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

FORM 10-Q

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

For the quarterly period ended JUNE 30, 1997

or

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

For the transition period from _______ to _______

COMMISSION FILE NUMBER: 1-5740

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

DELAWARE	95-2039518
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3050 EAST HILLCREST DRIVE WESTLAKE VILLAGE, CALIFORNIA	91362
(Address of principal executive offices)	(Zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, PAR VALUE $0.66 2/3	AMERICAN STOCK EXCHANGE
(Title of each class)	(Name of each exchange on which registered)

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

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

The number of shares of the registrant's Common Stock outstanding as of June 30, 1997, was 5,682,461 including 717,115 shares of treasury stock.

THIS REPORT INCLUDES A TOTAL OF 22 PAGES
THE EXHIBIT INDEX IS ON PAGE 20

DIODES INCORPORATED

INDEX

PART I - FINANCIAL INFORMATION
ITEM 1 - CONSOLIDATED FINANCIAL INFORMATION

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

ASSETS

	(UNAUDITED) JUNE 30, 1997	DECEMBER 31, 1996
CURRENT ASSETS		
Cash	$ 4,501,000	$ 1,820,000
Accounts receivable		
Customers	9,735,000	7,901,000
Related party	140,000	376,000
Other	189,000	352,000
	10,064,000	8,629,000
Less allowance for doubtful receivables	212,000	253,000
	9,852,000	8,376,000
Inventories	13,054,000	13,268,000
Deferred income taxes	1,426,000	1,426,000
Prepaid expenses and other	1,196,000	345,000
Total current assets	30,029,000	25,235,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	4,773,000	4,628,000
ADVANCES TO RELATED PARTY VENDOR	2,723,000	2,631,000
OTHER ASSETS	59,000	52,000
TOTAL ASSETS	$37,584,000	$32,546,000

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	(UNAUDITED) JUNE 30, 1997	DECEMBER 31, 1996
CURRENT LIABILITIES		
Due to bank	$ 1,000,000	$ --
Accounts payable		
Trade	3,361,000	2,303,000
Related party	1,688,000	2,250,000
Accrued liabilities		
Compensation and payroll tax	1,288,000	1,292,000
Other accrued liabilities	1,868,000	810,000
Income taxes payable	462,000	223,000
Current portion of long-term debt	1,036,000	954,000
Total current liabilities	10,703,000	7,832,000
LONG-TERM DEBT, net of current portion	3,768,000	4,288,000
MINORITY INTEREST IN JOINT VENTURE	1,223,000	962,000
STOCKHOLDERS' EQUITY		
Class A convertible preferred stock - par value $1.00 per share; 1,000,000 shares authorized; no shares issued and outstanding at December 31, 1996 and June 30, 1997	--	--
Common stock - par value $0.66 2/3 per share; 9,000,000 shares authorized; 5,675,794 shares and 5,682,461 issued and outstanding at December 31, 1996 and June 30, 1997, respectively	3,789,000	3,784,000
Additional paid-in capital	5,776,000	5,768,000
Retained earnings	14,107,000	11,694,000
	23,672,000	21,246,000
Less:		
Treasury stock - 717,115 shares of common stock at cost	1,782,000	1,782,000
Total stockholders' equity	21,890,000	19,464,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$37,584,000	$32,546,000

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
NET SALES	$ 15,541,000	$ 13,450,000	$ 32,031,000	$ 26,656,000
COST OF GOODS SOLD	10,854,000	9,995,000	22,642,000	19,488,000
Gross profit	4,687,000	3,455,000	9,389,000	7,168,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,050,000	2,552,000	6,079,000	5,009,000
Income from operations	1,637,000	903,000	3,310,000	2,159,000
OTHER INCOME (EXPENSE)				
Interest income	88,000	42,000	133,000	89,000
Interest expense	(97,000)	(149,000)	(200,000)	(272,000)
Minority interest in joint venture earnings	(158,000)	11,000	(248,000)	11,000
Commissions and other	113,000	57,000	202,000	178,000
	(54,000)	(39,000)	(113,000)	6,000
INCOME BEFORE INCOME TAXES	1,583,000	864,000	3,197,000	2,165,000
PROVISION FOR INCOME TAXES	354,000	309,000	784,000	762,000
NET INCOME	$ 1,229,000	$ 555,000	$ 2,413,000	$ 1,403,000
EARNINGS PER SHARE				
PRIMARY	$ 0.23	$ 0.11	$ 0.45	$ 0.27
FULLY-DILUTED	$ 0.23	$ 0.11	$ 0.45	$ 0.27
Weighted average shares outstanding				
Primary	5,435,581	5,224,618	5,391,507	5,226,401
Fully-diluted	5,435,581	5,224,618	5,416,450	5,226,401

