounting policies since December 31, 2007, except for the changes described below.

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-sale 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 decline in fair value as “temporary” or “other-than-temporary.”

In evaluating the fair value of the individual ARS, we classified such decline in fair value as temporary, and thus recorded the \$16.5 million unrealized loss (net of \$9.6 million tax effect) in other comprehensive loss as of June 30, 2008. The differentiating factors between temporary and other-than-temporary 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 F to Notes to Consolidated Financial Statements for further information regarding our ARS.

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.

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, the fair value presented for the ARS is based on third-party information and were determined using proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The valuation model 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, counterparty risk and ongoing strength and quality of market credit and liquidity.

Recently Issued Accounting Pronouncements

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

Available Information

Our Internet address is <http://www.diodes.com>. We make available, free of charge through our Internet website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the 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 as filed with the Securities and Exchange Commission and in Part II, Item 1A of this report. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this report, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Risk Factors

Risks Related To Our Business

- *Downturns in the highly cyclical semiconductor industry or changes in end-market demand could affect our operating results and financial condition.*
- *The semiconductor business is highly competitive, and increased competition may harm our business and our operating results.*
- *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.*
- *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.*
- *We are and will continue to be under continuous pressure from our customers and competitors to reduce the price of our products, which could adversely affect our growth and profit margins.*
- *Our 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.*
- *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.*
- *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.*
- *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.*

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- *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.*
- *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.*
- *We are subject to many environmental laws and regulations that could affect our operations or result in significant expenses.*
- *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.*
- *We may fail to attract or retain the qualified technical, sales, marketing and management personnel required to operate our business successfully.*
- *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.*
- *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.*
- *If OEMs do not design our products into their applications, a portion of our net sales may be adversely affected.*
- *We rely heavily on our internal electronic information and communications systems, and any system outage could adversely affect our business and results of operations.*
- *We are subject to interest rate risk that could have an adverse effect on our cost of working capital and interest expenses.*
- *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.*
- *It is likely that the liquidity of our ARS will continue to be limited, which could adversely affect our ability to fund our operations and acquisitions, and may require us to record losses on these securities.*
- *Our margin loan with UBS Financial Services, Inc. (“UBS”) may be called at any time subject to the discretion of UBS if UBS considers a margin loan call necessary for UBS’ protection, or if the value of our ARS falls below 75% of the outstanding margin loan balance or a required percentage of the outstanding margin loan balance under certain applicable statutes, rules and regulations, which could severely impact our liquidity.*
- *The value of our benefit plan assets and liabilities is based on estimates and assumptions, which may prove inaccurate.*
- *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.*
- *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

- *Our international operations subject us to risks that could adversely affect our operations.*
- *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.*
- *We are subject to foreign currency risk as a result of our international operations.*
- *We may not continue to receive preferential tax treatment in Asia, thereby increasing our income tax expense and reducing our net income.*

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- *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

- *Variations in our quarterly operating results may cause our stock price to be volatile.*
- *We may enter into future acquisitions and take certain actions in connection with such acquisitions that could affect the price of our Common Stock.*
- *Our directors, executive officers and significant stockholders hold a substantial portion of our Common Stock, which may lead to conflicts with other stockholders over corporate transactions and other corporate matters.*
- *We were formed in 1959, and our early corporate records are incomplete. As a result, we may have difficulty in assessing and defending against claims relating to rights to our Common Stock purporting to arise during periods for which our records are incomplete.*
- *Conversion of our convertible senior notes will dilute the ownership interest of existing shareholders, including holders who had previously converted their notes.*
- *The repurchase rights and the increased conversion rate triggered by a make-whole fundamental change could discourage a potential acquirer.*
- *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.*

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 June 30, 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 June 30, 2008, we recorded an unrealized loss of \$16.5 million (net of \$9.6 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 \$86.1 million at June 30, 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. We may be required to hold our ARS until maturity, please see “Risk Factor — *“It is likely that the liquidity of our ARS will continue to be limited, which could adversely affect our ability to fund our operations and acquisitions, and may require us to record losses on these securities.”*” in Part II, Item 1A of this Report.

During the second quarter of 2008, with the acquisition of Zetex, we adopted forward exchange contracts, designated as foreign-currency cash flow hedges, to reduce the potentially adverse effects of foreign-currency exchange rate fluctuations that occur in the normal course of business. The Company uses forward exchange contracts to hedge, thereby attempting to reduce our overall exposure to the effects of currency fluctuations on cash flows. The Company does not permit speculation in financial instruments for profit on the exchange rate price fluctuation, trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increase the underlying exposure. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro and the British Pound Sterling, the Company hedges a portion of its foreign currency exposures anticipated over the ensuing twelve-month to two-year periods. In doing so, the Company uses foreign currency exchange contracts that generally have maturities of three months to two years to provide continuing coverage throughout the hedging period.

Item 4. Controls and Procedures

Disclosure 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 to ensure that information required to be included in this report is:

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

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

Changes in Controls over Financial Reporting

There was no change in our internal control over financial reporting, known to 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, except as follows:

On June 9, 2008, the Company acquired Zetex, whose financial statements reflect total assets and revenues constituting 14.7% and 6.9% respectively, of the consolidated financial statement amounts for the six months ended June 30, 2008. As permitted by the rules of the SEC, the Company will exclude Zetex from its annual assessment of the effectiveness on internal control over financial reporting for the year ending December 31, 2008, the year of acquisition. Management continues to monitor Zetex's internal controls 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 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, and such changes are reflected immediately below. The following risk factors as well as the risks described in our Annual Report on Form 10-K, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

It is likely that the liquidity of our ARS will continue to be limited, which could adversely affect our ability to fund our operations and acquisitions, and may require us to record losses on these securities.

As of June 30, 2008, we have invested primarily in ARS with a cost basis of \$320.7 million and a current fair value of \$294.7 million, which are classified as long-term investment, available-for-sale securities. The maturities of the securities range between 19 and 39 years and averages 32 years.

ARS are generally long-term debt instruments that are intended to provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined calendar intervals. These auctions historically allowed existing investors to rollover their holdings and continue to own their respective securities or liquidate their holdings by selling their securities at par value. Since mid-February 2008, there have been more sellers than buyers at each scheduled interest rate auction date and parties desiring to sell their securities have been unable to do so.

As of March 31, 2008, we reclassified our ARS from short-term investments to long-term investments, available-for-sale securities, and recorded an \$11.5 million unrealized loss (net of \$6.6 million tax effect) in other comprehensive income (loss). Further, under the terms of our ARS, most of the securities have reset to a lower interest rate. If the market for our ARS is not re-established, the absence of liquidity could adversely affect our ability to fund operations and acquisitions, and may require us to record losses on these securities. In addition, if our ARS do not reset to higher interest rates, it could have a material adverse effect on our interest income. See Note F to Notes to Consolidated Financial Statements for more information.

Our margin loan with UBS Financial Services, Inc. (“UBS”) may be called at any time subject to the discretion of UBS if UBS considers a margin loan call necessary for UBS’ protection, or if the value of our ARS falls below 75% of the outstanding margin loan balance or a required percentage of the outstanding margin loan balance under certain applicable statutes, rules and regulations, which could severely impact our liquidity.

In connection with the acquisition of Zetex, the Company drew \$165 million on its Irrevocable Standby Letter of Credit (“Letter of Credit”) in favor of Diodes-FabTech with UBS, which accrues interest at a floating rate of interest per annum equal to the sum of the prevailing daily 30-day LIBOR plus 1.25% and is payable monthly. The margin loan is secured by the Company’s ARS and does not have a maturity date. The margin loan may be called at any time subject to the discretion of UBS if UBS considers a margin loan call necessary for UBS’ protection, or if the fair value of the ARS falls below 75% of the outstanding margin loan balance or a required percentage of the outstanding margin loan balance under certain applicable statutes, rules and regulations. There are no scheduled principal payments and the margin loan can be paid in part or in its entirety by the Company at anytime without penalty. Although we do not expect the margin loan to be called, the fair value of our ARS has declined during each of the first two quarters of 2008, and we are unable to determine if and how much the ARS will continue to decline. See Note N to Notes to Consolidated Financial Statements for more information.

The value of our benefit plan assets and liabilities is based on estimates and assumptions, which may prove inaccurate.

Certain of the Company’s employees in the United Kingdom (“U.K.”) and Germany participate in Company sponsored defined benefit plans. The defined benefit plan is closed to new entrants and is frozen with respect to future benefit accruals. The retirement benefit is based on the final average compensation and service of each eligible employee. The Company accounts for these benefit plans in accordance with SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of FASB Statements No. 87, 88, 106 and 132R)*, which requires the Company to make actuarial assumptions that are used to calculate the earning value of the related assets, where applicable, and liabilities and the amount of expenses to be recorded in the Company’s consolidated financial statements. Assumptions include the expected return on plan assets, discount rates, and mortality rates. While we believe the underlying assumptions, under the projected unit credit method are appropriate, the carrying value of the related assets and liabilities and the actual amount of expenses recorded in the consolidated financial statements could differ materially from the assumptions used. See Note P to Notes to Consolidated Financial Statements for more information.

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

Our 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. For further details, please see “Debt Instruments” under Part I, Item 2 of this Report.

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

The Company submitted to a vote of its security holders at an annual meeting of stockholders on May 29, 2008, the election of members of the Board. The directors were each elected to serve until the 2008 annual meeting or until their successors are elected and have qualified. The results of the tabulation for each nominee for director of the Company is as follows:

C.H. Chen, Director	For: Withheld:	23,672,108 15,375,683
Michael R. Giordano, Director	For: Withheld:	29,029,538 10,018,253
Keh-Shew Lu, Director	For: Withheld:	38,084,226 963,565
L.P. Hsu, Director	For: Withheld:	38,515,544 532,247
Shing Mao, Director	For: Withheld:	38,212,281 835,510
Raymond Soong, Director	For: Withheld:	34,940,544 4,107,247
John M. Stich, Director	For: Withheld:	38,682,244 365,547

The Company also submitted to a vote of its security holders at an annual meeting of shareholders on May 29, 2008, the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2008. The result of the tabulation was 38,418,939 shares voted in favor of the proposal, 539,068 shares voted against, and 89,784 abstained from voting on the proposal. No broker non-votes with respect to this proposal were received.

Item 5. Other Information

There are no matters to be reported under this heading.

[Table of Contents](#)**Item 6. Exhibits**

<u>Number</u>	<u>Description</u>	<u>Form</u>	<u>Date of First Filing</u>	<u>Exhibit Number</u>	<u>Filed Herewith</u>
3.1	Certificate of Incorporation, as amended (File No. 333-127833).	S-3	September 8, 2006	3.1	
3.2	Amended Bylaws of the Company dated July 19, 2007.	8-K	July 23, 2007	3.1	
10.1	Contract for the Purchase and Sale of Real Estate dated May 6, 2008, between Diodes Incorporated and West Plano Land Company, LP.				X
10.2	Service Agreement between Diodes Zetex Limited and Colin Keith Greene, dated June 30, 2008.				X
10.3	Side Letter to the Service Agreement between Diodes Zetex Limited and Hans Rohrer, dated July 11, 2008.				X
10.4	Amendment to the Addendum to Client's Agreement and Terms and Conditions for Irrevocable Standby Letter of Credit, dated June 9, 2008, between Diodes Incorporated and UBS Financial Services, Inc.	8-K	June 13, 2008	99.1	
10.5	Fourth Floor of the Accommodation Building Lease Agreement dated January 1, 2008, between Shanghai Kai Hong Technology Co., Ltd. and Shanghai Ding Hong Electronic Co., Ltd.				X
10.6	Factory Building Lease Agreement dated March 1, 2008 between Shanghai Kai Hong Technology Co., Ltd. and Shanghai Yuan Hao Electronic Co. Ltd.				X
31.1	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

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

SIGNATURE

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

DIODES INCORPORATED (Registrant)

By: /s/ Carl C. Wertz

August 11, 2008

CARL C. WERTZ

Chief Financial Officer, Treasurer and Secretary

(Duly Authorized Officer and Principal Financial and

Chief Accounting Officer)

**CONTRACT FOR THE PURCHASE
AND SALE OF REAL ESTATE**

This CONTRACT FOR THE PURCHASE AND SALE OF REAL ESTATE (this “**Contract**”) is executed between **WEST PLANO LAND COMPANY, LP** a Delaware limited partnership (“**Seller**”), and **DIODES INCORPORATED**, a Delaware corporation (“**Purchaser**”), to be effective (the “**Effective Date**”) when fully executed by Seller and Purchaser.

**SECTION 1
AGREEMENT OF SALE AND PURCHASE**

1.01 In consideration of the covenants contained herein, and subject to the terms and conditions hereof, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller the real property being approximately 15.5 acres located in Plano, Collin County, Texas bounded on the east side by Communications Parkway and on the north side by Legacy Drive as depicted on **Exhibit “A”** attached hereto and incorporated herein, together with all improvements located thereon and all rights and appurtenances pertaining thereto, if any, including all rights, title, and interest of Seller in and to adjacent streets, alleys, and rights-of-way (all of the foregoing collectively referred to as the “**Property**”).

1.02 Upon delivery of the Survey (as hereinafter defined), the metes and bounds legal description reflected on the Survey shall be substituted for **Exhibit “A”** for all purposes under this Contract.

**SECTION 2
EARNEST MONEY**

2.01 On or before 5:00 p.m., Dallas, Texas, time on the third (3rd) business day after the Effective Date, Purchaser shall deliver wired funds to Republic Title Company of Texas, Inc., 2626 Howell Street, 10th Floor, Dallas, Texas 75204, Attention: C. Richard White [phone (214) 855-8868] (the “**Title Company**”) in the amount of One Hundred Thousand Dollars (\$100,000.00) (the “**Earnest Money**”). The Title Company shall place the Earnest Money in an FDIC-insured, interest-bearing account in a financial institution approved by Seller (with the Title Company placing the Earnest Money in multiple accounts to the extent necessary for the Earnest Money to be fully insured). All interest earned on any portion of the Earnest Money held in escrow by the Title Company hereunder shall (a) be added to the principal of the Earnest Money then held in escrow; (b) constitute a part of the Earnest Money; and (c) be included within the meaning and definition of the term “**Earnest Money**” used herein. Interest earned on the Earnest Money shall, for income tax purposes, be deemed earned by Purchaser. Purchaser hereby represents and warrants that its federal taxpayer identification number is 95-2039518.

2.02 Unless returned to Purchaser as hereinafter provided or paid to Seller as hereinafter provided, the Earnest Money shall be paid to Seller at Closing (hereinafter defined) as a credit against the Purchase Price (hereinafter defined).

2.03 Purchaser's obligation to deliver the Earnest Money is a condition precedent to Seller's obligations and Purchaser's rights hereunder. If Purchaser fails to deposit the Earnest Money as required by Section 2.01 hereof, Seller may terminate this Contract immediately upon written notice to Purchaser (without any opportunity by Purchaser to cure); whereupon, except for the Surviving Obligations (hereinafter defined), neither party shall have any further rights, obligations, or remedies under this Contract. Seller's right to terminate this Contract as provided in this Section 2.03 shall continue until the Earnest Money has been deposited and can only be waived by Seller in writing.

SECTION 3
PURCHASE PRICE

The purchase price (the "**Purchase Price**") for the Property shall be based on an amount equal to Seven and 50/100 Dollars (\$7.50) per square foot of Net Land Area contained in the Property, being approximately Five Million Sixty-three Thousand Eight Hundred Fifty Dollars (\$5,063,850.00), to be amended, however, as the Net Land Area is determined by the Survey (as hereinafter defined), and shall be payable to Seller, in cash, in accordance with the terms provided herein at the Closing (as hereinafter defined). The term "**Net Land Area**" means the gross land area of the Property less the land area, if any, included in (i) utility easements, drainage easements, ingress/egress easements or existing or proposed rights-of-way that materially and adversely affect the development or use of the Property for commercial office purposes (excepting any easements located within the landscape setback), (ii) the 100-year flood plain, and (iii) encroachments on the Property. Any area within the 100-year flood plain shall be as defined by the Federal Emergency Management Agency or other applicable governmental authority.

SECTION 4
TITLE COMMITMENT AND SURVEY

4.01 Delivery of Title Commitment. Within fifteen (15) days after the Effective Date, Seller, at its sole cost and expense, shall cause to be delivered to Purchaser a current commitment for title insurance covering the Property issued by the Title Company, together with the best available copies of all items referred to therein as exceptions (collectively, the "**Title Commitment**").

4.02 Delivery of Survey. Within fifteen (15) days after the Effective Date, Seller, at Seller's cost and expense, shall cause to be delivered to Purchaser the most current survey of the Property (the "**Survey**") in Seller's possession, prepared by a licensed surveyor or engineer (the "**Surveyor**") and meeting the minimum standard detail requirements for ALTA/ACSM Land Title Surveys. The Survey shall (i) set forth a "metes and bounds" description of the Property, (ii) show all alleys, streets, roads, and rights-of-way within the boundaries of the Property, (iii) show any improvements that constitute an encroachment or protrusion affecting the Property, (iv) identify any portion of the Property lying within any 100-year flood plain, (v) identify all recorded easements that affect the Property, (vi) set forth the number of total square feet of the Property, and (vii) specify the gross land area and the Net Land Area of the Property. The Survey shall include a certification to the Title Company and Purchaser and shall be otherwise in

a form acceptable to the Title Company to permit, at Purchaser's sole cost and election, modification of the Survey exception to the Owner's Policy of Title Insurance to be delivered to Purchaser to read "Shortages in Area" only.

SECTION 5
PURCHASER'S REVIEW OF TITLE COMMITMENT
AND SURVEY

5.01 Purchaser's Title Review Period. Purchaser shall have until 5:00 p.m., Dallas, Texas, time on the tenth (10th) day after Purchaser receives the last of the Title Commitment and the Survey (the "**Title Review Period**") within which to review and make written objections (the "**Objections**") to any matters shown or referred to in the Title Commitment or on the Survey. All matters shown in the Title Commitment or on the Survey with respect to which Purchaser does not make an Objection within the Title Review Period shall be deemed "**Permitted Exceptions.**"

5.02 Seller's Response; Purchaser's Right to Terminate. Seller shall respond in writing ("**Seller's Response**") to any Objections within five (5) business days after receiving Purchaser's Objections; provided however, Seller shall have no obligation to cure any Objections. If Seller's Response is unsatisfactory to Purchaser for any reason, Purchaser, as its sole and exclusive remedy, may terminate this Contract by delivering written notice of termination to Seller within three (3) days after receiving Seller's Response (the "**Termination Period**"); whereupon, the Earnest Money shall be returned to Purchaser, and, except for the Surviving Obligations (hereafter defined), neither party shall have any further rights, obligations, or remedies under this Contract. In the event that Purchaser elects not to terminate the Contract, any Objection which Seller has not agreed to cure, other than a Must-Cure Objection, shall be deemed to be a Permitted Exception. Notwithstanding the foregoing, Seller agrees at or prior to Closing to satisfy and cause to be released of record the following ("**Must-Cure Objections**"): (i) any mortgage, deed of trust or other security interest granted by Seller to secure a loan or other monetary obligation, and (ii) any mechanic's, materialmen's, tax, judgment or other lien entered against Seller that would survive Closing and thereafter be enforceable against the Property or Purchaser, as owner of the Property. In addition, Seller agrees to terminate the Haggard Lease (as hereinafter defined) as it relates to the Property on or before the Closing Date.

5.03 Purchaser's Failure to Terminate. If Purchaser fails to terminate this Contract within the Inspection Period (defined below) or the Termination Period:

(a) Purchaser shall be deemed to have unconditionally waived all Objections to any matters shown in the Title Commitment or on the Survey that remain uncured upon expiration of the Termination Period except those Objections, if any, that Seller has agreed in writing to cure prior to Closing (including any Must-Cure Objections);

(b) Permitted Exceptions shall also include any Objections which Purchaser has waived or is deemed to have waived or that Seller has cured to Purchaser's reasonable satisfaction prior to Closing;

(c) Upon expiration of the Inspection Period, Purchaser shall have completed its Studies (hereinafter defined) and, except for matters Seller has cured or agreed in writing to cure prior to Closing, Purchaser shall be deemed to have unconditionally approved and accepted the condition of the Property, except as to matters which must be satisfied under the terms of Section 6.07 as a condition to Closing;

(d) Upon expiration of the Inspection Period, Purchaser shall be deemed to have unconditionally waived any Necessary Approvals (as hereafter defined) which have not yet been obtained; and

(e) Upon expiration of the Inspection Period, the Earnest Money shall become nonrefundable, except in the event of Seller's default or a failure of any express condition precedent to Purchaser's obligation to close.

SECTION 6
PURCHASER'S INSPECTION PERIOD; COVENANTS AND CONDITIONS

6.01 Purchaser's Inspection Period; Right to Terminate. Purchaser shall have the period (the "**Inspection Period**") beginning on the Effective Date and ending on June 15, 2008 during which to inspect the Property and to seek to obtain the Necessary Approvals. In the event Purchaser determines the Property is unacceptable to Purchaser, or if Purchaser fails to obtain any of the Necessary Approvals, Purchaser has the right to terminate this Contract, in its sole discretion, by written notice delivered to Seller prior to the expiration of the Inspection Period, whereupon the Earnest Money shall be returned to Purchaser and, except for the Surviving Obligations, neither party shall have any further rights, obligations, or remedies under this Contract.

6.02 Right to Inspect. During the Inspection Period and subject to Seller's security requirements, Purchaser shall have the right to go onto the Property during normal business hours to conduct such physical, engineering, archeological, soils, subsidence, environmental, feasibility, and other tests and studies as Purchaser deems appropriate (collectively, the "**Studies**"), all at the sole cost and expense of Purchaser. Purchaser shall obtain the approval of Seller prior to performing any invasive tests on the Property, which approval shall not be unreasonably withheld. If this Contract fails to close, Purchaser shall restore the Property to substantially the same condition as existed prior to entry onto the Property, at the sole cost and expense of Purchaser. Purchaser shall release, hold harmless, defend, and indemnify Seller (and the directors, officers, employees, agents, and representatives of Seller, collectively) from and against any claim, suit, liability, damage, loss, cost, and expense (including the reasonable fees and expenses of attorneys selected by any of the indemnified parties) asserted against or incurred by such indemnified parties as a direct or indirect result of any act or omission of Purchaser or its employees, agents, contractors, or representatives in conducting the Studies, provided, however, the indemnity shall not extend to (i) protect Seller from any pre-existing liabilities for matters merely discovered by Purchaser (i.e., latent environmental contamination), except to the extent such liabilities are increased due to Purchaser's actions or negligence or (ii) any liens, claims, causes of action, damages, liabilities or expenses that are attributable to the action or inaction of Seller or its agent or employees. The obligations of Purchaser to restore the Property and to hold harmless, defend, and indemnify Seller (or any other indemnified parties) contained in this Section 6 shall survive Closing or any termination of this Contract.

6.03 Necessary Approvals. During the Inspection Period, Purchaser shall seek to secure from the applicable governmental authorities all changes of zoning, special use permits, conditional use permits, approvals, consents, licenses and permits necessary for Purchaser's development of the Property (collectively, the "**Necessary Approvals**"). Purchaser shall submit to the appropriate governmental authorities all applicable applications for the Necessary Approvals, together with any related supporting documentation, promptly following the Effective Date. Any Necessary Approvals which would be binding upon Seller in the event Purchaser does not close its acquisition of the Property shall be subject to the prior approval of Seller in its sole and absolute discretion.

6.04 Delivery of Reports. Seller will deliver to Purchaser the following documents, if any, in Seller's possession: (a) a copy of that certain Environmental FirstSearch Report prepared by Banks Information Solutions, Inc., Job 0710-02 dated July 10, 2006 ("Phase I") covering the Property and certain additional property not covered by the Contract, which if provided by Seller, shall be for informational purposes only, and shall not be used in lieu of Purchaser's further due diligence inspection of the Property during the Inspection Period, as defined in Section 6.01 hereof; (b) correspondence with governmental agencies regarding the environmental condition of the Property; if any, (c) copies of the ad valorem tax statements covering the Property for the three (3) year period prior to the Effective Date (or for the period of time that Seller has owned the Property, whichever is less); (d) copies of all geotechnical reports and soil compaction tests performed by or on behalf of Seller with regard to the Property, if any, which, if provided by Seller, shall be for informational purposes only, and shall not be used in lieu of Purchaser's further due diligence inspection of the Property during the Inspection Period, as defined in Section 6.01 hereof; and (e) a copy of the recorded subdivision plat to which the Property is a part, if any. Purchaser acknowledges that Seller is not making any representations or warranties concerning the environmental condition of the Property or as to the accuracy, completeness, or conclusions contained in the Phase I or as to the accuracy, completeness or conclusions contained in any other report delivered by Seller to Purchaser under this Section 6.04. Additionally, if Purchaser and Seller have failed to close the sale and purchase of the Property, upon the Seller's request, Purchaser will provide or cause its consultants to provide to Seller copies of all third party studies, reports and test results received by the Purchaser (collectively, "Reports") and the consultants regarding the Property (without representation or warranty as to the accuracy, completeness, or conclusions contained in the Reports), without any additional charge to Seller, within three (3) business days from the date of termination of this Contract, and if Purchaser is entitled to a refund of the Earnest Money under the applicable termination, the delivery of such Reports to Seller shall be a condition precedent to the return of the Earnest Money to Purchaser.

6.05 Required Insurance. Purchaser shall maintain (i) comprehensive general liability insurance, including blanket contractual liability insurance, on a per occurrence basis and in an amount of not less than \$3,000,000.00 covering any personal injury and property damage arising in connection with the presence of the Purchaser, its employees, representatives, agents, contractors, any subcontractors, vendors or their respective employees, representatives or agents,

(ii) comprehensive automobile liability insurance covering all owned, non-owned and hired vehicles, with limits of not less than \$1,000,000.00 combined single limit for personal injury and property damage, and (iii) statutory worker's compensation and employer's liability coverage in amounts not less than \$250,000.00, or qualified self-insurance, with sufficient evidence of such self-insurance as reasonably requested by Seller. Purchaser will deliver a certificate of insurance that names Seller and Purchaser as an additional insured thereunder related to the liability coverage as their respective interests may appear, verifying such coverage to Seller prior to entry upon the Property. All insurance will be provided by insurance companies reasonably acceptable to the Seller, authorized to do business in the State of Texas and rated not less than A-VII in Best's Insurance Guide. Purchaser's liability insurance will be a primary policy and not in excess or contributing with or secondary to any other insurance as may be available to Seller. Seller retains the right to request certificates of insurance from contractors, subcontractors and vendors of Purchaser prior to entering the Property to ensure compliance with this Contract. In the event Purchaser's insurance is materially changed which may affect Seller's interest or is going to be cancelled, Purchaser will provide Seller notice 30 days prior to any such change or cancellation. Purchaser's indemnification set forth in the prior paragraph shall remain in full force and effect related to any and all activities of Purchaser and Purchaser's employees, representatives, agents, subcontractors, vendors, guests and invitees. The obligations of Purchaser contained in this Section 6.05 shall survive Closing or any termination of this Contract.

6.06 Seller's Obligations Prior to Closing. From and after the Effective Date until Closing, Seller and/or Seller's agents or representatives shall:

(a) Notices. Provide to Purchaser, within a reasonable time following receipt thereof, any and all notices in any manner relating to the Property received by Seller or its agents or representatives from any governmental or quasi-governmental instrumentality.

(b) New Contracts. Seller shall refrain from transferring the Property, or creating on the Property any easements; provided, however, that nothing herein shall preclude Seller from (i) placing new or additional financing on the Property secured by a Deed of Trust, Assignment of Leases and Rents, or other lien, provided that such liens may by their terms be removed by Seller at Closing, or (ii) entering into any easements or other documents required by any applicable governmental or quasi-governmental authority or provider of utility services.

6.07 Haggard Lease. Seller has informed Purchaser that the Property is currently subject to a farming and grazing lease (the "**Haggard Lease**"). Seller covenants that neither the Haggard Lease nor a Memorandum thereof will be recorded and that Seller will terminate the Haggard Lease as it relates to the Property on or before the Closing Date. Seller will provide a copy of the Haggard Lease to Purchaser promptly following the Effective Date.

6.08 Conditions to Purchaser's Obligation to Close. The obligation of Purchaser to consummate the conveyance of the Property hereunder is subject to the full and complete satisfaction of each of the following conditions precedent:

(a) The representations and warranties of Seller contained in this Contract shall be true, complete and accurate in all material respects, on and as of the date hereof and the Closing Date as if the same were made on and as of such date;

(b) Seller shall have performed each and every obligation and covenant of Seller to be performed hereunder; and

(c) The Haggard Lease is terminated as it relates to the Property effective as of the Closing Date.

Purchaser shall have the right to waive some or all of the foregoing conditions in its sole and absolute discretion; provided, however, that no such waiver shall be effective or binding on Purchaser unless it is in writing and executed by an authorized officer of Purchaser.

6.09 Conditions to Seller's Obligation to Close. The obligation of Seller to consummate the conveyance of the Property hereunder is subject to the full and complete satisfaction of each of the following conditions precedent:

(a) The representations and warranties of Purchaser contained in this Contract shall be true, complete and accurate in all material respects, on and as of the date hereof and the Closing Date as if the same were made on and as of such date; and

(b) Purchaser shall have performed each and every obligation and covenant of Purchaser to be performed hereunder.

Seller shall have the right to waive some or all of the foregoing conditions in its sole and absolute discretion; provided, however, that no such waiver shall be effective or binding on Seller unless it is in writing and executed by an authorized officer of Seller.

SECTION 7 **REPRESENTATIONS**

7.01 Representations of Seller. Seller makes the following representations to Purchaser which are true and correct as of the date Seller executes this Contract and which shall be true and correct at Closing:

(a) To Seller's Knowledge (hereafter defined), Seller has not received any notice, and has no actual knowledge, of any pending or threatened litigation or pending or threatened condemnation proceeding that affects the Property;

(b) Except for the Haggard Lease, to Seller's Knowledge, there are no parties in possession of any portion of the Property as lessees, tenants at sufferance or trespassers;

(c) To Seller's Knowledge, there are no mechanic's liens or unrecorded liens against the Property for any activities attributable to Seller, its agents, or employees;

(d) Seller is a Delaware limited partnership, validly existing and in good standing, with full power and authority to enter into this Contract, to consummate the sale and purchase of the Property, and to perform the covenants and agreements of Seller, all as contemplated or provided for by this Contract; and are empowered to bind Seller to this Contract;

(e) Except as provided in this Contract, no joinder or consent of any other person or party is required in connection with the consummation of sale and Purchase of the Property under this Contract by Seller;

(f) The execution, delivery and performance of this Contract does not, and the consummation of the transactions contemplated hereby will not, violate any provision of the Articles of the partnership agreement of Seller, or any provision of any agreement, instrument, order, judgment or decree to which Seller is a party;

(g) There is no claim, action, litigation, arbitration or other proceeding pending or, to the best of Seller's knowledge, threatened against Seller which relates to the Property or the transactions contemplated hereby or which to the knowledge of Seller could result in the imposition of a lien against the Property or an action against Purchaser. If Seller receives notice of any such claim, litigation or proceeding prior to the Closing, Seller shall promptly notify Purchaser of the same in writing;

(h) To Seller's knowledge, Seller has not received any written notices from any federal, state, county or municipal agency or authority claiming a material violation or breach of any laws, ordinances, orders, regulations or guidelines affecting the Property, which breach or violation has not been cured by Seller; and

(i) Seller is not a "**foreign person**" as that term is used in Section 1445(f)(3) of the United States Internal Revenue Code of 1986, as amended.

With the sole exception of Sections 7.01(d), (e) and (f), all representations and warranties of Seller contained in this Contract, however described or characterized, including, but not limited to, Seller's "knowledge" and Seller's "actual knowledge" ("**Seller's Knowledge**") shall be representations and warranties based solely on the actual knowledge of Mark C. Allyn and David Reed ("**Seller's Representatives**"). The "actual knowledge" of the foregoing individuals does not create any independent duty of inquiry by such individuals and does not include any knowledge imputed to them from any other person. None of Mark C. Allyn or David Reed shall have any personal liability to Purchaser under this Contract. The express representations and warranties of Seller made in this Contract shall survive Closing and not merge into any instrument or conveyance delivered at the Closing; provided, however, that any action, suit or proceeding with respect to the truth, accuracy or completeness of such representations and warranties shall be commenced, if at all, on or before the date which is twelve (12) months after the date of the Closing and, if not commenced on or before such date, thereafter such representations and warranties shall be void and of no force or effect, and provided further, (a) Purchaser shall seek only actual damages and not consequential, special, punitive or indirect damages as a result of any default by Seller, and (b) in no event shall Seller's aggregate liability to Purchaser under this Contract for any and all breaches of a representation and warranty or any other obligation that survives Closing exceed an amount equal to Five Hundred Thousand and No/100 Dollars (\$500,000.00).

7.02 EXCEPT AS SPECIFICALLY PROVIDED IN THIS CONTRACT OR IN ANY DOCUMENT DELIVERED BY SELLER TO PURCHASER AT CLOSING:

(a) Purchaser acknowledges and agrees that none of Seller or its agents or representatives has made any representations or warranties as to the Property or its environmental or physical condition.

West Plano Land — Diodes Contract of Sale

(b) Purchaser acknowledges and agrees that EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS CONTRACT, SELLER HAS NOT MADE, DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ANY WARRANTIES, REPRESENTATIONS, COVENANTS, OR GUARANTEES, EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, AS TO THE MERCHANTABILITY, HABITABILITY, QUANTITY, QUALITY, OR ENVIRONMENTAL CONDITION OF THE PROPERTY (INCLUDING BUT NOT LIMITED TO THE PRESENCE OR ABSENCE OF ANY AND ALL HAZARDOUS MATERIALS) OR ITS SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY DURING THE INSPECTION PERIOD, OTHER THAN THE EXPRESS REPRESENTATIONS AND WARRANTIES MADE BY SELLER IN THIS CONTRACT, PURCHASER IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND, EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS CONTRACT, MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

(c) Purchaser acknowledges and agrees that as of Closing, Purchaser will have thoroughly investigated and thoroughly inspected the Property and will be familiar and satisfied with all aspects of the physical condition of the Property and will have made its own determination as to the merchantability, habitability, quantity, quality, and condition of the Property, including, without limitation, the possible presence of Hazardous Materials (as hereinafter defined) at, on, in, or under the Property and the Property's suitability or fitness for any particular purpose or use.

(d) Purchaser acknowledges and agrees that after Closing (except as to provisions of this Contract which expressly survive Closing), Purchaser will be deemed to have unconditionally accepted the Property in its condition on the Closing Date on an "AS IS", "WHERE IS" and "WITH ALL FAULTS" basis (including any environmental conditions or matters) and acknowledges and agrees that without this unconditional acceptance, the sale of the Property would not be made and that Seller shall be under no obligation whatsoever to undertake any repair, alteration, remediation, or other work of any kind with respect to any portion of the Property.

(e) Purchaser, and Purchaser's successors and assigns, expressly and unconditionally release Seller and Seller's affiliates, successors, and assigns from any and all responsibility, liability, obligations, and claims (whether known or unknown, apparent, non-apparent, or latent, and whether existing prior to, at, or after the Closing) that Purchaser and its successors and assigns may now or hereafter have against Seller and Seller's affiliates, successors, and assigns based, in whole or in part, upon the presence of Hazardous Materials at, on, in, or under the Property, including, without limitation, any obligation to take the Property back or reduce the Purchase Price, and including any actions for contribution or indemnity.

(f) The term “**Hazardous Materials**” as used in this Section 7 means any substances (a) the presence of which requires reporting, investigations or remediation under any current federal, state, or local statute, regulation or ordinance or (b) which are currently defined as hazardous waste, hazardous substances, toxic substances, regulated substances, pollutants, or contaminants under any current federal, state, or local statute, regulation or ordinance.

THE PROVISIONS OF THIS SECTION 7.02 SHALL SURVIVE THE CLOSING.

7.03 Purchaser acknowledges and agrees that the provisions of this Section 7 have been negotiated by the parties, have been reviewed by Purchaser and by an attorney selected by Purchaser and that Purchaser fully understands and accepts the provisions of this Section 7.

7.04 Representations of Purchaser. Purchaser makes the following representations to Seller which are true and correct as of the date Purchaser executes this Contract and which shall be true and correct at the closing of this Contract:

(a) Purchaser is a corporation with full power and authority to enter into this Contract and to consummate the sale and purchase of the Property, and to perform all covenants and agreements of Purchaser as contemplated by this Contract, and the party or parties executing this Contract on behalf of Purchaser have been duly authorized and are empowered to bind Purchaser to this Contract.

(b) Except as provided in this Contract, no joinder or consent of any other person or party is required in connection with the consummation of sale and Purchase of the Property under this Contract by Purchaser.

(c) The execution, delivery and performance of this Contract does not, and the consummation of the transactions contemplated hereby will not, violate any provision of the articles of incorporation, bylaws, certificate of authority (if Purchaser is a foreign corporation) of Purchaser, or any provision of any agreement, instrument, order, judgment or decree to which Purchaser is a party.

(d) Neither Purchaser nor, to Purchaser’s knowledge, any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control (“**OFAC**”) of the Department of the Treasury (including those named on OFAC’s Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action.

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SECTION 8
CLOSING

8.01 Closing. If neither party has terminated this Contract as permitted herein, the closing of this Contract (the “**Closing**”) shall occur at the office of the Title Company, or such other place as may be agreed to by Seller and Purchaser, on the date which is fifteen (15) days after the expiration of the Inspection Period (the “**Closing Date**”). At or prior to 2:00 p.m., Dallas, Texas time, on the Closing Date, Purchaser shall deposit or cause to be deposited with the Title Company sums sufficient to pay the Purchase Price (net of all prorations, adjustments and credits to be made hereunder). Provided all conditions precedent to Purchaser’s obligation to close have been satisfied or waived, Purchaser shall cause the Purchase Price to be paid to Seller prior to 3:00 p.m. Dallas, Texas time as follows:

(a) Purchaser shall cause the Title Company to pay Seller the Earnest Money being held by the Title Company, by federal wire transfer in immediately available funds to any bank account(s) as Seller shall designate, and the amount of such payment shall be credited against the Purchase Price.

(b) Purchaser shall cause the Title Company to pay Seller the remaining balance of the Purchase Price, after crediting the amounts set forth in this Section 8 received by Seller and subject to the prorations, adjustments and credits to be made hereunder, by federal wire transfer in immediately available funds to such bank account(s) as Seller may designate.

(c) Purchaser and Seller shall each have the right, on or prior to the Closing Date, to deposit into escrow with the Title Company all closing documents and other items required to fully and completely consummate Closing pursuant to this Contract, in which event either party exercising such right shall not be required to attend Closing in person, and such failure to attend Closing shall not constitute a default hereunder. Purchaser and Seller shall endeavor in good faith to compile and calculate all required prorations and adjustments, and to prepare (or cause the Title Company to prepare) a settlement statement acceptable to both Purchaser and Seller detailing all items and costs of Closing, no later than three (3) business days prior to the Closing Date.

(d) Purchaser represents to Seller that it has received approval of the development incentives from the City Council of the City of Plano as described in the acceptance letter from Purchaser to the City of Plano dated April 9, 2008 (the “**Approval**”) for its intended development upon the Property, subject to satisfaction of the conditions (the “**Approval Conditions**”) specified in the Approval. Purchaser agrees to provide seller with a copy of the Approval within three (3) business days of the Effective Date of this Contract and diligently pursue satisfaction of all of the Approval Conditions. Seller will cooperate and provide reasonable assistance to Purchaser in satisfying the Approval Conditions, including, without limitation, if requested by Purchaser, attendance and support of Purchaser at all meetings and hearings before the City Council of the City of Plano relating to the Approval or the proposed development of the Property. Notwithstanding any provisions to the contrary herein, if Purchaser has not obtained written confirmation from the City of Plano that all of the Approval Conditions have been satisfied and the development incentives have been finally approved (the “**Final Approval**”) prior to the scheduled Closing Date, then Purchaser may elect, at its sole discretion, by written notice to Seller

given at least three (3) business days prior to the Closing Date to either (i) waive obtaining the Final Approval as a condition to Closing, or (ii) extend the Closing Date to the earlier of (x) three (3) business days following receipt of written confirmation from the City Council of the City of Plano that the Approval Conditions have been satisfied and Final Approval of the development incentives accepted by Purchaser in the Approval has been given or (y) thirty (30) days following the originally schedule Closing Date (the “**Outside Closing Date**”) As part of its written notice of extension, Purchaser will provide Seller with reasonable evidence that Purchaser has timely provided all items and otherwise complied with the Approval Conditions together with a listing of any outstanding items and the time frames within which such items are to be obtained. In the event that Final Approval has not been given on or before thirty (30) days from the originally scheduled Closing Date then Purchaser may elect by giving written notice to Seller on or before the Outside Closing Date, at its sole discretion, to either (i) waive obtaining the Final Approval as a condition to Closing or (ii) terminate this Contract by delivery of a written termination notice to Seller on or before the Closing Date, in which event the Earnest Money shall be immediately returned to Purchaser free of claims by Seller. The Final Approval described in this Section 8.01(d) is for Purchaser’s benefit and can only be waived by Purchaser.

8.02 Seller’s Obligations at Closing. At Closing, Seller shall deliver or cause to be delivered to the Title Company prior to 2:00 p.m. Dallas, Texas time on the Closing Date, and shall cause to be released to Purchaser prior to 3:00 p.m. Dallas, Texas time on the Closing Date, all at Seller’s sole cost and expense:

(a) A special warranty deed (the “**Deed**”) in the form shown in **Exhibit “B”**, attached hereto and incorporated herein, duly executed and acknowledged by Seller in recordable form conveying to Purchaser good and indefeasible fee simple title to the Property, subject only to the Permitted Exceptions;

(b) The Memorandum of Right of First Offer and Right of First Refusal as provided in Section 11.06(i) below;

(c) An Owner’s Policy of Title Insurance insuring good and indefeasible fee simple title in Purchaser in the full amount of the Purchase Price and subject only to the Permitted Exceptions (said policy to be delivered by the Title Company in due course following the closing);

(d) A termination letter executed by Seller relating to the termination of the Haggard Lease as it relates to the Property;

(e) A non-foreign affidavit pursuant to Section 1445 of the Code stating that Seller is not a foreign entity and such other information as may be required by Section 1445 of the Code;

(f) A Secretary’s Certificate or other officer’s certificate from Seller evidencing the status and capacity of Seller and the authority of the person executing the various documents on behalf of Seller in connection with the sale and purchase of the Property satisfactory to the Title Company;

(g) An Estoppel from the Legacy Association in the form attached as **Exhibit “C”** and incorporated herein;

(h) An “**owner’s affidavit**”, in form reasonably acceptable to the Title Company and sufficient for the Title Company to delete any exceptions for (a) mechanics’ or materialmen’s liens arising from work at the Property which is the responsibility of Seller hereunder, (b) parties in possession, other than tenants as tenants only, and (c) matters not shown in the public records;

(i) A settlement statement (the “**Settlement Statement**”), prepared by the Title Company;

(j) The Memorandum of Repurchase Option as provided in Section 11.05(h) below; and

(k) Such other documents as are reasonably requested by the Title Company or Purchaser (such request by Purchaser to be made at least five (5) days prior to Closing) to close the sale and purchase of the Property.