See accompanying notes

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

	SIX MONTHS ENDED JUNE 30, 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,413,000	$ 1,403,000
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	446,000	135,000
Increase (decrease) in allowance for doubtful accounts	(41,000)	59,000
(Increase) decrease in operating assets:		
Accounts receivable	(1,435,000)	(1,246,000)
Inventories	214,000	(215,000)
Prepaid expenses and other	(851,000)	(454,000)
(Decrease) increase in operating liabilities:		
Accounts payable	496,000	(1,514,000)
Accrued liabilities	1,054,000	1,876,000
Income taxes payable	239,000	(616,000)
Minority interest in joint venture	261,000	1,201,000
Net cash provided by operating activities	2,796,000	629,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(578,000)	(4,811,000)
Acquisition of other assets	(99,000)	(1,067,000)
Net cash used by investing activities	(677,000)	(5,878,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit, net	1,082,000	1,566,000
Proceeds from (repayments of) long-term obligations	(520,000)	3,980,000
Net cash provided by financing activities	562,000	5,546,000
INCREASE IN CASH	$ 2,681,000	$ 297,000
CASH AT BEGINNING OF PERIOD	$ 1,820,000	$ 478,000
CASH AT END OF PERIOD	$ 4,501,000	$ 775,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-Cash Investing Activities		
Purchase of equipment on accounts payable	$ --	$ --
Conversion of joint venture investment to plant and equipment	$ --	$ 1,878,000

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

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated, condensed financial statements have been prepared in accordance with the instruction to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report in Form 10-K for the calendar year ended December 31, 1996.

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Diodes Taiwan Co., Ltd. (a foreign subsidiary), and the accounts of the Kai Hong joint venture in which the Company has a 70% controlling interest. All significant intercompany balances and transactions have been eliminated.

NOTE B - INCOME TAXES

The Company accounts for the income taxes using an asset and liability method. Under this method, deferred tax assets and liabilities are recognized for tax effect of differences between the financial statement and tax bases of assets and liabilities. Accordingly, the Company has recorded a net deferred tax asset of $1,426,000 resulting from temporary differences in bases of assets and liabilities. This deferred tax asset results primarily from inventory reserves and expense accruals which are not currently deductible for income tax purposes.

The income tax expense as a percentage of pre-tax income differs from the statutory combined federal and state tax rates. The primary reasons for this difference is (i) in accordance with Chinese tax policy, earnings of the Kai Hong joint venture are not subject to tax for the first 2 years upon commencement of profitable operations, and (ii) earnings of the Company's subsidiary in Taiwan are subject to tax at a lower rate than in the U.S.

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 "Factors That May Affect Future Results" and elsewhere in this Report on Form 10-Q, that could cause actual results to differ materially from those anticipated by the Company's management. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made on this Quarterly Report on Form 10-Q are made pursuant to the Act.

GENERAL

The Company's net sales increased approximately 15.5% to $15.5 million for the three months ended June 30, 1997 from $13.5 million in the same period ended June 30, 1996 primarily due to an increase in customer demand resulting in an increase in the number of units shipped.

In April 1997, the Company announced that definitive agreements had been executed pursuant to which a controlling interest in its major shareholder, Lite-On Power Semiconductor Corporation ("LPSC"), part of the Lite-On Group of the Republic of China, will be transferred to Vishay Intertechnology, Inc. ("Vishay") through a newly formed joint venture. The transaction was consummated in July 1997.

The transfer was made in connection with a new joint venture between Vishay and the Lite-On Group involving the worldwide discrete power semiconductor business of LPSC and the Asian passive component business of Vishay. Vishay will hold a 65% controlling interest in the joint venture, and the Lite-On Group will hold the other 35%. The joint venture will own 100% of LPSC. At the time the definitive agreement was announced, LPSC held 40.2% of the outstanding shares of Diodes Incorporated.