8.03 Purchaser’s Obligations at Closing. At Closing, Purchaser shall deliver to Seller, at Purchaser’s sole cost and expense:

(a) The full amount of the Purchase Price in wired funds (subject to prorations and a credit for the Earnest Money);

(b) A Secretary’s Certificate or authorizing resolutions certified by an officer of Purchaser evidencing the status and capacity of Purchaser and the authority of the person executing the various documents on behalf of Purchaser in connection with the sale and purchase of the Property;

(c) The Memorandum of Repurchase Option;

(d) The Memorandum of Right of First Offer and Right of First Refusal; and

(e) Such other documents as are reasonably requested by the Title Company or Seller (such request by Seller to be made at least five (5) days prior to Closing) to close the transaction.

8.04 Prorations.

(a) Ad valorem taxes shall be prorated as of Closing. If the ad valorem taxes for the year of Closing have not been determined as of Closing, the proration shall be based on the ad valorem taxes for the preceding tax year and the assessed value of the current year, provided if the assessed value for the current year has not been determined then ad valorem taxes shall be estimated based upon ad valorem taxes for the immediately preceding calendar year. No adjustment or proration will be made for any increase in the market value of the Property made by any applicable taxing authority as a result of this transaction, all such adjustments being the responsibility of Purchaser. This determination will be deemed to be final and no further adjustments will be required. If the Property has been designated or valued as agricultural, open space or other special category such that their sale or change of use would trigger the imposition of any “rollback” or “catch up” tax,

Seller shall be responsible for any such taxes and interest thereon for periods prior to Closing. Seller shall pay to or credit Purchaser at Closing the amount of “rollback” taxes, including, without limitation, interest and penalties for all periods prior to the date of Closing, which Seller and Purchaser reasonably determine as of the Closing would have been due and payable as if the change of usage of the Property was made as of the date of Closing and thereafter, Purchaser shall be responsible for paying such “rollback taxes” when they become due and payable. This determination will be deemed to be final and no further adjustments will be required. Notwithstanding the foregoing, provided that Seller has made an agricultural use exemption through the Closing Date, prorations for the tax year in which the Closing Date occurs shall be calculated based on ad valorem taxes assessed as if the agricultural use exemption had remained in place throughout the such tax year. Assessments related to the Legacy Association will additionally be prorated as of the Closing, will be deemed to be final and no further adjustments will be required. The obligations of the parties in this Section 8.04 shall survive the Closing of this Contract.

(b) In the event that the Purchaser elects to maintain the agricultural use exemption for a period of time after Closing, Seller’s obligation to pay any “roll back” taxes with respect thereto shall not exceed the amount that would have been due had the “roll back” taxes been calculated based upon a change in use or ownership as of the Closing Date.

8.05 Other Closing Costs. Purchaser shall pay all recording costs and all costs, if any, associated with Purchaser’s financing of all or any portion of the Purchase Price. Seller shall pay for the cost of the Survey, and Purchaser shall pay for any updates to the Survey. Seller shall pay for the cost of the basic title premium for the Title Policy (excluding the costs of any modification of the survey exception or other endorsements, which shall be paid by Purchaser), and all fees associated with the removal of the Must-Cure Objections. Seller shall also pay the commission in accordance with the provisions of Section 11.01 at the Closing. Each party will pay one-half (1/2) of any escrow fee charged by Title Company. Each party shall also pay its own attorneys’ fees and other costs and expenses of negotiating and consummating this Contract. Any other costs or expenses incident to this transaction and the closing thereof not expressly provided for above shall be allocated between and paid by the parties in accordance with custom and practice in Plano, Collin County, Texas.

8.06 Possession. At Closing, upon the satisfaction of all conditions precedent to Seller’s obligation to close, Seller shall deliver possession of the Property to Purchaser, subject only to the Permitted Exceptions.

SECTION 9
EXCLUSIVE REMEDIES OF PURCHASER

If any of Seller’s representations is inaccurate as of Closing, or if Seller fails to perform any of its obligations hereunder (except Seller’s failure after Closing to perform its Surviving Obligations) and such inaccuracy or failure is not cured within seven (7) business days after Seller receives Purchaser’s notice in writing of such inaccuracy or failure, Purchaser’s sole and exclusive remedies shall be either to: (a) terminate this Contract; whereupon, the Earnest Money shall immediately be returned to Purchaser, and, except for the Surviving Obligations, neither party shall have any further rights, obligations, or remedies under this Contract; or (b) file a lawsuit against Seller in Collin County, Texas, to enforce specific performance of this Contract

(which suit must be filed within two (2) years and one day after the scheduled date of Closing as set forth in Section 8.01 hereof; otherwise, Purchaser shall be deemed to have unconditionally waived its right to sue for specific performance). Except for Seller's failure after Closing to perform any of its Surviving Obligations, Purchaser unconditionally waives its right to pursue any other remedies against Seller including, but not limited to, actual, consequential, special, incidental, and punitive damages.

SECTION 10
EXCLUSIVE REMEDY OF SELLER

If any of Purchaser's representations is inaccurate as of the Closing, or if Purchaser fails to perform any of its obligations hereunder (except Purchaser's failure after Closing to perform its Surviving Obligations) and such failure is not cured within seven (7) business days after Seller notifies Purchaser thereof in writing, Seller's sole and exclusive remedy shall be to terminate this Contract and receive the Earnest Money as liquidated damages (the foregoing notice and cure period does not, however, apply to the failure by Purchaser to deposit the Earnest Money as provided in this Contract). Purchaser acknowledges that payment of the Earnest Money to Seller pursuant to this Section 10 does not constitute a penalty. Purchaser further acknowledges that the actual damages suffered by Seller for Purchaser's breach are incapable of exact calculation and that the Earnest Money represents a sum that is a reasonable estimate of what Seller's actual damages might be. Except for Purchaser's failure after Closing to perform any of its Surviving Obligations, Seller unconditionally waives its right to pursue other remedies against Purchaser including, but not limited to, actual, consequential, special, incidental, and punitive damages. Upon termination of this Contract pursuant to this Section 10, the Earnest Money shall be paid to Seller, and except for the Surviving Obligations, neither party shall have any further rights, obligations, or remedies under this Contract.

SECTION 11
ADDITIONAL PROVISIONS

11.01 Brokers and Commissions. Seller and Purchaser acknowledge and agree that the only brokers that have been involved with the origination and negotiation of this Contract are CB Richard Ellis, Inc. ("**CBRE**"), as the broker for Seller, and Jan's Realty, Inc. ("**Jan's**"), as broker for the Purchaser (CBRE and Jan's are collectively the "**Broker**"). If, as, and when this Contract closes, but not otherwise, Seller agrees to pay a real estate sales commission equal to (i) six percent (6%) of the first one million dollars (\$1,000,000.00); plus (ii) three percent (3%) of the Purchase Price in excess of one million dollars, to be divided equally between CBRE and Jan's at Closing. If this Contract fails to close for any reason, including a breach by either party, Seller shall have no obligation to pay Broker any commission or any other costs, expenses, fees, or compensation of any kind. Seller and Purchaser agree to hold harmless, defend, and indemnify each other from any claim, suit, liability, losses, costs, and expenses (including reasonable attorneys' fees and court costs) resulting from any claim for any fee, commission, finder's fee or other consideration from any broker, agent, finder, or salesman based on an alleged agreement with the indemnifying party (or others acting on its behalf). If Broker's signature appears on this Contract, it will be for the sole purpose of acknowledging the terms and conditions upon which Broker is entitled to a commission pursuant to this Section 11.01 (which terms and conditions supersede and replace all prior

understandings and agreements between Seller and Broker with regard to the Property). Broker is not otherwise a party to this Contract, and with the exception of an amendment to this Section 11.01 that directly affects Broker's rights, this Contract may be amended or terminated without notice to or the consent of Broker. The absence of Broker's signature shall not in any way affect the validity of this Contract. The obligations of the parties contained in this Section 11.01 shall survive the closing or any termination of this Contract.

11.02 Non-Assignability. Except as otherwise specifically provided herein, this Contract may not be assigned by Purchaser without the prior written consent of Seller, which may be withheld in Seller's sole discretion. Notwithstanding the foregoing, however, Purchaser may assign its interest under this Contract upon five (5) days written notice to Seller prior to Closing to an affiliate, subsidiary or parent company without Seller's consent so long as (a) such assignee is, directly or indirectly, managed and/or controlled by Purchaser or is an affiliate which is owned by Purchaser or its ultimate parent and which is controlled by Purchaser or its ultimate parent; and (b) Purchaser provides Seller with the name and, if requested by Seller, copies of the organizational documents for such assignee as filed with the applicable Secretary of State or other governmental authority and provides Seller with any other information that Seller may reasonably request with respect to the proposed assignee at least three (3) business days in advance of the Closing Date. Purchaser shall in no event be released from any of its obligations or liabilities hereunder as a result of any assignment. The obligations of Purchaser under this Section 11.02 shall survive the Closing and shall not be merged therein. Whenever reference is made in this Contract to Seller or Purchaser, such reference shall include the successors and assigns of such party under this Contract.

11.03 Deed Restriction. The Property is being conveyed to Purchaser by Seller for the purposes of construction and operation of an office headquarters building for Purchaser and to be substantially occupied by Purchaser or its successor and its employees and certain ancillary uses associated with such office headquarters use as described in the Deed Restriction (as hereafter defined), and at Closing the Purchaser and Seller will execute and record the Deed which shall create a deed restriction (the "**Deed Restriction**") covering the Property and containing the following covenant, in which Seller will be referred to as "**Grantor**" and Purchaser as "**Grantee**": "Grantee will construct, occupy and operate improvements on the Property for use as an office headquarters and ancillary uses associated with such office headquarters use that primarily serve and benefit the occupants in the improvements on the Property (e.g. tenant employee cafeteria, deli, gift shop, lobby banking, etc.). Without limiting the foregoing, it is specifically agreed that the Property may not be used for (i) commercial office building development (as hereafter defined) other than as specifically provided in this Section 11.03, (ii) any retail intended to serve and benefit the general public, or motor or drive-through banking, (iii) restaurant (intended to primarily serve and benefit the general public outside of the occupants of the improvements on the Property), (iv) hotel, (v) town home and multi-family residential development, (vi) free-standing restaurant and/or retail pads, and (vii) medical office condominiums. For purposes hereof, "commercial office building development" shall mean any building or combination of buildings and other amenities which is used for office purposes other than an office headquarters for Purchaser and no more than twenty percent (20%) shall of the leasable area be leased to unrelated third parties not affiliated with Purchaser. Further, any office headquarters building constructed on the Property must otherwise be in compliance with the

Declarations applicable to the Property (and thus shall be subject to approval by the Legacy Association's Design Review Board) and must be designed and constructed with an exterior appearance at least comparable to first class office buildings on other properties in the vicinity of the Property. These restrictions will be binding upon, and will be a covenant running with the land as to the Property and will remain in effect until the earlier of (a) recordation in the real property records of Collin County, Texas of a written release of this covenant executed by Grantor and Grantee, or (b) fifteen (15) years after the date of the deed; provided, however, notwithstanding the foregoing, the restriction prohibiting commercial office building development other than as an office headquarters of Purchaser and leasing to unaffiliated third parties will remain in effect only until the earlier of (i) recordation in the real property records of Collin County, Texas of a written release of such commercial office building development restriction, or (ii) ten (10) years after the date of the deed.

11.04 Declaration.

(a) Purchaser understands and acknowledges that the Property is or is intended to be burdened by, among other things (a) a certain Declaration of Covenants, Conditions, and Restrictions and Association Declarations recorded under County Clerk # 20060920001358220, Real Property Records of Collin County, Texas (the "**Declaration**"), (b) Association Declaration recorded under County Clerk # 200609200001358270, Real Property Records of Collin County, Texas (the "**Association Declaration**"), and (c) restrictive covenants contained in the Special Warranty Deed to Seller recorded under County Clerk # 200609200001358250, Real Property Records of Collin County, Texas, and that all such restrictions and covenants will affect Purchaser's development of the Property. A copy of the Declaration, the Association Declaration and such Special Warranty Deed shall be provided to Purchaser within two (2) business days after the Effective Date hereof. In that regard, Purchaser has been advised and acknowledges that the Declaration and the Association Declaration provide, among other things, that: (i) owners of property within the area covered by the Declaration will be members of a property owners' association known as the Legacy Association (the "**Association**"), and liable for the payment of general and special assessments; and (ii) prior to the commencement of construction on the Property by Purchaser, the proposed plans for construction must be reviewed and approved by Seller and the Association's design review board (the "**DRB**").

(b) Prior to the commencement of any development on the Property, Purchaser shall prepare a preliminary plan for development of the Property (collectively, the "**Development Plans**"), which shall address planned infrastructure, grading, and drainage and schematic plans for any buildings, walls, or other vertical structures to be constructed by Purchaser on the Property (including typical detail such as site plan, exterior elevations, color palettes, roofing shapes and materials, and external finish specifications; but not including interior spaces and interior utility and other service information). The Development Plans will reflect application of the Declaration and all existing design guidelines promulgated pursuant thereto to the improvements which will be built by or on behalf of Purchaser, it being acknowledged by Purchaser, however, that the Declaration is, by its nature, general in scope and that all aspects of the Development Plans are subject to Seller's review and approval as herein provided, whether or not specifically addressed in the Declaration. The review and approval of the Development Plans by Seller as provided herein is in addition to, and not in lieu of, approval by the DRB of the matters over which such body has approval rights

pursuant to the Declaration, but Seller shall use commercially reasonable efforts to obtain approval of Purchaser's Development Plans by the DRB within thirty (30) days after Purchaser submits same. In addition, it is understood and agreed that Purchaser may submit its Development Plans to the DRB and Seller at the same time and in such case, Seller agrees to review Purchaser's Development Plans concurrently with the DRB's review of the Development Plans.

(c) Purchaser and Seller will negotiate in good faith to reach mutual agreement on an acceptable level of specificity and/or finality for the Development Plans prior to commencement of construction of the improvements (the period commencing on the date hereof and ending on such date being herein referred to as the "**Plan Approval Period**").

(d) After preparation of the Development Plans by Purchaser and approval thereof by Seller and the DRB, it shall be Purchaser's sole responsibility to obtain any necessary governmental permits and approvals, including, but not limited to, the approval and filing of preliminary and final plats, as may be required to permit Purchaser to proceed with its contemplated development. Any changes in the approved Development Plans to accommodate any governmental requirements shall be subject to Seller's written approval as contemplated in the Declaration, such approval not to be unreasonably withheld or delayed.

(e) Purchaser acknowledges that the name "**Legacy**" is a registered trademark owned by EDS Information Services L.L.C. ("**EDS**"). In the event Purchaser desires to use the name "**Legacy**" or any derivation thereof in connection with the Property, Purchaser may do so only pursuant to a Trademark License Agreement in form and substance satisfactory to EDS. If Purchaser desires to use the name "**Legacy**", Purchaser should make request therefore to EDS, giving full particulars of the desired use, as soon as reasonably practicable to permit EDS the opportunity to evaluate the proposed use. Purchaser acknowledges that EDS is under no obligation to license the name "**Legacy**" to Purchaser or any other party.

(f) The provisions of this Section 11.04 shall survive the Closing and shall be referred to in the Deed.

11.05 Right of Repurchase.

(a) The Property is being conveyed to Purchaser for the uses permitted by Section 11.03 hereof, as contemplated in the Development Plans for the Property heretofore approved by Seller (the "**Project**") and any further detailed plans approved by the DRB pursuant to the Declaration. Subject to the terms and conditions hereof, Seller reserves and shall have the exclusive and irrevocable option to repurchase the Property and all improvements thereon (the "**Repurchase Option**") under one of the two (2) following opportunities and for a purchase price (the "**Repurchase Price**") determined as follows:

(i) If Purchaser has failed to commence construction of the Project within eighteen (18) months after the date of the Deed, subject to extension for delays caused by unusually adverse weather conditions, strikes, unavailability of labor or materials, war, acts of the public enemy, or other such events or circumstances beyond Purchaser's reasonable control (collectively, "**Force Majeure**"), and provided that any delays in commencement of construction beyond such eighteen (18) month period are not due to a breach by the Development Manager

(as defined in Section 11.25 below) of the Development Agreement (as defined in Section 11.25 below), then Seller may elect to repurchase the Property by delivering written notice of Seller's election (a "**Repurchase Notice**") to Purchaser not later than thirty (30) days following the Construction Commencement Deadline (as hereafter defined). In order for Purchaser to avail itself of such extension for Force Majeure, Purchaser must notify Seller within sixty (60) days of the date on which Purchaser obtains actual knowledge of the occurrence of the event that constitutes Force Majeure (the "**Force Majeure Notice**"). The date of expiration of such eighteen (18) month period, as extended by Force Majeure, is referred to herein as the "**Construction Commencement Deadline**". If Seller elects to repurchase the Property pursuant to this Section 11.05(a)(i), the Repurchase Price will be in an amount equal to the sum of: (a) the Purchase Price paid by Purchaser to Seller for the Property minus (b) the amounts of any rollback credits provided by Seller to Purchaser in connection with the initial closing of the sale of the Property to Purchaser, plus (c) an amount equal to all costs and expenses (other than the Purchase Price) incurred by Purchaser in connection with the acquisition of the Property and/or the proposed development thereof, including without limitation, environmental, engineering, architectural, consulting, financing and attorneys fees and expenses, interest paid under any acquisition and/or construction financing, commissions, title, property and liability insurance premiums and expenses, and all other expenses incurred by Purchaser in connection with the acquisition or proposed development of the Property, as reasonably evidenced by Purchaser to Seller, including, but not limited to, invoices, contracts, and billing statements (collectively, the "**Land Acquisition Costs**"), provided however, that in no event will the Repurchase Price for the Property under this clause (i) be an amount in excess of 110% of the Purchase Price; or

(ii) If Purchaser commences construction of the Project on the Property prior to the Construction Commencement Deadline but has failed to substantially complete construction of the building shell for the Project within thirty-six (36) months after the date of the Deed, subject to extension for delays caused by Force Majeure, as provided in a Force Majeure Notice, then provided that any delays in the substantial completion of construction beyond such thirty-six (36) month period are not due to a breach by the Development Manager of the Development Agreement Seller may elect to repurchase the Property by delivering a Repurchase Notice to Purchaser not later than thirty (30) days following the Construction Completion Deadline (hereafter defined). The date of expiration of such thirty-six (36) month period, as extended by Force Majeure, is referred to herein as the "**Construction Completion Deadline**." If Seller elects to repurchase the Property pursuant to this Section 11.05(a)(ii), the Repurchase Price will be in an amount equal to the sum of: (a) the Purchase Price, minus (b) the amounts of any rollback credits provided by Seller to Purchaser in connection with the initial closing of the sale of the Property to Purchaser, if any, plus (c) Land Acquisition Costs with respect to the Property (the "**Development Parcel Percentage**"), plus (d) all other costs and expenses incurred by Purchaser (other than the Land Acquisition Costs in connection with the acquisition and/or development of the Property, including without limitation, environmental, engineering, architectural, consulting, financing and attorney's fees and expenses, interest paid under any acquisition and/or construction financing, construction costs, contractor's fees, expenses and overhead, commissions, title, property and liability insurance premiums and expenses, and all other expenses incurred by Purchaser in connection with the acquisition or development of the Property, as reasonably evidenced by Purchaser to Seller (including, but not limited to, invoices, contracts, and billing statements); provided

however, that in no event will the Repurchase Price for the Property exceed an amount equal to the sum of the Development Parcel Percentage plus One Hundred Fifty Dollars and No/100 (\$150.00) per square foot times the square feet of building space (excluding parking structures) actually (or to be) constructed on the Property (on a percentage of completion basis) at the time of the closing of the Repurchase Option by Seller. If Purchaser does not commence construction of a building on the Property prior to the Construction Commencement Deadline, the provisions of this Section 11.05(a)(ii) shall not be applicable and Seller shall not have the right to exercise a Repurchase Option pursuant to the provisions of this Section 11.05(a)(ii).

In order to exercise a Repurchase Option, Seller must deliver the Repurchase Notice to Purchaser in accordance with the preceding provisions of this Section 11.05. If Seller fails to timely deliver a Repurchase Notice to Purchaser pursuant to the preceding provisions of this Section 11.05, the corresponding Repurchase Option arising pursuant to such provisions shall terminate and be of no further effect. The Repurchase Options shall arise and may only be exercised upon the occurrence of the events described in Section 11.05 above.

For purposes hereof: (a) commencement of construction of the Project shall be irrefutably deemed to have occurred upon the commencement of grading activities on a portion of the Property so long as Purchaser diligently continues with such construction through the substantially complete construction of the improvements described in the Development Plans by the Construction Completion Deadline, (b) construction of a building shall be irrefutably deemed to be “**substantially complete**” upon the issuance of a certificate of a registered architect that such improvements are complete in accordance with the Development Plans and issuance of the final certificate of occupancy by the applicable governmental authority for such building constructed within the Project.

(b) If Seller exercises the Repurchase Option, the closing of such repurchase (the “**Repurchase Closing**”) shall take place at a title company designated by Seller on a date designated by Seller but no later than sixty (60) days after the date of the Repurchase Notice. If Seller exercises the Repurchase Option but does not close and fund the Repurchase Price to Purchaser on or prior to the expiration of such sixty (60) day period, Seller’s Repurchase Option shall automatically and immediately terminate without notice. At the Repurchase Closing, Purchaser shall convey the Property to Seller by special warranty deed in the form of the Deed, subject only to the permitted title exceptions listed on **Exhibit “B”** attached to the Deed, and to easements, building set back lines and other matters set forth on any plat which has been filed by Purchaser with respect to the Property and/or which have been granted to any governmental authority or utility company, except that there shall be no repurchase option reserved and the exception for liens securing ad valorem taxes shall be limited to the year in which the closing of the repurchase takes place, with the ad valorem taxes for such year to be prorated at the Repurchase Closing based upon the most current available taxes. At the Repurchase Closing, Seller, at its expense, may obtain an owner’s policy of title insurance issued by the title company designated by Seller in the amount of the Repurchase Price and subject to no exceptions other than those contained in the owner’s policy of title insurance insuring title to the Property received by Purchaser in connection with the purchase of the Property by Purchaser from Seller, and to easements, building set back lines and other matters set forth on any plat which has been filed by Purchaser with respect to the Property and/or which have been granted to any governmental authority or utility company, except there shall be no exception for any repurchase

option, and the policy or policies shall reflect only the then current year taxes. Seller shall not record in the real property records of Collin County, Texas, a memorandum of the exercise of this option without the joinder of Purchaser.

(c) If Seller exercises the Repurchase Option, Seller shall have a period of forty-five (45) days after such exercise in which to perform, at Seller's sole expense, such environmental studies, title reviews, surveys, engineering studies, or other investigations and due diligence with respect to the Property and Project as Seller may deem relevant in connection with its repurchase the Property, subject to the same covenants and conditions of Section 6 hereof that were applicable to Purchaser's inspection of and entry onto the Property (for this purpose, the terms "**Seller**" and "**Purchaser**" used in said Section 6 shall be deemed to refer to "**Purchaser**" and "**Seller**", respectively). Seller may, during such forty-five (45) day period, rescind its exercise of the Repurchase Option by written notice to Purchaser, in which event Seller's repurchase rights as to the Property shall cease and be of no further force or effect. No such rescission of the exercise of Seller's Repurchase Option shall be deemed to limit or restrict any contractual or tort claims (or the rights or remedies associated therewith), if any, that Seller may have against Purchaser, whether in its capacity as an adjacent landowner, as the "**Declarant**" under the Declaration, the Association Declaration, or otherwise, if such rescission is as a result of any environmental or other condition on the Property that constitutes a violation of the Declaration, the Association Declaration, a breach of any contractual agreements between Seller and Purchaser and/or a violation of any environmental or other laws or regulations that create private rights of action against violators.

(d) At the option and request of Seller, Purchaser will assign to Seller, without recourse, representation or warranty, and Seller shall assume and agree to perform all obligations of Purchaser under, any and all contracts, subcontracts, purchase orders, guarantees and warranties related to the construction of the improvements on the Property repurchased by Seller pursuant to the provisions hereof, along with any claimed or issued unused insurance proceeds related to any damage to the improvements or equipment supporting such improvements, which may have occurred during the construction of the improvements on the Property repurchased by Seller pursuant to the provisions hereof.

(e) Prior to termination of the Repurchase Option, Purchaser agrees not to place any liens or security interests on the Property or the improvements thereon except for indebtedness of Purchaser related to Purchaser's purchase of the Property and/or construction of any improvements thereon, or the refinancing thereof, and Seller agrees that the Repurchase Option shall be subordinate to any liens and security interests securing such indebtedness, and Seller shall enter into a subordination agreement on terms reasonably acceptable to Seller if so requested by Purchaser's lender. In the event Seller exercises the Repurchase Option all such liens and security interests shall be released as to the Property which is subject to such repurchase or any improvements thereon upon payment by Seller of the Repurchase Price without regard to whether such amount is sufficient to retire such indebtedness in full.

(f) At Purchaser's request, upon the expiration or termination of the Repurchase Option, Seller shall execute, in recordable form, a confirmation of the expiration of such option. If Seller fails to execute and return such document within fifteen (15) days after receipt thereof from Purchaser, Purchaser shall be entitled to file a memorandum of record in the Land Records of Collin

County, Texas, confirming that such termination has occurred, and such memorandum may be conclusively relied upon by all interested parties as to the termination of the Repurchase Option.

(g) The options and rights reserved herein are personal rights of Seller which may not be assigned to others by Seller, except that Seller may assign its rights hereunder to an affiliate of Seller; provided, however, that in the event of such assignment, an executed copy of the instrument by which such assignment is made shall be provided to Purchaser promptly after the assignment.

(h) The provisions of this Section 11.05 shall survive the Closing, and at Closing, Seller and Purchaser shall execute a Memorandum of Repurchase Option in the form of **Exhibit "D"** attached hereto to be recorded immediately following the recordation of the Deed.

11.06 Right of First Offer; Right of First Refusal. The following provisions shall be in addition to Seller's Repurchase Option pursuant to Section 11.05:

(a) As used in this Section 11.06, an "**Undeveloped Tract**" means a tract of land comprised of all or any part of the Property, excluding, however, any such tract upon which the construction of any new, permanent building has been substantially completed after the Closing Date. Also, as used herein, a "**Qualified Mortgage**" means a deed of trust or mortgage that grants or creates a lien against an Undeveloped Tract to secure indebtedness for borrowed money owed to a bank, insurance company or other institutional lender.

(b) Subject to the exceptions and qualifications set out below in this Section 11.06, prior to marketing any Undeveloped Tract to any third party, Purchaser will notify Seller in writing (the "**ROFO Notice**") of Purchaser's intention or desire to sell the applicable Undeveloped Tract, and Seller shall have the right (the "**ROFO**") for a period of thirty (30) days after Seller's receipt of the ROFO Notice to negotiate with Purchaser in good faith to attempt to reach agreement on the terms and conditions for the sale of the designated Undeveloped Tract from Purchaser to Seller (i.e., purchase price, due diligence period, closing date, etc.) The ROFO Notice shall specify the Undeveloped Tract which Purchaser intends or desires to sell and if the first ROFO Notice delivered by Purchaser to Seller does not cover all of the Undeveloped Tracts, then the provisions of this Section 11.06 and the ROFO shall be applicable each time Purchaser desires to sell any of the remaining Undeveloped Tracts.

(c) Subject to the exceptions and qualifications set out below in this Section 11.06, if Seller does not purchase the applicable Undeveloped Tract pursuant to the ROFO and if Purchaser receives a proposal outlining the purchase price and general business terms upon which a prospective purchaser desires to purchase such Undeveloped Tract, or if Purchaser expects to make a proposal to a prospective purchaser outlining the purchase price and other general business terms upon which Purchaser is willing to sell such Undeveloped Tract, and if on the basis of either such proposal (the "**Proposal**") Purchaser intends and desires to enter into further negotiations for a more definitive purchase and sale agreement with the prospective purchaser, then Purchaser must, prior to entering into negotiations for a more definitive purchase and sale agreement, submit the Proposal to Seller with an offer (the "**Offer**") to enter into a sales contract covering such Undeveloped Tract with Seller on the Proposed Terms (as defined below). That is to say, except as provided below, Purchaser will not enter into any such definitive purchase and sale agreement for the sale of any

Undeveloped Tract to any third party unless and until Purchaser has first submitted a Proposal and an Offer to Seller and complied with the provisions of this Section 11.06. It is agreed that the provisions of this Section 11.06 shall apply not only to sales of the Undeveloped Tracts, but also to any ground lease of any Undeveloped Tract by Purchaser for a term of twenty (20) years or longer, including any renewal or extension options (a “**Long Term Ground Lease**”), and in the event of any ground lease transaction, the terminology used in the definitions of “**Proposal**” and “**Offer**” and elsewhere herein shall be deemed to be adjusted accordingly to refer to a lease transaction instead of a sale transaction, and the terms “**purchase price**” or “**price**” will be deemed to mean all rents and other charges to be imposed upon the lessee thereunder.

(d) If Seller receives a Proposal and an Offer covering any Undeveloped Tract (the “**Relevant Property**”) as provided in the preceding paragraph, but for any reason fails to accept the Offer in writing within fifteen (15) days after Seller’s receipt of the Offer, then Purchaser will be entitled to sell the Relevant Property to the other prospective purchaser named in the Proposal (or any of its affiliates) for a price equal to or greater than the price set forth in the Proposal and otherwise on the terms set forth in the Proposal or on other terms which, when considered in the aggregate, are not materially less favorable to Purchaser; provided, that the closing of such sale occurs within 180 days after the date of Seller’s receipt of the Offer from Purchaser. Any such sale to the other prospective purchaser will be subject to the Permitted Encumbrances, which for purposes of this Section 11.06 shall include the restrictions set forth in the Deed and the Repurchase Option set forth in Section 11.05; but any such sale will not be subject to any rights reserved by Seller in this Section 11.06. However, if such sale to the other prospective purchaser does not close within 180 days after the date of Seller’s receipt of the Offer from Purchaser, then the rights reserved by this Section 11.06 shall continue in effect with respect to the subject Undeveloped Tract. If, however, Seller accepts Purchaser’s Offer within such fifteen (15) day period, Purchaser must cause a sales contract (the “**Repurchase Contract**”) to be prepared in substantially the form attached hereto as **Exhibit “F”**, but providing for the sale of the Relevant Property to Seller on the Proposed Terms. Purchaser may terminate Seller’s rights under this Section 11.06 (as to the subject Undeveloped Tract, but not as to any remaining Undeveloped Tracts) if Seller fails to execute such a Repurchase Contract within ten (10) days after the same is submitted to Seller by Purchaser, provided the Repurchase Contract is consistent with the requirements of this Section 11.06 in all material respects.

(e) As used in this Section 11.06, the “**Proposed Terms**” will mean the purchase price and general business terms outlined in the Proposal submitted to Seller with Purchaser’s Offer to sell the Relevant Property; provided, however, that notwithstanding anything to the contrary in the Proposal or the form of sales contract attached as **Exhibit F**, the following will be included in the Proposed Terms and made part of any Repurchase Contract:

(1) Under no circumstances will Purchaser be required to provide seller financing to Seller, even if Purchaser is willing to provide such financing to another prospective purchaser. Further, under no circumstances will Seller be required to accept the Relevant Property subject to any Qualified Mortgage, or to assume any Qualified Mortgage, and Purchaser will be required at its expense to obtain the release of the Relevant Property from any Qualified Mortgage on or before the closing of the Repurchase Contract.

(2) Purchaser will, subject to the closing conditions applicable under the Repurchase Contract, convey the Relevant Property to Seller by Special Warranty Deed (prepared from the State Bar of Texas form), subject only to Permitted Encumbrances and any other Identified Encumbrances (as defined in the form of Repurchase Contract attached as Exhibit F).

(3) As set forth in the form of Repurchase Contract attached as Exhibit F, the sale will be subject to a thirty (30) day feasibility or inspection period and to Seller's receipt of an acceptable title insurance commitment and survey. If, however, Seller elects to terminate the Repurchase Contract as therein provided (other than by reason of a default by Purchaser), Purchaser will be free to sell the Relevant Property or any portion thereof to another purchaser without first offering the Relevant Property for sale to Seller.

(4) Closing under the Repurchase Contract will be scheduled on the first business day following fifteen (15) days after expiration of the inspection period under the Repurchase Contract. Closing will take place at the Dallas or Plano offices of the Title Company.

(5) Seller will be required, as a condition to its rights under the Repurchase Contract, to deposit earnest money with the title company equal to one percent (1%) of the purchase price for the Relevant Property no later than five days after execution of the Repurchase Contract.

(6) In the case of any Offer submitted for a Long Term Ground Lease, the Offer must include a proposed form of ground lease. Also, the form of Repurchase Contract attached as Exhibit F must be revised to provide for delivery at closing of the Long Term Ground Lease, in the form included with the Offer, in lieu of a deed from Purchaser to Seller.

(7) All matters not expressly and specifically covered in this Section 11.06 or the Proposal (for example, representations or disclaimers of the seller as to the condition of the Relevant Property) will, for the purposes of determining the Proposed Terms, be the same as set forth in the form of contract attached as **Exhibit "F"**.

(f) If Seller enters into a Repurchase Contract and fails to close the purchase of the Relevant Property in a timely manner for any reason other than Purchaser's default under the Repurchase Contract (including any failure to close because of title objections by Seller), Seller will have no further rights under this Section 11.06 as to the Relevant Property covered by the Repurchase Contract; although Seller's rights under this Section 11.06 shall continue with respect to all remaining Undeveloped Tracts. Under no circumstances will Purchaser be required to incur any cost to cure any title or other objections by Seller in connection with any sale of the Relevant Property, except in connection with any Qualified Mortgage or other liens securing indebtedness, which Purchaser shall be obligated to obtain the release of at its expense on or before the closing under the Repurchase Contract.

(g) As provided in the paragraph (h) below, Seller's rights under this Section 11.06 will not apply to any grant of a lien or conveyance or assignments made in any Qualified Mortgage, whether such Qualified Mortgage exists now or is executed in the future by Purchaser,

nor will it apply to any foreclosure or other exercise of remedies under any Qualified Mortgage or any conveyance in lieu thereof. However, any existing or future Qualified Mortgage will be subject and subordinate to Seller's rights under this Section 11.06, and thus any such foreclosure will not cut off or terminate the rights reserved by Seller in this Section 11.06 as to future sales or conveyances of the property sold at the foreclosure.

(h) Seller's rights under this Section 11.06 will not apply to, and thus Purchaser will not be required to deliver any Proposal or Offer to Seller in connection with or by reason of any of, the following:

(1) the execution of any Qualified Mortgage or foreclosure of the lien of any Qualified Mortgage or any conveyance in lieu of such a foreclosure (however, Seller's rights under this Section 11.06 will survive any such foreclosure or conveyance in lieu of foreclosure and the transferee will acquire the applicable property subject to Seller's rights under this Section 11.06);

(2) any conveyance or transfer to any entity that controls, is controlled by or is under common control with Purchaser, including any subsidiary of Purchaser (however, Seller's rights under this Section 11.06 will survive any such conveyance or transfer and the transferee will acquire the applicable property subject to Seller's rights under this Section 11.06); or

(3) any condemnation or conveyance in lieu thereof;

(4) any conveyance or transfer of any Undeveloped Tract which is made or to be made together with or as a condition to transfers of significant assets of Purchaser (other than another Undeveloped Tract) (however, Seller's rights under this Section 11.06 will survive any such conveyance or transfer and the transferee will acquire the applicable property subject to Seller's rights under this Section 11.06); or

(5) any grant of an easement which is appurtenant to or will otherwise benefit any land owned by Purchaser or any of its affiliates or any occupant of any such land.

(i) The provisions of this Section 11.06 shall survive the Closing, and at Closing, Seller and Purchaser shall execute a Memorandum of Right of First Offer and Right of First Refusal in the form of **Exhibit "G"** attached hereto to be recorded immediately following the recordation of the Deed.

11.07 Notice to Purchaser. Seller hereby advises Purchaser to obtain an owner policy of title insurance for the Property or have an abstract of title covering the Property examined by an attorney selected by Purchaser.

11.08 Notices. Any notice or other communication required, permitted, or contemplated by this Contract ("**Notice**") must be in writing and may be given by (a) United States Mail, postage prepaid, registered or certified mail, return receipt requested; (b) a recognized, bonded, national, overnight courier service; or (c) sent by telecommunication ("**Fax**") during normal business hours which shall be deemed delivered on the day sent, provided the original notice is

received by the addressee after being sent by a nationally recognized, overnight courier within one business day of the Fax. Notice shall be deemed delivered (x) by United States Mail on the earlier of (i) three (3) business days after deposited in the United States Mail or (ii) when actually delivered (as evidenced by the return receipt); or (y) by overnight courier, one (1) business day after deposit with such courier, all addressed as follows:

SELLER: West Plano Land Company, LP
Attn: Mark C. Allyn
2001 Ross Avenue, Suite 3300
Dallas, TX 75201
Phone: 214/863-3640
Fax: 214/863-4493

With a copy to: CB Richard Ellis
Attn: David Reed
2100 Ross Avenue, Suite 400
Dallas, Texas 75201
Phone: 214/979-6100
Fax: 214/979-6134

With a copy to: Powell Coleman & Arnold LLP
Attn: Michael L. McCoy
8080 North Central Expressway, Suite 1380
Dallas, Texas 75206
Phone: 214/890-7117
Fax: 214/373-8768

Attn: Christy L. Fields
15601 Dallas Parkway, Suite 600
Addison, Texas 75001
Phone: 469/341-2465
Fax: 214/655-1610

PURCHASER: Diodes Incorporated
Attn: Rick White, Senior Vice President
15660 N. Dallas Parkway, Suite 850
Dallas, Texas 75248
Phone: 95-2039518
Fax: 972/385-2315

With a copy to: Friedman & Feiger LLP
Attn: Gary E. Day
5301 Spring Valley Road, Suite 200
Dallas, Texas 75254
Phone: 972/788-1400
Fax: 972/776-5313

Notice given in any other manner shall be deemed delivered when actually received. Either party may change its address by giving the other party five (5) days' advance written notice of such change. Notices sent by a party's attorney shall constitute notice from the applicable party.

11.09 Time of the Essence. Time is of the essence in the performance of this Contract.

11.10 Attorneys Fees. If Seller or Purchaser employs an attorney to enforce any rights or remedies hereunder, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and court costs. The obligations of the parties set forth in this Section 11.09 shall survive the termination or closing of this Contract.

11.11 Performance of the Contract. The obligations of the parties hereto are performable in Collin County, Texas. This Contract shall be construed and interpreted in accordance with the laws of the State of Texas.

11.12 Entire Agreement. This Contract constitutes the entire agreement between Seller and Purchaser with respect to the sale and purchase of the Property. This Contract supersedes all prior representations, understandings, or agreements (whether oral or written) with respect to the subject matter hereof. Except as provided in Section 11.17 below, this Contract cannot be amended or modified except by a written instrument signed by both Seller and Purchaser.

11.13 Multiple Originals. This Contract may be executed in multiple original counterparts. Each counterpart shall be deemed an original, and when the counterparts are taken together, they shall be deemed to be one and same instrument. This Contract may be executed via facsimile or by sending copies of the executed Contract via email followed by regular mail of the originals and shall be considered executed and binding upon receipt of the fax or email of the signature page of the last of the party's signature to this Contract.

11.14 Severability. If any provision of this Contract is held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision of this Contract, and the remainder of this Contract shall be construed and interpreted as if such invalid, illegal, or unenforceable provision had never been contained herein.

11.15 Time Periods. Unless otherwise specified, any time period or deadline provided in this Contract shall be measured in Calendar days. If any such time period or deadline expires on a Saturday, Sunday, or legal holiday recognized by the State of Texas, such time period or deadline shall be extended to the first business day thereafter.

11.16 Independent Contract Consideration. Seller acknowledges that contemporaneously with the execution of this Contract, Purchaser has delivered to Seller \$50.00. Such amount has been bargained for as consideration for Purchaser's exclusive option to purchase the Property and for Seller's execution of this Contract. Such amount is in addition to the Earnest Money, is non-refundable, and shall be retained by Seller notwithstanding any other provision of this Contract.

11.17 Condemnation. If during the pendency of this Contract and prior to Closing, condemnation proceedings are commenced with respect to all or any portion of the Property,

Seller shall immediately notify Purchaser. In such event, Purchaser may, at its option, either (i) elect to terminate this Contract by written notice to Seller within ten (10) business days after receipt by Purchaser of such notice; whereupon, the Earnest Money shall be immediately returned to Purchaser, and, except for the Surviving Obligations, neither party shall have any further rights, obligations, or remedies under this Contract, or (ii) elect to close the transaction, in which event, Purchaser shall be entitled to all proceeds of any award or payment in lieu thereof resulting from such proceedings, and the Purchase Price will be paid in full by Purchaser at Closing. In the event that Purchaser elects to close the transaction, Seller shall assign to Purchaser at Closing such rights which Seller might have with respect to any condemnation award or payment in lieu thereof.

11.18 Substitution of Legal Description. When the Survey has been prepared and approved or deemed to be approved by Purchaser in accordance with the provisions of Section 5, the legal description of the Property set forth thereon shall be substituted for the description set forth on **Exhibit "A"** attached hereto, and this Contract shall be deemed automatically amended by such substitution.

11.19 Survival. The provisions of this Contract that are expressly stated to survive Closing, or termination of this Contract and those obligations of the parties hereto that by their own terms are performable after Closing shall survive the Closing and are referred to herein as "**Surviving Obligations.**" The representations and warranties of Seller and Purchaser set forth in Section 7.01 and Section 7.04 hereof shall survive Closing for a period of one year and are included within the Surviving Obligations.

11.20 Interpretation. Where required for proper interpretation, words in the singular shall include the plural, and words of any gender shall include all genders. The descriptive headings of the sections of this Contract are for convenience only and shall not control or affect the meaning of construction of any of the provisions hereof.

11.21 Waiver. No waiver by either party of any of its rights or remedies hereunder shall be considered a waiver of any other or subsequent right or remedy. No waiver by either party of any of its rights or remedies hereunder shall be effective unless evidenced by a written instrument executed by the waiving party.

11.22 Memorandum of Contract; Confidentiality. Neither party shall record a memorandum of this Contract in the real property records of the county in which the Property is located. The parties agree that the existence of this Contract along with its terms and conditions and all prior negotiations between the parties with regard to the Property, shall be kept confidential by the parties and shall not be disclosed to any third party except to the Title Company, the parties' brokers and legal representatives, prospective financing sources of Purchaser, and such other third parties who have a specific need to know such information and except as may be required by applicable law. The information given to all third parties shall be limited to such information as is necessary for the carrying out of their duties with regard to the sale and purchase of the Property under this Contract. All media releases, public announcements and public disclosures by Purchaser or Purchaser's Representatives shall be coordinated with and approved in writing by Seller prior to the release thereof. Except for any announcement intended solely for internal distribution by Purchaser or any disclosure required by legal,

accounting or regulatory requirements beyond the reasonable control of Purchaser, all media releases, public announcements or public disclosures (including, but not limited to, promotional or marketing material) by Purchaser or its employees or agents relating to this Contract or its subject matter, or including the name, trade name, trade mark, or symbol of Seller or any affiliate of Seller, shall be coordinated with and approved in writing by Seller prior to the release thereof. Purchaser shall not represent directly or indirectly that any contract or any service provided by Purchaser to Seller has been approved or endorsed by Seller or include the name, trade name, trade mark, or symbol of Seller or any affiliate of Seller without Seller's express written consent.