In July, General Instrument Corporation announced that it would acquire the discrete semiconductor business of ITT Intermetall ("ITT"), one of the Company's major suppliers. As a result of this announcement, ITT has notified the Company of their intent to terminate their distribution agreement with the Company under the terms of the contract.

The Company will continue its strategic plan of locating alternate sources of its products, including those provided by ITT. Alternate sources include but are not limited to the Kai Hong joint venture and other sourcing agreements in place as well as those in negotiations. The Company anticipates that the effect of the ITT sale will not have a material adverse effect on the Company's operations provided that alternate sources remain available. The Company continually evaluates alternative sources of its products to assure its ability to deliver high quality, cost effective products.

One of the Company's primary strategic programs was the formation of the Kai Hong joint venture, formed in the first half of 1996. The Kai Hong joint venture, in which the Company has invested $2.8 million in a SOT-23 manufacturing facility on mainland China, has continued to contribute positively to the Company's bottom line throughout the first half of 1997, as well as to provide replacements for a portion of the ITT product line.

The Kai Hong joint venture continued the Company's commitment to creating first class quality, on time delivery, and satisfying customers' requirements by receiving ISO9000 certification in July 1997.

The Company's net income increased approximately 121.4% to $1.2 million for the three months ended June 30, 1997 from $848,000 in the same period ended June 30, 1996. This was due primarily to the 15.5% increase in net sales combined with a 4.5 percentage point increase in gross profit margin due to increased profits from the Kai Hong joint venture, offset by a 0.7 percentage point increase in selling, general, and administrative expenses ("SG&A") as a percentage of net sales.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 1997 AND 1996

The following table sets forth, for the periods indicated, the percentage which 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)
	1997	1996	'96 TO '97
Net sales	100.0 %	100.0 %	15.5 %
Cost of goods sold	(69.8)	(74.3)	8.6
Gross profit	30.2	25.7	35.7
SG&A	(19.7)	(19.0)	19.5
Income from operations	10.5	6.7	81.3
Interest expense, net	(0.0)	(0.8)	(91.6)
Other income	(0.3)	0.5	(166.2)
Income before taxes	10.2	6.4	83.2
Income taxes	2.3	2.3	14.6
Net income	7.9	4.1	121.4

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

	1997	1996
NET SALES	$ 15,541,000	$ 13,450,000

The Company's net sales increased approximately $2.1 million or 15.5%, for the three months ended June 30, 1997 compared to the same period last year, due primarily to an increase in customer demand resulting in an increase in the number of units shipped.

	1997	1996
GROSS PROFIT	$ 4,687,000	$ 3,455,000
GROSS MARGIN PERCENTAGE	30.2%	25.7%

The Company was able to increase its gross profit margin to 30.2% for the three months ended June 30, 1997 compared to 25.7% for the same period a year ago, primarily as a result of increased profits from its Kai Hong joint venture, as well as continued improvements in inventory management.

	1997	1996
SG&A	$ 3,050,000	$ 2,552,000

The Company's SG&A for the three months ended June 30, 1997 increased approximately $498,000 or 19.5% compared to the same period last year, due primarily to: (i) an increase of approximately $105,000 in sales commissions paid on the 15.5% increase in net sales, (ii) approximately $171,000 in operating expenses associated with the Kai Hong manufacturing facility which commenced operations in the second quarter of 1996, and (iii) $110,000 associated with new marketing programs and personnel. The Company's SG&A as a percentage of net sales increased to 19.7% for the three months ended June 30, 1997 from 19.0% for the same period last year.

	1997	1996
INCOME FROM OPERATIONS	$ 1,637,000	$ 903,000

The Company's 1997 comparative increase in operating profit of approximately $734,000, or 81.3%, is primarily the result of the Company's 15.5% increase in net sales and 35.7% increase in gross profit, offset by a 19.5% increase in SG&A.

	1997	1996
INTEREST INCOME	$ 88,000	$ 42,000
INTEREST EXPENSE	$ 97,000	$ 149,000

The Company's interest income for the three months ended June 30, 1997 increased 109.5% compared to the same period last year as the Company is advancing funds under its Kai Hong and FabTech agreements. Interest income is primarily the interest charged to FabTech under the Company's loan agreement as well as earnings on it's cash balances. The Company's interest expense for 1997 decreased $52,000 or 34.9%, as a result of approximately $ 4.0 million short term notes being paid. Interest expense is primarily the result of the $2.8 million investment in the Kai Hong joint venture and the $2.7 million loan advanced to a related party, FabTech.