11.23 Termination of Offer. This document, when first signed by either party, represents an offer to sell or purchase the Property, as the case may be, that shall automatically expire (without any further notice from or action by such party) in fifteen (15) days unless it is signed by both parties within such period.

11.24 Conveyance Plat. It is understood and acknowledged that Purchaser, at its sole cost and expense, will seek to obtain approval of a conveyance plat for the Property meeting the requirements of the Subdivision Ordinance of the City of Plano, Texas in accordance with (i) the boundary of the Property shown on the Survey and (ii) all applicable laws (the "**Conveyance Plat**") prior to the Closing, although the approval of a Conveyance Plat shall not be a condition to the Closing hereunder. Seller agrees to cooperate, at no expense to Seller, by providing all necessary signatures and taking other necessary actions to assist Purchaser in applying for and obtaining approval of the Conveyance Plat. Purchaser acknowledges that development of the Property cannot occur absent an approved and recorded Conveyance Plat and compliance with the other platting and development requirements of the City of Plano.

11.25 Development Management Agreement. As part of the consideration for this contract, Purchaser and Trammell Crow Company, or its affiliate designee, (the "**Development Manager**") have agreed to execute and deliver a Development Management Agreement (the "**Development Agreement**") providing for a fee to the Development Manager equal to 7.5% of the hard costs and managed soft costs (excluding the Purchase Price for the Property) for oversight of the design and construction of the office headquarters building over a design and construction period to substantial completion estimated to be 15 months, with any time and services provided by the Development Manager in excess of 15 months and not resulting solely by a breach by the Development Manager of the Development Agreement to be compensated by an additional fee of \$1,000 per day payable to the Development Manager. The parties to the Development Agreement will negotiate in good faith to reach mutual agreement on the terms and form of the Development Agreement prior to the commencement of any construction on the Property by Purchaser and in any event no later than the Construction Commencement Deadline. The obligations under this Section 11.25 shall survive Closing and may be enforced by the parties and the Development Manager.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Seller and Purchaser have executed this Contract as follows:

SELLER:

WEST PLANO LAND COMPANY, LP,
a Delaware limited partnership

By: West Plano Land Company — GP LLC,
a Delaware limited liability company,
its sole general partner

By: _____
Mark C. Allyn
President

Date: _____, 2008

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

West Plano Land — Diodes Contract of Sale

PURCHASER:

DIODES INCORPORATED,
a Delaware corporation

By: _____
Richard D. White
Sr. VP — Finance

Date: _____, 2008

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

West Plano Land — Diodes Contract of Sale

TITLE COMPANY (FOR THE SOLE PURPOSE OF ACKNOWLEDGING RECEIPT OF A FULLY EXECUTED COPY OF THIS CONTRACT AND AGREEING TO HOLD AND DISBURSE THE EARNEST MONEY AND ANY OTHER FUNDS RECEIVED BY IT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS CONTRACT):

REPUBLIC TITLE OF TEXAS, INC.

By: _____
Title: _____
Date: _____

SELLER'S BROKER (FOR THE SOLE PURPOSE OF
ACKNOWLEDGING SECTION 11.01)

CB RICHARD ELLIS, INC.

By: _____
Title: _____
Date: _____

PURCHASER'S BROKER (FOR THE SOLE PURPOSE OF
ACKNOWLEDGING SECTION 11.01)

JAN'S REALTY, INC.

By: _____
Title: _____
Date: _____

West Plano Land — Diodes Contract of Sale

EXHIBIT "A"
DESCRIPTION OF PROPERTY

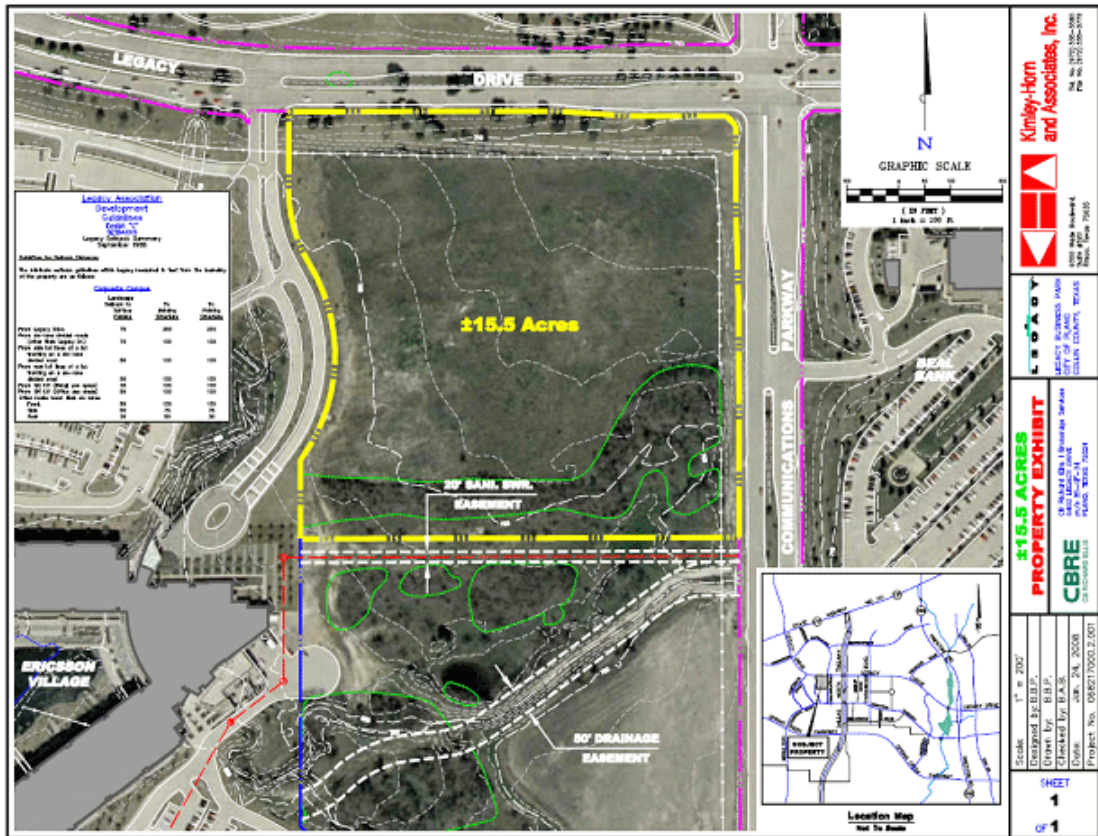


EXHIBIT "B"

SPECIAL WARRANTY DEED

GRANTEE'S ADDRESS:

Diodes Incorporated
15660 North Dallas Parkway, Suite 850
Dallas, Texas 75248

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS
COUNTY OF COLLIN §

THAT, **WEST PLANO LAND COMPANY, LP** a Delaware limited partnership ("**Grantor**"), for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) cash in hand paid by Diodes Incorporated, a Delaware corporation, with an address of 15660 North Dallas Parkway, Suite 850, Dallas, Texas 75248 ("**Grantee**") and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Grantor, has GRANTED, BARGAINED, SOLD, and CONVEYED, and by these presents does GRANT, BARGAIN, SELL, and CONVEY unto Grantee, the real property more particularly described on **Exhibit "A"** attached hereto, together with all improvements, rights, appurtenants, and hereditaments located thereon (the "**Property**").

This conveyance is being made by Grantor and accepted by Grantee subject to those certain title exceptions set forth in **Exhibit "B"** attached hereto and made a part hereof for all purposes, but only to the extent that such exceptions are valid, existing, and, in fact, affect the Property. Property taxes having been adjusted between Grantor and Grantee and appropriate payments or credits having been made to Grantee, Grantee assumes and shall be responsible for payment of all property taxes, including but not limited to all "**rollback**" or similar property taxes.

The Property is sold and conveyed in its “**AS IS, WHERE IS**” condition, without any warranty, express or implied, of habitability or fitness for a particular purpose, or any other warranty or assurance, it being understood and agreed that Grantee acquires the Property subject to any and all defects.

Deed Restrictions

Grantee will construct, occupy and operate improvements on the Property for use as an office headquarters building for Purchaser and to be substantially occupied by Purchaser or its successor and its employees and ancillary uses associated with such office headquarters use that primarily serve and benefit the occupants in the improvements on the Property (e.g. tenant employee cafeteria, deli, gift shop, lobby banking, etc.) Without limiting the foregoing, it is specifically agreed that the Property may not be used for (i) commercial office building development (as hereafter defined) other than an office for the headquarters of Grantee, its employees and successors, (ii) any retail intended to serve and benefit the general public, or motor or drive-through banking, (iii) restaurant (intended to primarily serve and benefit the general public outside of the occupants of the improvements on the Property), (iv) hotel, (v) town home and multi-family residential development, (vi) free-standing restaurant and/or retail pads, and (vii) medical office condominiums. For purposes hereof, “**commercial office building development**” shall mean any building or combination of buildings and other amenities which is used for office purposes other than an office for the headquarters of Grantee, its employees and successors, not exceeding three stories in height [and with no more than twenty percent (20%) of the leasable area in the building being leased to third parties not owned or controlled by, or under common control with, Grantee. Further, any office headquarters building constructed on the Property must otherwise be in compliance with the Declarations applicable to the Property (and thus shall be subject to approval by the Legacy Association’s Design Review Board) and must be designed and constructed with an exterior appearance at least comparable to first class office buildings on other properties in the vicinity of the Property. These restrictions will be binding upon, and will be a covenant running with the land as to the Property and will remain in effect until the earlier of (a) recordation in the real property records of Collin County, Texas of a written release of this covenant executed by Grantor and Grantee or (b) fifteen (15) years after the date of this deed; provided, however, notwithstanding the foregoing, the restriction prohibiting commercial office building development other than an office headquarters of Grantee not to exceed three stories in height and the restrictions on leasing to unaffiliated third parties will remain in effect only until the earlier of (i) recordation in the real property records of Collin County, Texas of a written release of such commercial office building development restriction or (ii) ten (10) years after the date of this deed.

TO HAVE AND TO HOLD the Property, together with, all and singular, the rights and appurtenances thereto in anywise belonging, to Grantee and Grantee’s heirs, executors, administrators, legal representatives, successors, and assigns forever, and subject to the exceptions set forth on the attached **Exhibit “B”**, Grantor does hereby bind Grantor and Grantor’s heirs, executors, administrators, legal representatives, successors, and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof by, through, or under Grantor, but not otherwise.

EXECUTED to be effective _____, 2008.

GRANTOR:

WEST PLANO LAND COMPANY, LP,
a Delaware limited partnership

By: West Plano Land Company — GP LLC,
a Delaware limited liability company,
its sole general partner

By: _____
Mark C. Allyn
President

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 200__ by Mark C. Allyn, President of West Plano Land Company — GP LLC, a Delaware limited liability company, sole general partner of West Plano Land Company, LP, a Delaware limited partnership, on behalf of said limited partnership.

Notary Public in and for the State of Texas
Printed Name: _____

My Commission Expires: _____

EXHIBIT "A" TO THE SPECIAL WARRANTY DEED

PROPERTY DESCRIPTION

B-4

EXHIBIT "B" TO THE SPECIAL WARRANTY DEED

PERMITTED EXCEPTIONS

B-5

EXHIBIT "C"

ESTOPPEL CERTIFICATE

THIS ESTOPPEL CERTIFICATE (this "Certificate") dated as of _____, 20___, is executed and delivered by LEGACY ASSOCIATION, a Texas non-profit corporation ("Association"), to and in favor of _____, a _____ ("Purchaser").

RECITALS

1. The property (the "Property") more particularly described on Exhibit A attached hereto is the subject of a contract for the purchase and sale of real estate by and between _____ ("_____") and Purchaser (the "Contract").

2. Purchaser requires, as a condition to such acquisition, that the Association execute and deliver this Certificate.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, the Association hereby represents and warrants to, and covenants and agrees with, Purchaser as follows:

As of the date hereof, all fees, assessments and charges to the Property and the owner thereof have been or shall be paid in full and thereafter there shall remain no unpaid assessments levied against the Property except as set forth in Paragraph 4 below.

As of the date hereof, no default or event of default currently exists by the current owner with respect to the Property, and the Association has no claim or lien against the Property or its owner with respect to the Property which is not satisfied.

The use of the Property is currently in compliance with the existing Association Declaration and the covenants, conditions and restrictions affecting the Property.

The Regular Assessment (as defined in the Association Declaration) for the Property for calendar year 2008 is \$ _____ per gross acre, based upon _____ gross acres. The last payment by the existing owner of the Property of its Regular Assessment for _____ quarter 20___ was made on _____, 20___. The ___ quarter 20___ Regular Assessment has not yet been invoiced and is not yet due and payable. The Association will invoice Purchaser for the full amount of the _____ quarter 20___ Regular Assessment due for the Property on or about _____, 20___, which will be due and payable in _____, 20___. Purchaser's estimated _____ quarter 20___ Regular Assessment is approximately \$ _____.

The Special Member Assessment (as defined in the Association Declaration) for the Property for calendar year 20___ is \$ N/A. The last payment by the current owner of the Property of its Special Member Assessment was made on N/A. The next scheduled payment owner of the Property of its Special Member Assessment is \$ N/A.

As of the date of this Certificate, the Association maintains a reserve fund pursuant to Section 3.5 of the Association Declaration, which reserve fund currently equals \$ _____ as of the _____ Quarter 20___.

The current owner of the Property is a Class A Member (as defined in the Association Declaration) and will be entitled to one (1) vote per acre based on an estimated _____ gross acres. The Class B Member (as defined in the Association Declaration) status formerly held by Electronic Data Systems Corporation has terminated and no other party is a Class B Member or has the right to become a Class B Member.

The Property comprises approximately _____ % of the entire property subject to the Association.

The undersigned has all necessary power and authority to execute and deliver this Certificate without the joinder of any other person or entity and the individual signing this Certificate on behalf of the Association is fully authorized and empowered to do so and to bind the Association and the Association's Board of Directors to the matters set forth in this Certificate.

This Certificate shall inure to the benefit of Purchaser and its successors and assigns. This Certificate shall not be deemed to alter or modify any of the terms and conditions of the Association Declaration or covenants, conditions and restrictions that affect the Property.

SIGNATURE PAGE FOLLOWS

EXECUTED AND DELIVERED as of the date first above written.

ASSOCIATION:

LEGACY ASSOCIATION,
a Texas non-profit corporation

By: _____
Name: Patrick J. McInroe
Its: President

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

This instrument was acknowledged before me on the ____ day of _____ 20____, by Patrick J. McInroe, President of Legacy Association, a Texas non-profit corporation, on behalf of said Association.

Notary Public in and for the State of Texas
Printed Name: _____
My Commission Expires: _____

Exhibit "A" to Estoppel Certificate

The Property

C-4

EXHIBIT "D"

FORM OF MEMORANDUM OF REPURCHASE OPTION

THE STATE OF TEXAS §
 §
COUNTY OF COLLIN §

THIS MEMORANDUM OF OPTION AGREEMENT is made this _____ day of _____ 200_, by and between WEST PLANO LAND COMPANY, LP, a Delaware limited partnership ("**West Plano**"), and DIODES INCORPORATED, a Delaware corporation ("**Diodes**"), on the terms and conditions hereinafter set forth.

WHEREAS, pursuant to Section 11.05 of that certain Contract for the Purchase and Sale of Real Estate dated _____, 2008 by and between West Plano, as Seller, and Diodes, as Purchaser, (the "**Contract**") Diodes has granted to West Plano an option to repurchase the Property (as defined in the Contract and herein so called) with respect to the tract of land more particularly described on **Exhibit A** attached hereto and made a part hereof, in accordance with the terms and conditions of the Contract.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Diodes and West Plano hereby provide public notice of the options to repurchase the Property granted by Diodes to West Plano pursuant to the Contract. If the option to repurchase the Property expires or terminates in accordance with the terms of the Contract this Memorandum shall terminate and be null and void. Following any such termination, West Plano shall promptly after a request made by Diodes execute a termination of this Memorandum (in recordable form) if this Memorandum terminates as described above.

Information concerning the Contract may be obtained by contacting West Plano Land Company, LP, Attention: Mark C. Allyn, 2100 Ross Avenue, Suite 400, Dallas, Texas 75201.

(SIGNATURE PAGES FOLLOW)

Effective as of the day and year set forth above.

WEST PLANO:

WEST PLANO LAND COMPANY, LP,
a Delaware limited partnership

By: West Plano Land Company — GP LLC,
a Delaware limited liability company,
its sole general partner

By: _____
Mark C. Allyn
President

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 200_ by Mark C. Allyn, President of West Plano Land Company — GP LLC, a Delaware limited liability company, sole general partner of West Plano Land Company, LP, a Delaware limited partnership, on behalf of said limited partnership.

Notary Public in and for the State of Texas

Printed Name: _____

My Commission Expires: _____

DIODES:

DIODES INCORPORATED,
a Delaware corporation

By: _____
Richard D. White
Sr. VP — Finance

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2008 by _____, _____ of Diodes incorporated, a _____ corporation, on behalf of said corporation.

Notary Public in and for the State of Texas

Printed Name: _____

My Commission Expires: _____

EXHIBIT "E"

[Intentionally Omitted]

E-1

EXHIBIT "F"
FORM OF CONTRACT OF SALE
(FOR USE UPON GRANTOR'S EXERCISE OF ITS RIGHT OF FIRST REFUSAL)

[SELLER]
[SELLER'S ADDRESS]

_____, 20__

[BUYER]
[BUYER'S ADDRESS]
Attn.: _____

Re: Sale of approximately ____ acres of land in Collin County, Texas, shown or described on Exhibit A attached hereto and the improvements thereon, if any (the "**Relevant Property**")

Ladies and Gentlemen:

This letter confirms the agreement of [SELLER NAME] ("**Seller**") to sell the Relevant Property referenced above to [BUYER NAME] ("**Buyer**") if certain contingencies are resolved or waived as described below. Buyer and Seller agree that the sale will be governed by the following terms and conditions

1) Price and Other Terms and Conditions.

(A) Purchase Price. The purchase price for the Relevant Property (the "**Purchase Price**") will be \$_____.

(B) Earnest Money: \$_____ of earnest money (the "**Earnest Money**") will be deposited by Buyer with [Name and Address of Title Company] (the "**Title Company**"). Upon any termination of this agreement which is effective prior to the expiration of the Inspection Period described below, \$100 of the Earnest Money will be paid to Seller, as consideration for this agreement, and the remainder of the Earnest Money will be promptly refunded to Buyer. Otherwise, at closing, the Earnest Money will be applied to the Purchase Price. So long as the Title Company holds the Earnest Money, the Title Company will be

[Name of Buyer]

[Date]

Letter Agreement — Page 2

expected to keep the Earnest Money invested as reasonably requested by Buyer; provided, Buyer has notified the Title Company and Seller of Buyer's federal tax ID#. Any interest earned on the Earnest Money will be reported as income by Buyer for income tax purposes. For purposes of this agreement, however, such interest will be added to (and applied in accordance with this agreement as) Earnest Money.

(C) Date and Place for Closing. Closing of the sale will occur in the offices of the Title Company no later than 15 days after the end of the Inspection Period (as defined below). Time is of the essence.

[NOTE: The next two subparagraphs are subject to any adjustments indicated by the Proposal.]

(D) Closing Costs. Ad valorem taxes and any other ongoing expenses related to the Relevant Property will be prorated at closing, based upon the best estimates available if actual amounts cannot yet be determined. However, any "rollback" taxes or other taxes to be paid after closing for any period prior to closing because of a change in ownership or use of the Relevant Property will be for the account of Seller and will be credited against the Purchase Price. Further, any such "rollback" taxes will be computed as if use of the Relevant Property will change to commercial uses immediately after closing. Buyer and Seller will each pay its own attorneys' fees. Seller will also pay the basic premium for the owner's title insurance policy required in favor of Buyer by this agreement; but the additional premium (if any) required because of any special endorsements or modifications to the policy (including the "survey deletion") required by Buyer will be paid by Buyer.

(G) "AS IS" Sale. The Relevant Property is to be sold and conveyed "AS IS" without any representation or warranty by Seller, except (1) the title warranties in the special warranty deed to be delivered by Seller as provided below, (2) the representations concerning Seller's tax status in the non-foreign certificate to be delivered by Seller as provided below, and (3) that Seller does make the following representations to Buyer, subject to any contrary information known to or discovered by Buyer during the Inspection Period:

- (a) Seller has not, except as may be disclosed in written materials delivered to Buyer as provided in paragraph 2(C) below, been notified of any violation of environmental laws concerning the Relevant Property.
- (b) There are no judicial or administrative actions, suits or proceedings pending or, to the Seller's knowledge, threatened against or affecting Seller concerning the

[Name of Buyer]

[Date]

Letter Agreement — Page 3

Relevant Property, including any such actions, suits or proceedings for the condemnation of any part of the Relevant Property.

- (c) There are no parties in possession of the Relevant Property, except as permitted under any existing agricultural lease which can be terminated without cost by the owner of the Relevant Property on short notice.

2) Items to Be Delivered Before Closing.

(A) Survey: If Seller has not already done so, Seller will within 10 days after the date of this agreement provide to Buyer an updated survey of the Relevant Property (the “**Survey**”) prepared and certified by a licensed, professional surveyor, showing all easements, setbacks and other encumbrances which can be shown on a survey, and confirming the Net Area used to compute the Purchase Price.

(B) Title: If Seller has not already done so, Seller will within 10 days after the date of this agreement provide to Buyer a copy of a current commitment for title insurance (the “**Commitment**”), issued by the Title Company in the amount of the Purchase Price, covering the Relevant Property, and delivered together with copies of all special title exceptions noted in the Commitment.

(C) Other Materials: If Seller has not already done so, Seller will within 10 days after the date of this agreement provide to Buyer copies of (1) all environmental reports (if any) pertaining to the Relevant Property (whether one or more, the “**Report**”) that Seller received when it acquired the Relevant Property or that are otherwise be available to Seller, (2) any governmental permits previously received by Seller regarding the use and maintenance of the Relevant Property, and (3) any correspondence or notices from any governmental authorities or other parties that Seller has received concerning the Relevant Property and possible or alleged violations of environmental or other laws.

No representations of accuracy will be implied by Seller’s delivery of any Report or other information to Buyer.

3) Items to Be Delivered At Closing.

(A) Deed. Seller will convey its interest in the Relevant Property to Buyer by a special warranty deed (the “**Deed**”), which will be expressly subject to Identified Encumbrances (as defined below).

[Name of Buyer]

[Date]

Letter Agreement — Page 4

(B) Non-foreign Certificate. Seller will deliver a certificate of non-foreign status to Buyer at closing as needed to comply with the provisions of the Foreign Investors Real Property Tax Act (FIRPTA).

(C) Title Policy. At the closing, Seller will deliver to Buyer an owner's title policy issued by the Title Company (or written confirmation from the Title Company that it is then unconditionally prepared to issue such a policy). The policy will be subject only to standard printed exceptions (with the "**survey deletion**" made if requested by Buyer) and Identified Encumbrances.

(D) Title Company Certificates. Seller will deliver any evidence of authority and owner's affidavit that may reasonably be required by the Title Company as a condition to its delivery of the owner's title insurance policy to Buyer.

4) Contingencies.

The sale will be contingent upon satisfaction or wavier of each of the following conditions:

(A) Signing and Earnest Money. Within 10 days after the date of this agreement, Buyer must have signed and returned this agreement to Seller and must have deposited the Earnest Money with the Title Company.

(B) Inspection. Buyer must be satisfied with the condition and suitability of the Relevant Property after further inspections as Buyer deems appropriate during the period that commences when this agreement is fully executed and that ends 30 days after the date of this letter (the "**Inspection Period**"). Seller will permit entry upon the Relevant Property by Buyer and its representatives and consultants to conduct such inspections throughout the Inspection Period. If Buyer is not satisfied during the Inspection Period for any reason whatsoever, Buyer may terminate this agreement and receive a refund of the Earnest Money by written notice to Seller. If, however, Buyer fails to notify Seller in writing of the termination of this agreement before the end of the Inspection Period, Buyer will be deemed to have waived this inspection contingency.

(C) Review of Title and Other Materials. Before the expiration of the Inspection Period, Buyer must receive, and be satisfied with all title exceptions and other matters disclosed in, the Survey, the Commitment and the Report or any other materials concerning the Relevant Property delivered to Buyer by Seller. Special title exceptions listed in Schedule B of the Commitment, as the same may be modified by the Title Company at the request of Buyer, will constitute "**Identified Encumbrances**" for purposes of this agreement.

[Name of Buyer]

[Date]

Letter Agreement — Page 5

(D) No Other Surprises. Nothing shall occur or be discovered after the Inspection Period and prior to closing that could materially and adversely affect title to the Relevant Property or its condition, and Seller must have been tendered the items which are listed above as items to be delivered to Buyer at closing contemporaneously with Buyer's tender of the Purchase Price.

5) Remedies.

If Buyer breaches this agreement prior to closing, Seller's sole remedy will be to collect and retain the Earnest Money as liquidated damages; provided, however, that Buyer must indemnify Seller against any property damage (including damage to the Relevant Property) or bodily injury caused by Buyer's on-site inspections of the Relevant Property.

6) Miscellaneous.

This agreement supersedes and replaces any prior agreements between the parties concerning the Relevant Property.

This agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns.

To facilitate execution, this agreement may be executed in multiple identical counterparts. It will not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts, taken together, will collectively constitute a single instrument. But it will not be necessary in making proof of any of this agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties to this agreement. Any signature page may be detached from one counterpart and then attached to a second counterpart with identical provisions without impairing the legal effect of the signatures on the signature page. Signing and sending a counterpart (or a signature page detached from the counterpart) by facsimile or other electronic means to another party will have the same legal effect as signing and delivering an original counterpart to the other party. A copy (including a copy produced by facsimile or other electronic means) of any signature page that has been signed by or on behalf of a party to this agreement will be as effective as the original signature page for the purpose of proving such party's agreement to be bound.

[Name of Buyer]

[Date]

Letter Agreement — Page 6

If the foregoing correctly sets forth your agreements, please execute a copy of this letter in the space provided below and return the copy to Seller.

Very truly yours,

“Seller”

_____, a

By: _____

Name:

Title:

Accepted and agreed as of the date first above written:

“Buyer”

_____, a

By: _____

Name:

Title:

EXHIBIT "G"

FORM OF MEMORANDUM OF RIGHT OF FIRST OFFER
AND RIGHT OF FIRST REFUSAL

THE STATE OF TEXAS §
 §
COUNTY OF COLLIN §

THIS MEMORANDUM OF RIGHT OF FIRST OFFER AND RIGHT OF FIRST REFUSAL is made this _____ day of _____, 2008, by and between WEST PLANO LAND COMPANY, LP, a Delaware limited partnership ("**West Plano**"), and DIODES INCORPORATED a Delaware corporation ("**Diodes**"), on the terms and conditions hereinafter set forth.

WHEREAS, pursuant to that certain Contract for the Purchase and Sale of Real Estate dated _____, 2008 by and between West Plano, as Seller, and , as Purchaser (the "**Contract**"), Diodes has granted to West Plano a right of first offer and a right of first refusal to purchase the Property (as defined in the Contract and herein so called) with respect to the tract of land more particularly described on Exhibit A attached hereto and made a part hereof, in accordance with the terms and conditions of the Contract.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Diodes and West Plano hereby provide public notice of the right of first offer and right of first refusal to purchase the Property granted by Diodes to West Plano pursuant to the Contract. If the right of first offer and right of first refusal expire or terminate in accordance with the terms of the Contract, this Memorandum shall terminate and be null and void. Following any such termination, West Plano shall promptly after a request made by Diodes execute a termination of this Memorandum (in recordable form) if this Memorandum terminates as described above.

Information concerning the Contract may be obtained by contacting West Plano Land Company, LP, Attention: Mark C. Allyn, 2100 Ross Avenue, Suite 400, Dallas, Texas 75201.

(SIGNATURE PAGES FOLLOW)

Effective as of the day and year set forth above.

WEST PLANO:

WEST PLANO LAND COMPANY, LP,
a Delaware limited partnership

By: West Plano Land Company — GP LLC,
a Delaware limited liability company,
its sole general partner

By: _____
Mark C. Allyn
President

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2008 by Mark C. Allyn, President of West Plano Land Company — GP LLC, a Delaware limited liability company, sole general partner of West Plano Land Company, LP, a Delaware limited partnership, on behalf of said limited partnership.

Notary Public, State of Texas

My Commission Expires:

DIODES:

DIODES INCORPORATED,
a Delaware corporation

By: _____
Richard D. White
Sr. VP — Finance

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2008 by Richard D. White, Sr. VP — Finance of Diodes Incorporated, a Delaware corporation, on behalf of said corporation.

Notary Public in and for the State of Texas
Printed Name: _____
My Commission Expires: _____

SERVICE AGREEMENT

30 JUNE 2008

DIODES ZETEX LIMITED
COLIN KEITH GREENE

ALLEN & OVERY

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THIS AGREEMENT is made on 30 June 2008

BETWEEN:

- (1) **DIODES ZETEX LIMITED**, a company which has its registered office at Zetex Technology Park, Chadderton, Oldham OL9 9LL (the **Company**); and
- (2) **COLIN KEITH GREENE** of 15 Rippon Hall Avenue, Ramsbottom, Bury BL0 9RE (the **Executive**).

IT IS AGREED as follows:

1. DEFINITIONS

In this Agreement the following expressions have the following meanings:

Board means the board of directors of the Company or a duly constituted committee of the board of directors;

Chief Executive Officer (CEO) means the chief executive officer of the Company from time to time;

Change of Control means the acquisition by any person, together with any person "acting in concert" with that person (as defined in the City Code on Takeovers and Mergers) of shares carrying more than 50 per cent. of the voting rights at general meetings of the Company; or approval by the shareholders of the Company of a merger or consolidation of the Company with any other company (other than a merger or consolidation which would result in the voting shares of the Company outstanding immediately prior thereto representing (either by remaining outstanding or by being converted into voting securities of the surviving entity) 50 per cent. or more of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation);

Effective Date means 30 June 2008;

Employment means the Executive's employment in accordance with the terms and conditions of this Agreement;

Group Company means the Company, any holding company and any subsidiary of the Company or any holding company (as defined in the Companies Act 1985);

Recognised Investment Exchange has the meaning given to it by section 285 of the Financial Services and Markets Act 2000.

2. TERM AND JOB DESCRIPTION

- 2.1 The Executive shall be employed by the Company as the Company's European President and as the Company's Vice President of European Sales and Marketing, or in such other capacity, consistent with his status and seniority, to which he may be lawfully assigned by the Board from time to time.
- 2.2 The Executive's period of continuous employment for statutory purposes began on 2 June 1997.
- 2.3 Subject to Clause 2.4, 2.5 and 17, the Employment will continue until terminated by either party giving to the other not less than six months' written notice to expire at any time.

- 2.4 In the event a Change of Control takes place between the Effective Date and 31 December 2008, and as a result, the Company serves notice to terminate the Executive's employment, the notice to which the Executive is entitled will be extended (if relevant) so as not to expire before 30 June 2009 (although the Company may always elect to pay in lieu of such (extended) notice, pursuant to its rights under clause 17.5)
- 2.5 The Employment will terminate automatically on the Executive's 65th birthday.

3. DUTIES

- 3.1 During the Employment, the Executive will:
- (a) diligently perform all such duties and exercise all such powers as are lawfully and properly assigned to him from time to time by the Board, whether such duties or powers relate to the Company or any other Group Company;
 - (b) comply with all directions lawfully and properly given to him by the Board;
 - (c) unless prevented by sickness, injury or other incapacity, subject to Clause 12.1, devote such of his time, attention and abilities to the business and interests of the Company or any other Group Company for which he is required to perform duties as the proper performance of his duties under the Employment demands;
 - (d) promptly provide the Board with all such information as it may require in connection with the business or affairs of the Company and of any other Group Company for which he is required to perform duties.
- 3.2 As a senior executive the Executive's working time is not measured or pre-determined. The Executive is responsible for determining his own hours of work, providing that such hours are consistent with the proper performance of his duties.
- 3.3 The Executive's normal place of work is the Company's principal UK office from time to time. The Executive agrees to travel (both within and outside the United Kingdom) as may be required for the proper performance of his duties under the Employment.

4. SALARY

- 4.1 The Executive's basic annual salary is £179,574 (less any required deductions). The salary will accrue on a daily basis, and will be payable in arrears in equal monthly instalments. The salary will be reviewed annually on 1 January during the Employment. No salary review will be undertaken after notice has been given by either party to terminate the Employment. The Company is under no obligation to increase the Executive's salary following a salary review, but will not decrease it. If the salary is decreased with the Executive's agreement the Company agrees that, unless otherwise also agreed by the Executive, the Executives' pensionable salary will remain calculated as if the Executive was continuing to earn the basic annual salary he would have done had he not agreed to the reduction.
- 4.2 The Executive's salary will be inclusive of all fees and other remuneration to which he may be or become entitled as an officer of the Company or of any other Group Company.
- 4.3 The Executive agrees that, pursuant to Part II of the Employment Rights Act 1996, the Company has the right to deduct from his salary and/or bonus any amount owed to the Company or any Group Company by the Executive in respect of any overpaid salary, bonus or cash benefits.

5. BONUS AND SHARE OPTIONS

- 5.1 For bonus year 2009 onwards the Executive will be eligible to receive an annual bonus and to participate in an equity incentive scheme, to be determined at the absolute discretion of the Company and according to such terms as may be determined by it for the relevant financial year. The Company, in its sole discretion, reserves the right to vary, amend or withdraw any bonus and/or equity incentive scheme from time to time.
- 5.2 Any bonus award and/or any award under an equity incentive scheme will be subject to (but not limited to) the following conditions:
- (a) the total pool for any bonus and/or equity incentive awards will be subject to the approval of both the Board and the Company Compensation Committee and will be subject to the attainment of corporate performance targets (such targets to be set by the Board and/or the Company Compensation Committee for each relevant fiscal year and which may take account of any factors which the Board and the Company Compensation Committee deem to be relevant);
 - (b) any proposed individual bonus and/or equity incentive award (if any) will be determined at the absolute discretion of the Company. Any proposed individual bonus and/or equity incentive award (if any) will be recommended to the Board and the Company Compensation Committee by the CEO and will be subject to prior approval by them. The Board and the Company Compensation Committee are under no obligation to approve any recommendation made to them by the CEO in respect of any award;
 - (c) any bonus paid in respect of the period after the Effective Date will be non-pensionable; and
 - (d) any equity incentive award will be subject to the terms of the Company's Equity Award Grant Policy, as the same may be amended from time to time by the Board in its sole discretion.
- 5.3 For the 2008 bonus year, the Company has agreed that the Executive will receive (on the normal bonus payment date applicable to employees of the Company generally) a bonus payment ("the 2008 bonus"). The calculation of the 2008 bonus will be agreed between the parties and will not be paid according to the existing Company or Diodes bonus schemes, nor subject to their respective terms and conditions.
- 5.4 It is a condition of entitlement to the 2008 bonus and any bonus and/or equity incentive award for ongoing years that the Employment continues (not under notice of the termination of employment whether given or received) to the end of the period to which the bonus relates and to the date of payment. If the Employment comes to an end during the relevant period for any reason the Executive will not be entitled to any bonus or compensation for the loss of it. Any payments made during a bonus reference period on account of anticipated bonus shall not be repayable other than in the event of fraud or manifest error. Receipt of any bonus and/or equity incentive award in any year does not create any future entitlement to the Executive to receive any further awards under this Clause 5.
- 5.5 The payment of any bonus and/or equity incentive award to the Executive is subject to any withholdings that may be necessary on account of income tax, employee's National Insurance contributions and any other contribution which any member of the Group is required to account.

6. EXPENSES

The Company will reimburse (or procure the reimbursement of) all out-of-pocket expenses properly and reasonably incurred by the Executive in the course of his Employment subject to production of receipts or other appropriate evidence of payment.

7. CAR ALLOWANCE

- 7.1 During the Employment, the Executive will be eligible to receive a car allowance, which shall be payable together with and in the same manner as the Executive's basic salary in accordance with Clause 4.1. The car allowance shall not be treated as part of the Executive's basic annual salary for any purpose and shall be non-pensionable.
- 7.2 The level of the car allowance for which the Executive is eligible will be appropriate to the status of Senior Vice President and shall be determined in accordance with the Company's Car Allowance Policy from time to time save that the parties have agreed that the level of car allowance shall not be reduced from the sum of £11,500 without the Executive's prior agreement.
- 7.3 The Executive must inform the Company immediately if he is disqualified from holding a driving licence and this clause shall not apply during any period of disqualification but for the avoidance of doubt, once the Executive has elected to receive the car allowance in lieu he may not change that election unless to do so is permitted under the terms of the Car Allowance Policy.

8. PENSION

- 8.1 The Executive is entitled to become a member of the Company's Pension Scheme (the **Scheme**), subject to: the terms and conditions of that Scheme; any trust deed and rules governing the Scheme from time to time in force; and to any HMRC or other applicable limits. The full details of the Scheme are available to the Executive on request. The Company reserves the right to amend or terminate the Scheme without prior notice.
- 8.2 A contracting-out certificate is in force in respect of the Employment.

9. INSURANCE

During the Employment, subject to the Executive's age or health not being such as to prevent cover being obtained without exceptional conditions or unusually high premiums, the Company will:

- (a) pay for the benefit of the Executive, his spouse and any dependent children under the age of 21 subscriptions to the Company's private medical expenses insurance arrangements for the time being in force on the appropriate scale, which shall be BUPA Premier Plus or equivalent;
- (b) pay for the benefit of the Executive subscriptions to the Company's permanent health insurance arrangements for the time being in force; and
- (c) pay for the benefit of the Executive subscriptions to the Company's life assurance arrangements for the time being in force.

10. HOLIDAY

- 10.1 The Executive is entitled to 25 working days' paid holiday per calendar year during his Employment (plus bank and public holidays in England), to be taken at a time or times convenient to the

Company. The right to paid holiday will accrue pro-rata during each calendar year of the Employment.

- 10.2 Accrued and unused holiday entitlement may be carried forward to a future calendar year at the discretion of the CEO. Subject to Clause 10.3, the Executive has no entitlement to be paid in lieu of accrued but unused holiday.
- 10.3 On termination of the Employment, the Executive's entitlement to accrued holiday pay shall be calculated on a pro-rata basis (which calculation shall be made on the basis that each day of paid holiday is equivalent to 1/260 of the Executive's salary). If the Executive has taken more working days' paid holiday than his accrued entitlement, the Company is authorised to deduct the appropriate amount from his final salary instalment (which deduction shall be made on the basis that each day of paid holiday is equivalent to 1/260 of the Executive's salary).

11. SICKNESS AND OTHER INCAPACITY

- 11.1 Subject to the Executive's compliance with the Company's policy on notification and certification of periods of absence from work, the Executive will continue to be paid his full salary during any period of absence from work due to sickness, injury or other incapacity, up to a maximum of 26 weeks in aggregate in any period of 52 consecutive weeks. Such payment will be inclusive of any statutory sick pay payable in accordance with applicable legislation in force at the time of absence.
- 11.2 The Executive will not be paid during any period of absence from work (other than due to holiday, sickness, injury or other incapacity) without the prior permission of the Board.
- 11.3 The Executive agrees that he will undergo a medical examination by a doctor appointed by the Company at any time (provided that the costs of all such examinations are paid by the Company). The Company will be entitled to receive a copy of any report produced in connection with all such examinations and to discuss the contents of the report with the doctor who produced it.

12. OTHER INTERESTS

- 12.1 Subject to Clause 12.2, during the Employment the Executive will not (without the Board's prior written consent) be directly or indirectly engaged, concerned or interested in any other business activity, trade or occupation. Without prejudice to the foregoing, the Executive may hold one non-executive directorship of a non-Group company provided that he obtains the prior agreement of the CEO to the Executive holding each such directorship (such agreement not to be unreasonably withheld).
- 12.2 Notwithstanding Clause 12.1, the Executive may hold for investment purposes an interest (as defined by Schedule 13 Companies Act 1985) of up to 3% in nominal value or (in the case of securities not having a nominal value) in number or class of securities in any class of securities listed or dealt in a Recognised Investment Exchange, provided that the company which issued the securities does not carry on a business which is similar to or competitive with any business for the time being carried on by the Company or any other Group Company.

13. SHARE DEALING AND OTHER CODES OF CONDUCT

The Executive will comply with all codes of conduct adopted from time to time by the Board and with all applicable rules and regulations of the UK Listing Authority and any other relevant regulatory bodies, including the Model Code on dealings in securities.

14. INTELLECTUAL PROPERTY

It shall be part of the Executive's normal duties or other duties specifically assigned to him (whether or not during normal working hours and whether or not performed at the Executive's normal place of work) at all times to consider in what manner and by what new methods or devices the products, services, processes, equipment or systems of the Company with which he is concerned or for which he is responsible might be improved and may as part of such duties originate designs (whether registrable or not) or patentable work or other work in which copyright, database rights or trade mark rights (together **Employee Works**) may subsist. Accordingly:

- (a) the Executive shall forthwith disclose full details of Employee Works in confidence to the Company and shall regard himself in relation to Employee Works as a trustee for the Company;
- (b) all intellectual property rights in Employee Works shall vest absolutely in the Company which shall be entitled, so far as the law permits, to the exclusive use thereof;
- (c) notwithstanding (b) above, the Executive assigns to the Company all right, title and interest, present and future, anywhere in the world in copyright and in any other intellectual property rights in respect of all Employee Works written, originated, conceived or made by the Executive (except only those Employee Works written, originated, conceived or made by the Executive wholly outside his normal working hours hereunder and wholly unconnected with his service hereunder) during the continuance of the Employment;
- (d) the Executive hereby waives all moral rights as author under the Copyright Designs and Patents Act 1988 or any equivalent laws in respect of any Employee Works; and
- (e) the Executive agrees and undertakes that at any time during or after the termination of his employment he will execute such deeds or documents and do all such acts and things as the Company may deem necessary or desirable to substantiate its rights in respect of the matters referred to above including for the purpose of obtaining letters patent or other privileges in all such countries as the Company may require.

15. DISCIPLINARY AND GRIEVANCE PROCEDURES

- 15.1 If the Executive is dissatisfied with any disciplinary decision taken in relation to him he may appeal in writing to the CEO within seven days of that decision. The CEO's decision shall be final.
- 15.2 If the Executive has any grievance in relation to the Employment he may raise it in writing with the CEO's whose decision shall be final.

16. COLLECTIVE AGREEMENTS

There is no collective agreement which directly affects the terms and conditions of the Employment.

17. TERMINATION

- 17.1 Either party may terminate the Employment in accordance with Clause 2.3.
- 17.2 The Company may also terminate the Employment immediately and with no liability to make any further payment to the Executive (other than in respect of amounts accrued due at the date of termination) if the Executive:

- (a) commits any serious or repeated breach of any of his obligations under this Agreement or his Employment;
- (b) is guilty of serious misconduct which, in the Board's reasonable opinion, has damaged or may damage the business or affairs of the Company or any other Group Company;
- (c) is guilty of conduct which, in the Board's reasonable opinion, brings or is likely to bring himself, the Company or any other Group Company into disrepute;
- (d) is convicted of a criminal offence (other than a road traffic offence not subject to a custodial sentence);
- (e) is disqualified from acting as a director of a company by order of a competent court;
- (f) is declared bankrupt or makes any arrangement with or for the benefit of his creditors or has an interim order made against him under Part VIII of the Insolvency Act 1986 or has a county court administration order made against him under the County Court Act 1984.

This Clause shall not restrict any other right the Company may have (whether at common law or otherwise) to terminate the Employment summarily.

Any delay by the Company in exercising its rights under this Clause shall not constitute a waiver of those rights.

17.3 On termination of the Employment for whatever reason (and whether in breach of contract or otherwise) the Executive will:

- (a) immediately deliver to the Company all books, documents, papers, computer records, computer data, credit cards, and any other property relating to the business of or belonging to the Company or any other Group Company which is in his possession or under his control. The Executive is not entitled to retain copies or reproductions of any documents, papers or computer records relating to the business of or belonging to the Company or any other Group Company;
- (b) immediately resign from any office he holds with the Company or any other Group Company (and from any related trusteeships) without any compensation for loss of office. Should the Executive fail to do so he hereby irrevocably authorises the Company to appoint some person in his name and on his behalf to sign any documents and do any thing to give effect to his resignation from office; and
- (c) immediately pay to the Company or, as the case may be, any other Group Company all outstanding loans or other amounts due or owed to the Company or any Group Company. The Executive confirms that, should he fail to do so, the Company is to be treated as authorised to deduct from any amounts due or owed to the Executive by the Company (or any other Group Company) a sum equal to such amounts.

17.4 It is acknowledged that the Executive may, during the Employment, be granted rights upon the terms and subject to the conditions of the rules from time to time of any bonus and/or equity incentive scheme operated by the Company, with respect to shares in the Company from time to time. If, on termination of the Employment, whether lawfully or in breach of contract the Executive loses any of the rights or benefits under any such scheme (including rights or benefits which the Executive would not have lost had the Employment not been terminated) the Executive shall not be entitled, by way of compensation for loss of office or otherwise howsoever, to any compensation for the loss of any rights under any such scheme.

- 17.5 The Company may at any time (whether or not any notice of termination has been given under clause 2.3) terminate the Employment with immediate effect by giving notice in writing to the other party on terms that the Company may (at its sole discretion) pay to the Executive, salary in lieu of notice under clause 2.3. The Company may in circumstances where it reasonably deems it to be in the Company's best interests elect that in place of a lump sum payment in lieu of notice, the Company will pay the Executive in lieu of notice in a series of staged payments at the time or times that the Executive would have been paid had he been employed during the period of notice or remainder of such period given under clause 2.3 above. Payments to the Executive under this sub-clause shall be subject to the Executive's duty to mitigate his losses and shall be reduced accordingly and the Executive shall promptly notify the Company of the extent to which he mitigates his losses. If the Executive is paid salary in lieu of notice he will not be entitled to any additional payment in respect of holiday which he would otherwise have accrued during the notice period or the remainder of the notice period.
- 17.6 The Executive will not at any time after termination of the Employment represent himself as being in any way concerned with or interested in the business of or employed by, the Company or any other Group Company.

18. SUSPENSION AND GARDENING LEAVE

18.1 Where notice of termination has been served by either party whether in accordance with Clause 2.3 or otherwise, the Company shall be under no obligation to provide work for or assign any duties to the Executive for the whole or any part of the relevant notice period and may require him:

- (a) not to attend any premises of the Company or any other Group Company; and/or
- (b) to resign with immediate effect from any offices he holds with the Company or any other Group Company (and any related trusteeships); and/or
- (c) to refrain from business contact with any customers, clients or employees of the Company or any Group Company; and/or
- (d) to take any holiday which has accrued under Clause 10 during any period of suspension under this Clause 18.1.

The provisions of Clause 12.1 shall remain in full force and effect during any period of suspension under this Clause 18.1. The Executive will also continue to be bound by duties of good faith and fidelity to the Company during any period of suspension under this Clause 18.1.

Any suspension under this Clause 18.1 shall be on full salary and benefits.

18.2 The Company may suspend the Executive from the Employment during any period in which the Company is carrying out a disciplinary investigation into any alleged acts or defaults of the Executive. Such suspension shall be on full salary and benefits.

19. RESTRAINT ON ACTIVITIES OF EXECUTIVE AND CONFIDENTIALITY

Save insofar as such information is already in the public domain the Executive will keep secret and will not at any time (whether during the Employment or thereafter) use for his own or another's advantage, or reveal to any person, firm, company or organisation and shall use his best endeavours to prevent the publication or disclosure of any information which the Executive knows or ought reasonably to have known to be confidential, concerning the business or affairs of the Company or any other Group Company or any of its or their customers.

The restrictions in this Clause shall not apply:

- (a) to any disclosure or use authorised by the Board or required by law or by the Employment; or
- (b) so as to prevent the Executive from using his own personal skill in any business in which he may be lawfully engaged after the Employment is ended; or
- (c) to prevent the Executive making a protected disclosure within the meaning of s43A of the Employment Rights Act 1996.

20. POST-TERMINATION COVENANTS

20.1 For the purposes of Clause 20 the term **Termination Date** shall mean the date of the termination of the Employment howsoever caused (including, without limitation, termination by the Company which is in repudiatory breach of this agreement).

20.2 The Executive covenants with the Company (for itself and as trustee and agent for each other Group Company) that he shall not, whether directly or indirectly, on his own behalf or on behalf of or in conjunction with any other person, firm, company or other entity:

- (a) for the period of (subject to Clause 20.3 below) six months following the Termination Date, solicit or entice away or endeavour to solicit or entice away from the Company or any Group Company any person, firm, company or other entity who is, or was, in the 12 months immediately prior to the Termination Date, a client of the Company or any Group Company with whom the Executive had business dealings during the course of his employment in that 12 month period. Nothing in this Clause 20.2(a) shall prohibit the seeking or doing of business not in direct or indirect competition with the business of the Company or any Group Company;
- (b) for the period of (subject to Clause 20.3 below) six months following the Termination Date, have any business dealings with any person, firm, company or other entity who is, or was, in the 12 months immediately prior to the Termination Date, a client of the Company or any Group Company with whom the Executive had business dealings during the course of his employment in that 12 month period. Nothing in this Clause 20.2(b) shall prohibit the seeking or doing of business not in direct or indirect competition with the business of the Company or any Group Company;
- (c) for the period of (subject to Clause 20.3 below) six months following the Termination Date, solicit or entice away or endeavour to solicit or entice away any individual who is employed or engaged by the Company or any Group Company as a director or in a managerial or technical capacity; and with whom the Executive had business dealings during the course of his employment in the 12 month period immediately prior to the Termination Date;
- (d) for the period of (subject to Clause 20.3 below) six months following the Termination Date, carry on, set up, be employed, engaged or interested in a business anywhere which is or is about to be in competition with the business of the Company or any Group Company as at the Termination Date with which the Executive was actively involved during the 12 month period immediately prior to the Termination Date. It is agreed that in the event that any such company ceases to be in competition with the Company and/or any Group Company this Clause 20.2(d) shall, with effect from that date, cease to apply in respect of such company. The provisions of this Clause 20.2(d) shall not, at any time following the Termination Date, prevent the Executive from holding shares or other capital not amounting to more than 3% of the total issued share capital of any company whether listed on a recognised stock

exchange or not and, in addition, shall not prohibit the seeking or doing of business not in direct or indirect competition with the business of the Company or any Group Company,

save that the Executive agrees that the Company may at its sole discretion at any time prior to the Termination Date elect to extend each of the periods of restriction referred to in Clauses 20.2(a), (b), (c) and (d) inclusive by a further period of six months and the Company agrees that if it makes such an election it will pay to the Executive a sum equivalent to six months' base salary in consideration for such extension.

- 20.3 The period during which the restrictions referred to in Clauses 20.2(a), (b), (c) and (d) inclusive shall apply following the Termination Date shall be reduced by the amount of time during which, if at all, the Company suspends the Executive under the provisions of Clause 18.1.
- 20.4 The Executive agrees that if, during either his employment with the Company or the period of the restrictions set out in 20.2(a), (b), (c) and (d) inclusive (subject to the provisions of Clause 20.3), he receives an offer of employment or engagement, he will provide a copy of Clause 20 to the offeror as soon as is reasonably practicable after receiving the offer and will inform the Company of the identity of the offeror as soon as possible after the offer is accepted.
- 20.5 The Executive will, at the request and expense of the Company, enter into a separate agreement with any Group Company that the Company may require under the terms of which he will agree to be bound by restrictions corresponding to those contained in Clauses 20.2(a), (b), (c) and (d) inclusive (or such as may be appropriate in the circumstances).

21. WAIVER OF RIGHTS

If the Employment is terminated by either party and the Executive is offered re-employment by the Company (or employment with another Group Company) on terms no less favourable in all material respects than the terms of the Employment under this Agreement, the Executive shall have no claim against the Company in respect of such termination.

22. DATA PROTECTION

- 22.1 The Executive consents to the Company and any Group Company processing data relating to him at any time (whether before, during or after the Employment) for the following purposes:
- (a) performing its obligations under the Agreement (including remuneration, payroll, pension, insurance and other benefits, tax and national insurance obligations);
 - (b) the legitimate interests of the Company and any Group Company including any sickness policy, working time policy, investigating acts or defaults (or alleged or suspected acts or defaults) of the Executive, security, management forecasting or planning and negotiations with the Executive; and
 - (c) processing in connection with any merger, sale or acquisition of a company or business in which the Company or any Group Company is involved or any transfer of any business in which the Executive performs his duties.
- 22.2 The Executive explicitly consents to the Company and any Group Company processing sensitive personal data (within the meaning of the Data Protection Act 1998) at any time (whether before, during or after the Employment) for the following purposes:

- (a) where the sensitive personal data relates to the Executive's health, any processing in connection with the operation of the Company's (or any Group Company's) sickness policy or any relevant pension scheme or monitoring absence;
- (b) where the sensitive personal data relates to an offence committed, or allegedly committed, by the Executive or any related proceedings, processing for the purpose of the Company's or any Group Company's disciplinary purposes;
- (c) for all sensitive personal data, any processing in connection with any merger, sale or acquisition of a company or business in which the Company or any Group Company is involved or any transfer of any business in which the Executive performs his duties; and
- (d) for all sensitive personal data, any processing in the legitimate interests of the Company or any Group Company.

23. EMAIL AND INTERNET USE

The Executive agrees to be bound by and to comply with the terms of the Company's email and internet policy as amended from time to time.

24. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

25. MISCELLANEOUS

- 25.1 This Agreement, together with any other documents referred to in this Agreement, constitutes the entire agreement and understanding between the parties, and supersedes all other agreements both oral and in writing between the Company and the Executive (other than those expressly referred to herein). The Executive acknowledges that he has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set out in this Agreement or expressly referred to in it as forming part of the Executive's contract of employment.
- 25.2 The Executive represents and warrants to the Company that he will not by reason of entering into the Employment, or by performing any duties under this Agreement, be in breach of any terms of employment with a third party whether express or implied or of any other obligation binding on him.
- 25.3 Any notice to be given under this Agreement to the Executive may be served by being handed to him personally or by being sent by recorded delivery first class post to him at his usual or last known address; and any notice to be given to the Company may be served by being left at or by being sent by recorded delivery first class post to its registered office for the time being. Any notice served by post shall be deemed to have been served on the day (excluding Sundays and public and bank holidays) next following the date of posting and in proving such service it shall be sufficient proof that the envelope containing the notice was properly addressed and posted as a prepaid letter by recorded delivery first class post.
- 25.4 Any reference in this Agreement to an Act of Parliament shall be deemed to include any statutory modification or re-enactment thereof.
- 25.5 This Agreement is governed by, and shall be construed in accordance with, the laws of England.

SIGNATORIES

SIGNED as a **DEED** and)
DELIVERED by **COLIN KEITH GREENE**)
in the presence of:)

SIGNED for and on behalf of)
DIODES ZETEX LIMITED)



Hans Rohrer
Zetex Technology Park
Chadderton Oldham
OL9 9LL
United Kingdom

11 July 2008

Dear Hans

Side Letter to your Service Agreement with Diodes Zetex Limited (formerly Zetex plc) (the Company) dated 6 June 2007 (the Service Agreement)

I am writing to confirm the agreement we have reached regarding the termination of your employment with the Company and your role during your notice period.

This letter constitutes notice of the termination of your employment under clause 2 of your service agreement dated 6 June 2007 (**Service Agreement**) with effect from 1 July 2008. Your notice period (**Notice Period**) will expire on 30 June 2009 (inclusive) (the **Termination Date**). This letter (**Side Letter**) sets out the revised terms that will apply to you during your Notice Period and constitutes a variation to the terms of the Service Agreement.

This Side Letter is without prejudice to the terms agreed by the parties as set out under a compromise agreement of the same date which sets out the terms and payments to you on the termination of your employment.

In consideration of the terms offered under this Side Letter, for the duration of your Notice Period you agree to the following terms which take immediate effect:

1. Change of Employer

For the duration of your Notice Period, you will be employed by Diodes Incorporated (Diodes) and your obligations to the Company under the Service Agreement will apply in respect of Diodes and any Group Company.

2. Role

- (a) You will be appointed to the Board of Diodes as an officer and employed in the role of Senior Vice President — Business Development. You will be report directly to the Chief Executive Officer (CEO) and you will carry out all such duties as directed or agreed by the Board of Diodes and/or the CEO. You will owe the same duties to the Board of Diodes as you owe to the Company under clause 3 of the Service Agreement. You agree to execute all necessary documentation as required to effect this appointment;
- (b) you will cease to carry out all and any duties associated with the Company save as directed by the CEO;

- (c) you will not be required to attend the offices of any Group Company on a day to day basis save that in carrying out duties as directed under this Side Letter, you may be required to attend the offices of any Group Company as necessary and or directed by Diodes and “hot desk” facilities will be made available to you together with the usual IT and administration support available to all staff from any place of work; and
- (d) you will be entitled to be reimbursed for all reasonable expenses incurred in the course of performing your duties under this Side Letter in accordance with Diodes’ expenses policy as applicable from time to time and provided that all such expenses are approved in advance of being incurred by Rick White.

3. Term

Your employment with Diodes (and any other Group Company) will expire on the Termination Date without the need for further notice.

4. Duties

Your obligations to the Company under clause 3 of the Service Agreement will apply in respect of Diodes and any Group Company. Your other duties will be to work on such assignments as required by the Chief Executive Officer of Diodes.

5. Hours of Work

Your hours of work will be reduced from 37.5 hours per week to 12.5 hours per week but these hours may vary according to business needs and will be applied flexibly by Diodes at its discretion. You may be required to work additional hours due to the nature of your work but you will not be paid any overtime or receive any additional remuneration for such hours.

You are required to take any entitlement to statutory holiday during your Notice Period and prior to the Termination Date.

6. Salary and Share Option Grant

- (a) In consideration for your services during your Notice Period and your agreement to the variation of your duties under this Side Letter, you will be paid an annualised salary figure of 50,000 GBP (less any required deductions for tax or National Insurance contributions in any jurisdiction). The Company will continue to meet any German state insurance contributions to the extent these remain payable in respect of that salary during the Notice Period. This salary figure will accrue on a daily basis and will be payable in arrears in equal monthly instalments. Your salary will not be reviewed or increased and shall be inclusive of all fees and other remuneration to which you may be entitled as an officer of any Group Company. You agree that the Company may deduct any salary or any amount owed to the Company or any Group Company in respect of any overpaid salary or benefit;
- (b) You will be paid by Diodes Zetex Semiconductor on behalf of Diodes and the Company in GBP;
- (c) Subject to your compliance with the terms and conditions of the Plan, you will receive a one-off grant of 4,000 Restricted Stock Units of Diodes Incorporated common stock pursuant to the Diodes Incorporated 2001 Omnibus Equity Incentive Plan (the **Plan**). The terms of the grant will provide that the Restricted Stock Units vest over a period of four years from the date of grant, with 25% of the Restricted Stock Units vesting per year. The

full terms and conditions of the grant of the Restricted Stock Units under the Plan will be provided to you in due course.

7. Benefits

During your Notice Period, you agree to waive your right to receive any further benefits under the following clauses in your Service Agreement:

- (a) any future share option and/or stock unit grants pursuant to any plan operated by any Group Company (subject to paragraph 6(c) of this Side Letter above);
- (b) bonus (pursuant to clause 5);
- (c) relocation and moving expenses (pursuant to clause 6), save that following the Termination Date, you will receive a one-off reimbursement of any appropriate relocation and moving expenses, subject to the prevailing terms and conditions of any relevant policy in respect of such expenses and subject to a maximum amount of £8,000 in total, less any deductions applicable by law;
- (d) car allowance (pursuant to clause 7);
- (e) pension (pursuant to clause 8);
- (f) any insurances (pursuant to clause 9);
- (g) any contractual holiday entitlement which is additional to the statutory minimum entitlement (pursuant to clause 10); and
- (h) any sickness and incapacity benefits (pursuant to clause 11) which is additional to the entitlement to receive statutory sick pay.

You acknowledge that your obligations in respect of restraint of activity and confidentiality pursuant to clause 19 and the post-termination covenants pursuant to clause 20 of your Service Agreement will continue to apply during your Notice Period and following the Termination Date in respect of Diodes and any other Group Company (although the Company confirms that the non-executive position you currently hold with Tower Semiconductors may continue during these periods and that you may hold other non-executive positions to the extent they do not conflict with the terms of clauses 19 and 20 of the Service Agreement and subject prior approval of any such appointment during the Notice Period being approved by the CEO).

For the purposes of this Side Letter, Group Company means any one of Diodes, its subsidiaries, its holding company or any subsidiary of its holding company (in each case as defined by section 1159 of the Companies Act 2006) and the Group has the corresponding meaning.

Please sign both copies of this Side Letter and return one copy to confirm your acceptance of the variations to the terms of the Service Agreement.

Yours sincerely

[]
For and on behalf of Diodes Incorporated

[]
For and on behalf of Diodes Zetex Limited

Date _____

Hans Rohrer:

Fourth Floor of the Accommodation Building Lease Agreement

This Fourth Floor of the Accommodation Building Lease Agreement (the "Lease Agreement") is entered into as of January 1, 2008 ("Effective Date") in the city of Shanghai, by and between SHANGHAI KAI HONG TECHNOLOGY CO., LTD. (hereinafter referred to as "DSH") with its registered office at No.1 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China and SHANGHAI DING HONG ELECTRONIC CO., LTD. (hereinafter referred to as "Ding Hong") with its registered office at No.999 Chenchun Road, Xinqiao Town, Songjiang, Shanghai, P.R.China.

DSH and Ding Hong are collectively referred to as the "Parties" and individually as a "Party".

WHEREAS,

The Parties agree on the lease of the fourth floor of the Accommodation Building (as defined below). Ding Hong represents that it is the lawful owner of the Accommodation Building.

1. Definitions

Unless otherwise defined in this Lease Agreement, the terms used herein shall have the following meanings:

1.1 "Accommodation Building" shall mean the six-story dormitory building located on the lot 375 of Song Jiang, Shanghai.

1.2 "Fourth Floor" shall mean the fourth floor of the Accommodation Building (Exhibit 1, fourth floor layout of the Accommodation Building).

1.3 "Lease Term" shall mean the period of time on which DSH is entitled to use the Fourth Floor and Ding Hong is entitled to receive rent from DSH in accordance with the terms and conditions of the Lease Agreement.

2. The Construction and Facilities of the Accommodation Building

2.1 Fourth Floor of the Accommodation Building shall be delivered to DSH in compliance with the requirement of Exhibit 2 of the Lease Agreement for building repair, decoration and facilities maintenance requirements. Ding Hong agrees that the building repair cost, decoration cost and the facilities maintenance cost for the Accommodation Building shall be at Ding Hong's own expenses.

2.2 Ding Hong promises that the construction and building quality of the Accommodation Building shall be in compliance with all the relevant quality standards. Ding Hong shall obtain from all necessary government authority checked and accepted inspection certificates. Ding Hong guarantees the quality of the facilities of the Accommodation Building and the quality of the equipments in each room. Ding Hong further guarantees the quality of the materials used in making the facilities in the Accommodation Building shall meet DSH's and relevant inspection's requirements.

3. Lease Term

3.1 For the Fourth Floor, the Parties agree that the Lease Term shall be 5 (five) year(s) commencing on July 17, 2007 until July 16, 2012.

3.2 The Parties agree that the Lease Term for the Fourth Floor shall be automatically renewed unless DSH gives written notice of termination not less than thirty (30) days before the expiration of the Lease Term, but the Lease Term must be renegotiated and adjust accordingly. During the Lease Term or any renewal period, Ding Hong shall not terminate this Lease Agreement without DSH's written approval. For the renewal period, the items relating to the rental set forth in Article 5 of the Lease Agreement shall be adjusted on the basis of the market prices at the time of renewal and after consultation between the Parties.

3.3 If during the Lease Term or the Lease Term renewal period, Ding Hong receives from a third party a bona fide, legally binding offer to lease the portion of the Fourth Floor not already leased by DSH, Ding Hong shall notify DSH of this fact. The notice shall specify all the terms of the bona fide third party offer. DSH shall then have thirty (30) days to lease that portion of the Fourth Floor specified in the third party's bona fide offer for the rent and related details set forth in Articles 4 and 5. Ding Hong shall not

lease any portion of the Fourth Floor to any third party until the thirty (30) days has expired without DSH exercising its right of first refusal. Any other terms not specified in this Lease Agreement regarding the Fourth Floor, both Parties shall negotiate and sign a supplemental agreement for these unspecified terms. Such signed supplemental agreement shall constitute a part of the entire Lease Agreement and shall have the same effectiveness as the entire Lease Agreement.

4. Gross Area of the Fourth Floor

4.1 There are 20 dorm rooms with area of 1,150 square meters and a TV room of 32 square meters in the Fourth Floor. The gross area of the Fourth Floor 2 is 1,182 square meters.

4.2 Both Parties agree that DSH can base its needs and lease schedule to lease any portion of the Fourth Floor that has not been leased by DSH.

4.3 DSH's approximate lease schedule and plan for the Fourth Floor are set forth in Exhibit 3 of the Lease Agreement.

5. Rental

5.1 The Parties agree that the monthly rent for the Fourth Floor shall be Renminbi ("RMB") 29.80 per square meter.

5.2 Both Parties agree that, beginning from January 1, 2008, each Party will bear fifty percent (50%) of the monthly rent of the portion of the Fourth Floor that has not been leased by DSH. Each Party agrees to bear RMB 14.90 per square meter per month for the portion of the Fourth Floor that has not been leased by DSH.

6. Deposit

DSH shall pay Ding Hong a deposit amount of RMB 35,223.6 within one hundred and eighty (180) days of the Effective Date of the Lease Agreement.

7. Method of Payment

For the Fourth Floor, DSH shall pay the Rental in RMB to the RMB bank account as designated by Ding Hong before the first day of every month.

8. Termination of the Lease Agreement

If either Party terminates the Lease Agreement prior to the expiration of the Lease Term without the consent from the other Party, the Party that terminates the Lease Agreement shall pay damages to the other Party to compensate for such Party's actual loss. The amount of damages shall include, but not be limited to, the reasonable profits, out-of-pocket costs, legal service fees, Court fees, arbitration fees, accounting fees and removal or relocation fees.

9. Insurance and Repair Costs

9.1 During the term of the Lease Agreement, Ding Hong shall purchase and maintain insurance coverage to cover any and all casualty damage to the Accommodation Building, and shall be responsible for repairing all structural damages to the Accommodation Building that are not the result of improper use by DSH. DSH shall be responsible for all repair costs arising from improper building usage by DSH. If Ding Hong cannot obtain building insurance, DSH will need to obtain insurance for the Fourth Floor, and Ding Hong will reimburse DSH for all costs of such insurance coverage.

9.2 Ding Hong shall be entitled to inspect the Accommodation Building at reasonable intervals and upon reasonable notice to DSH. DSH shall provide assistance to allow such inspections.

10. Liability for Breach of the Lease Agreement

10.1 If DSH violates Article 5 of the Lease Agreement for failing to pay the Rental, then DSH shall pay a penalty at the rate of 0.011% of the Rental for each day of delay.

10.2 If Ding Hong breaches Articles 2, 3, 11 and any of its warranties set forth in this Lease Agreement, Ding Hong shall compensate DSH for all of DSH's losses and damages including consequential, special, punitive and incidental damages.

10.3 DSH shall not:

- (1) sub-lease the Fourth Floor or exchange the use of the Fourth Floor with any third party without Ding Hong's prior written consent.
- (2) alter the structure of the Fourth Floor or damage the Accommodation Building without Ding Hong's prior written consent.
- (3) change the lease purpose stipulated by the competent authorities without Ding Hong's consent.

11. Warranties

11.1 Ding Hong hereby warrants that if the Accommodation Building is sold to any third party during the Lease Term or the period of renewal, such third party shall be required to fulfill all obligations of Ding Hong under the Lease Agreement. If said third party fails to carry out the Lease Agreement, Ding Hong shall compensate DSH for all of DSH's losses and damages including consequential, special, punitive and incidental damages.

11.2 In case Ding Hong mortgages the Accommodation Building to the third party, any loss suffered by DSH shall be paid by Ding Hong.

12. Force Majeure

12.1. The definition of Force Majeure

Force Majeure shall mean any event which arises after the Effective Date that is beyond the control of the Parties, and is unforeseen, unavoidable and insurmountable, and which prevents total or partial performance by either Party. Such events shall include earthquakes, typhoons, flood, fire, war, acts of government or public agencies, strikes and any other event which cannot be foreseen, prevented and controlled, including events which are recognized as Force Majeure in general international commercial practice.

12.2 Consequences of Force Majeure

a. If an event of Force Majeure occurs, the contractual obligation of a Party affected by such an event shall be suspended during the period of delay and the time for performing such obligation shall be extended, without penalty, for a period equal to such suspension.

b. The Party claiming Force Majeure shall give prompt notice to the other Party in writing and shall furnish, within fifteen (15) days thereafter, sufficient proof of the occurrence and expected duration of such Force Majeure. The Party claiming Force Majeure shall also use all reasonable efforts to mitigate or eliminate the effects of the Force Majeure.

c. If an event of Force Majeure occurs, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable efforts to minimize the consequences of such Force Majeure.

13. Effective Date of the Lease Agreement

The Lease Agreement shall become effective after the legal representatives or authorized representatives of both Parties affix their signatures and company seals on the Lease Agreement.

14. Language of the Lease Agreement

The Lease Agreement is made and executed in Chinese and English, both versions having equal validity except as prohibited by law.

15. Settlement of Dispute

15.1 Friendly consultations

a. In the event of any dispute, difference, controversy or claim arising out of or related to the Lease Agreement, including, but not limited to, any breach, termination or validity of the Lease Agreement, (the "Dispute") then upon one Party giving the other Party notice in writing of the Dispute (the "Notice of Dispute"), the Parties shall attempt to resolve such Dispute through friendly consultation.

b. If the Dispute has not been resolved through friendly consultations with thirty (30) days from the Notice of Dispute, the Dispute shall be resolved by arbitration in accordance with Article 15.2 of this Lease Agreement. Such arbitration may be initiated by either Party.

15.2 Arbitration

The arbitration shall be conducted by Shanghai Arbitration Commission in Shanghai, China in accordance with its procedure and rules. The arbitration award shall be final and binding on the Parties. The costs of arbitration shall be borne by the losing Party except as may be otherwise determined by the arbitration tribunal.

15.3 Continuance of performance

Except for the matter in Dispute, the Parties shall continue to perform their respective obligations under the Lease Agreement during any friendly consultations or any arbitration pursuant to this Article 15.

15.4 Separability

The provisions of this Article 15 shall be separable from the other terms of the Lease Agreement. Neither the terminated nor the invalidity of the Lease Agreement shall affect the validity of the provisions of this Article 15.

16. Applicable Law

The validity, interpretation and implementation of the Lease Agreement and the settlement of Disputes shall be governed by relevant laws of the People's Republic of China and regulations that are officially promulgated and publicly available.

17. Compliance with the Foreign Corrupt Practices Act

17.1 Ding Hong acknowledges that DSH is a corporation with substantial presence and affiliation in the United States and, as such, is subject to the provisions of the Foreign Corrupt Practices Act of 1977 of the United States of America, 15 U.S.C. §§ 78dd-1, et seq., which prohibits the making of corrupt payments (the "FCPA"). Under the FCPA, it is unlawful to pay or to offer to pay anything of value to foreign government officials, or employees, or political parties or candidates, or to persons or entities who will offer or give such payments to any of the foregoing in order to obtain or retain business or to secure an improper commercial advantage.

17.2 Ding Hong further acknowledges that it is familiar with the provisions of the FCPA and hereby agrees that Ding Hong shall take or permit no action which will either constitute a violation under, or cause DSH to be in violation of, the provisions of the FCPA.

18. Miscellaneous

18.1 Any amendment to this Lease Agreement shall be in writing and duly signed by both Parties. Such amendment shall constitute a part of the entire Lease Agreement.

18.2 Both Parties acknowledge that they are aware of their respective rights, obligations and liabilities and will perform their obligations under the Lease Agreement in accordance with the provisions of the Lease Agreement. If one Party violates the Lease Agreement, the other Party shall be entitled to claim damages in accordance with the Lease Agreement.

18.3 Any notice or written communication required or permitted by this Lease Agreement shall be made in writing in Chinese and English and sent by courier service. The date of receipt of a notice or communication shall be deemed to be seven (7) days after the letter is deposited with the courier service provided the deposit is evidenced by a confirmation receipt. All notice and communications shall be sent to the appropriate address set forth below, until the same is changed by notice given in writing to the other Party.

To: DSH

Address: No.1 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China

Attn.: Shanghai Kai Hong Technology Co., Ltd.

To: Ding Hong

Address: No.999 Chenchun Road, Xinqiao Town, Songjiang, Shanghai, P.R.China

Attn.: Shanghai Ding Hong Electronic Co., Ltd.

18.4 This Lease Agreement comprises the entire understanding between the Parties with respect to its subject matters and supersedes any previous or contemporaneous

communications, representations, or agreements, whether oral or written. For purposes of construction, this Lease Agreement will be deemed to have been drafted by both Parties. No modification of this Lease Agreement will be binding on either Party unless in writing and signed by an authorized representative of each Party.

Shanghai Kai Hong Technology Co., Ltd.

By _____
Authorized Representative

Date:

Shanghai Ding Hong Electronic Co., Ltd.

By _____
Authorized Representative

Date:

Factory Building Lease Agreement

This Factory Building Lease Agreement (the "Lease Agreement") is entered into as of March 1, 2008 ("Effective Date") in the city of Shanghai, by and between SHANGHAI KAI HONG TECHNOLOGY CO., LTD. (hereinafter referred to as "DSH") with its registered office at No.1 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China and SHANGHAI YUAN HAO ELECTRONIC CO., LTD. (hereinafter referred to as "Yuan Hao") with its registered office at No.8 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China

DSH and Yuan Hao are collectively referred to as the "Parties" and individually as a "Party".

WHEREAS,

The Parties agree on the lease of a portion of the first floor of the Factory Building (as defined below) and a portion of the second floor of the Factory Building. Yuan Hao represents that it is the lawful owner of the Factory Building.

1. Definitions

Unless otherwise defined in this Lease Agreement, the terms used herein shall have the following meanings:

1.1 "Factory Building" shall mean the three-story building located at No.8 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China.

1.2 "First Floor" shall mean the portion of the first floor of the Factory Building that is to be leased (Exhibit 1, first floor layout of the Factory Building).

1.3 "Second Floor" shall mean the portion of the second floor of the Factory Building that is to be leased (Exhibit 1, second floor layout of the Factory Building).

1.4 "Lease Floors" shall mean First Floor and Second Floor of the Factory Building.

1.5 "Lease Term" shall mean the period of time in which DSH is entitled to use the Lease Floors, and Yuan Hao is entitled to receive rent from DSH in accordance with the terms and conditions of the Lease Agreement.

1.6 "DSH #2 Building" shall mean the building in construction located at No.2 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China.

2. The Standard of the Factory Building

2.1 Yuan Hao shall provide minimum quality standards for the Factory Building and shall guarantee that ancillary facilities of the Factory Building and supports for the Lease Floors (such as the Factory Building elevators) are in compliance with all the relevant quality standards and meet DSH's demands and requirements.

3. Lease Term

3.1 For the Lease Floors, the Parties agree that the Lease Term shall begin on March 1, 2008 until the time when DSH #2 Building is leased by DSH.

3.2 DSH shall decide the initial lease date of DSH #2 Building and shall notify such initial lease date of DSH #2 Building not less than thirty (30) days before the expiration of the Lease Term.

3.3 The Parties agree that the Lease Term for the Lease Floors shall be terminated without further extension unless DSH gives written notice of a request to extend such Lease Term not less than thirty (30) days before the expiration of the Lease Term. Yuan Hao shall not terminate this Lease Agreement without DSH's written approval. During the Lease Term extension period, the items relating to the rental set forth in Article 5 of the Lease Agreement shall be adjusted on the basis of the market prices at the time of the Lease Term extension and after consultation between the Parties.

3.4 If during the Lease Term or the Lease Term extension period, Yuan Hao receives from a third party a bona fide, legally binding offer to lease the portion of the Fourth Floor not already leased by DSH, Yuan Hao shall notify DSH of this fact. The notice shall specify all the terms of the bona fide third party offer. DSH shall then have thirty (30) days to lease that portion of the Lease Floors specified in the third party's bona fide

offer for the rent and related details set forth in Articles 4 and 5. Yuan Hao shall not lease any portion of the Lease Floors to any third party until the thirty (30) days has expired without DSH exercising its right of first refusal. Any other terms not specified in this Lease Agreement regarding the Lease Floors, both Parties shall negotiate and sign a supplemental agreement for these unspecified terms. Such signed supplemental agreement shall constitute a part of the entire Lease Agreement and shall have the same effectiveness as the entire Lease Agreement.

4. Total Lease Area of the Lease Floors

4.1 First Floor has a total lease area of 998 square meters.

4.2 Second Floor has a total lease area of 1,292 square meters.

4.3 Lease Floors has a total lease area of 2,280 square meters.

5. Rental

5.1 The Parties agree that the monthly rent per square meter for the First Floor shall be Renminbi (“RMB”) 26.07 per square meter. The total monthly rent for the First Floor shall be RMB 25,757.16.

5.2 The Parties agree that the monthly rent per square meter for the Second Floor shall be RMB 26.07 per square meter. The total monthly rent for the Second Floor shall be RMB 33,682.44.

5.3 The Parties agree that the total monthly rent for the Lease Floors shall be RMB 59,439.60.

6. Deposit

DSH shall pay Yuan Hao a deposit amount of RMB 59,439.60 within ninety (90) days of the Effective Date of the Lease Agreement.

7. Method of Payment

For the Fourth Floor, DSH shall pay the Rental in RMB to the RMB bank account as designated by Yuan Hao before the first day of every month.

8. Termination of the Lease Agreement

If either Party terminates the Lease Agreement prior to the expiration of the Lease Term without the consent from the other Party, the Party that terminates the Lease Agreement shall pay damages to the other Party to compensate for such Party's actual loss. The amount of damages shall include, but not be limited to, the reasonable profits, out-of-pocket costs, legal service fees, Court fees, arbitration fees, accounting fees and removal or relocation fees.

9. Insurance and Repair Costs

9.1 During the term of the Lease Agreement, Yuan Hao shall purchase and maintain insurance coverage to cover any and all casualty damage to the Factory Building, and shall be responsible for repairing all structural damages to the Factory Building that are not the result of improper use by DSH. DSH shall be responsible for all repair costs arising from improper building usage by DSH. If Yuan Hao cannot obtain building insurance, DSH will need to obtain insurance for the Fourth Floor, and Yuan Hao will reimburse DSH for all costs of such insurance coverage.

9.2 Yuan Hao shall be entitled to inspect the Factory Building at reasonable intervals and upon reasonable notice to DSH. DSH shall provide assistance to allow such inspections.

10. Liability for Breach of the Lease Agreement

10.1 If DSH violates Article 5 of the Lease Agreement for failing to pay the Rental, then DSH shall pay a penalty at the rate of 0.011% of the Rental for each day of delay.

10.2 If Yuan Hao breaches Articles 2, 3, 11 and any of its warranties set forth in this Lease Agreement, Yuan Hao shall compensate DSH for all of DSH's losses and damages including consequential, special, punitive and incidental damages.

10.3 DSH shall not:

- (1) sub-lease the Lease Floors or exchange the use of the Lease Floors with any third party without Yuan Hao's prior written consent.
- (2) alter the structure of the Lease Floors or damage the Factory Building without Yuan Hao's prior written consent.
- (3) change the lease purpose stipulated by the competent authorities without Yuan Hao's consent.

11. Warranties

11.1 Yuan Hao hereby warrants that if the Factory Building is sold to any third party during the Lease Term or the period of renewal, such third party shall be required to fulfill all obligations of Yuan Hao under the Lease Agreement. If said third party fails to carry out the Lease Agreement, Yuan Hao shall compensate DSH for all of DSH's losses and damages including consequential, special, punitive and incidental damages.

11.2 In case Yuan Hao mortgages the Factory Building to the third party, any loss suffered by DSH shall be paid by Yuan Hao.

12. Force Majeure

12.1. The definition of Force Majeure

Force Majeure shall mean any event which arises after the Effective Date that is beyond the control of the Parties, and is unforeseen, unavoidable and insurmountable, and which prevents total or partial performance by either Party. Such events shall include earthquakes, typhoons, flood, fire, war, acts of government or public agencies, strikes and any other event which cannot be foreseen, prevented and controlled, including events which are recognized as Force Majeure in general international commercial practice.

12.2 Consequences of Force Majeure

a. If an event of Force Majeure occurs, the contractual obligation of a Party affected by such an event shall be suspended during the period of delay and the time for performing such obligation shall be extended, without penalty, for a period equal to such suspension.

b. The Party claiming Force Majeure shall give prompt notice to the other Party in writing and shall furnish, within fifteen (15) days thereafter, sufficient proof of the occurrence and expected duration of such Force Majeure. The Party claiming Force Majeure shall also use all reasonable efforts to mitigate or eliminate the effects of the Force Majeure.

c. If an event of Force Majeure occurs, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable efforts to minimize the consequences of such Force Majeure.

13. Effective Date of the Lease Agreement

The Lease Agreement shall become effective after the legal representatives or authorized representatives of both Parties affix their signatures and company seals on the Lease Agreement.

14. Language of the Lease Agreement

The Lease Agreement is made and executed in Chinese and English, both versions having equal validity except as prohibited by law.

15. Settlement of Dispute

15.1 Friendly consultations

a. In the event of any dispute, difference, controversy or claim arising out of or related to the Lease Agreement, including, but not limited to, any breach, termination or validity of the Lease Agreement, (the "Dispute") then upon one Party giving the other Party notice in writing of the Dispute (the "Notice of Dispute"), the Parties shall attempt to resolve such Dispute through friendly consultation.

b. If the Dispute has not been resolved through friendly consultations with thirty (30) days from the Notice of Dispute, the Dispute shall be resolved by arbitration in accordance with Article 15.2 of this Lease Agreement. Such arbitration may be initiated by either Party.

15.2 Arbitration

The arbitration shall be conducted by Shanghai Arbitration Commission in Shanghai, China in accordance with its procedure and rules. The arbitration award shall be final and binding on the Parties. The costs of arbitration shall be borne by the losing Party except as may be otherwise determined by the arbitration tribunal.

15.3 Continuance of performance

Except for the matter in Dispute, the Parties shall continue to perform their respective obligations under the Lease Agreement during any friendly consultations or any arbitration pursuant to this Article 15.

15.4 Separability

The provisions of this Article 15 shall be separable from the other terms of the Lease Agreement. Neither the terminated nor the invalidity of the Lease Agreement shall affect the validity of the provisions of this Article 15.

16. Applicable Law

The validity, interpretation and implementation of the Lease Agreement and the settlement of Disputes shall be governed by relevant laws of the People's Republic of China and regulations that are officially promulgated and publicly available.

17. Compliance with the Foreign Corrupt Practices Act

17.1 Yuan Hao acknowledges that DSH is a corporation with substantial presence and affiliation in the United States and, as such, is subject to the provisions of the Foreign Corrupt Practices Act of 1977 of the United States of America, 15 U.S.C. §§ 78dd-1, et seq., which prohibits the making of corrupt payments (the "FCPA"). Under the FCPA, it is unlawful to pay or to offer to pay anything of value to foreign government officials, or employees, or political parties or candidates, or to persons or entities who will offer or give such payments to any of the foregoing in order to obtain or retain business or to secure an improper commercial advantage.

17.2 Yuan Hao further acknowledges that it is familiar with the provisions of the FCPA and hereby agrees that Yuan Hao shall take or permit no action which will either constitute a violation under, or cause DSH to be in violation of, the provisions of the FCPA.

18. Miscellaneous

18.1 Any amendment to this Lease Agreement shall be in writing and duly signed by both Parties. Such amendment shall constitute a part of the entire Lease Agreement.

18.2 Both Parties acknowledge that they are aware of their respective rights, obligations and liabilities and will perform their obligations under the Lease Agreement in accordance with the provisions of the Lease Agreement. If one Party violates the Lease Agreement, the other Party shall be entitled to claim damages in accordance with the Lease Agreement.

18.3 Any notice or written communication required or permitted by this Lease Agreement shall be made in writing in Chinese and English and sent by courier service. The date of receipt of a notice or communication shall be deemed to be seven (7) days after the letter is deposited with the courier service provided the deposit is evidenced by a confirmation receipt. All notice and communications shall be sent to the appropriate address set forth below, until the same is changed by notice given in writing to the other Party.

To: DSH

Address: No.1 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China

Attn.: Shanghai Kai Hong Technology Co., Ltd.

To: Yuan Hao

Address: No.8 Lane 18 San Zhuang Road, Songjiang Export Processing Zone, Shanghai, P.R.China

Attn.: Shanghai Yuan Hao Electronic Co., Ltd.

18.4 This Lease Agreement comprises the entire understanding between the Parties with respect to its subject matters and supersedes any previous or contemporaneous

communications, representations, or agreements, whether oral or written. For purposes of construction, this Lease Agreement will be deemed to have been drafted by both Parties. No modification of this Lease Agreement will be binding on either Party unless in writing and signed by an authorized representative of each Party.

Shanghai Kai Hong Technology Co., Ltd.

By _____
Authorized Representative
Date:

Shanghai Yuan Hao Electronic Co., Ltd.

By _____
Authorized Representative
Date:

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

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

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

/s/ Keh-Shew Lu

Keh-Shew Lu

President and Chief Executive Officer

Date: August 11, 2008

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

I, **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: August 11, 2008

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **June 30, 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: August 11, 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.

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended **June 30, 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: August 11, 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.