	1997	1996
MINORITY INTEREST IN JOINT VENTURE	$ (158,000)	$ 11,000

The Company's minority interest in joint venture for the three months ended June 30, 1997 is the minority investor's share of the joint venture's net income for the period. The joint venture investment is eliminated in consolidation of the Company's financial statements and the activities of Kai Hong are included therein.

	1997	1996
OTHER INCOME	$ 113,000	$ 57,000

The Company's other income for the three months ended June 30, 1997 increased approximately $56,000, or 98.2%, compared to other income for the same period in 1996 primarily as a result of increased commissions earned by the Company's Taiwan subsidiary on drop shipment sales in Asia.

	1997	1996
INCOME TAXES	$ 354,000	$ 309,000

The Company's income taxes for the three months ended June 30, 1997 increased approximately $45,000, or 14.6%, compared to income taxes for the same period last year. The Company's effective tax rate in the current quarter decreased to 22.4% from 35.8% as a result of the net income in China of the Kai Hong joint venture, which under Chinese tax law is not taxed for the first two years upon commencing profitable operation.

	1997	1996
NET INCOME	$ 1,229,000	$ 555,000
EARNINGS PER SHARE	$ 0.23	$ 0.11

The Company's net income for the three months ended June 30, 1997 increased approximately $674,000 or 121.4%, compared to the same period in 1996 due to the 15.5% increase in net sales and 35.7% increase in gross profit. Earnings per share increased approximately 109.1% for the three months ended June 30, 1997, compared to the same period in 1996. The number of common and common equivalent shares outstanding for the three months ended June 30, 1997 increased 4.0% compared to the same period last year, due primarily to stock options issued.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND 1996.

The following table sets forth, for the periods indicated, the percentage which 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)
	1997	1996	'96 TO '97
Net sales	100.0 %	100.0 %	20.2 %
Cost of goods sold	(70.7)	(73.1)	16.2
Gross profit	29.3	26.9	31.0
SG&A	(19.0)	(18.8)	21.4
Income from operations	10.3	8.1	53.3
Interest expense, net	(0.2)	(0.7)	(63.4)
Other income	(0.1)	0.7	(124.3)
Income before taxes	10.0	8.1	47.7
Income taxes	2.5	2.8	2.9
Net income	7.5	5.3	72.0

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

	1997	1996
NET SALES	$ 32,031,000	$ 26,656,000

The Company's net sales increased approximately $5.4 million or 20.2% for the six months ended June 30, 1997 compared to the same period last year and was primarily attributed to an increase in customer demand resulting in an increase in the number of units shipped. Throughout most of 1996, the industry experienced a substantial decrease in demand, combined with excess inventory among the Company's customers which negatively affected the Company's net sales and gross profit margins.

	1997	1996
GROSS PROFIT	$ 9,389,000	$ 7,168,000
GROSS MARGIN PERCENTAGE	29.3%	26.9%

The Company's gross profit for the six months ended June 30, 1997 increased approximately $2.2 million or 31.0% compared to the same period last year, primarily due to the 20.2% increase in net sales, as well as increased demand and improved inventory control. The gross margin percentage increased 2.4 percentage points.

	1997	1996
SG&A	$ 6,079,000	$ 5,009,000

The Company's SG&A for the six months ended June 30, 1997 increased approximately $1.1 million or 21.4% compared to the same period last year, due primarily to: (i) an increase of approximately $270,000 in sales commissions paid on the 20.2% increase in net sales, (ii) approximately $235,000 in operating expenses associated with the Kai Hong manufacturing facility which commenced operations in the second quarter of 1996, and (iii) $219,000 associated with new marketing programs and personnel. The Company's SG&A as a percentage of net sales increased to 19.0% for the six months ended June 30, 1997 from 18.8% for the same period last year.

	1997	1996
INCOME FROM OPERATIONS	$ 3,310,000	$ 2,159,000

The Company's 1997 comparative increase in operating profit of approximately $1.2 million, or 53.3%, is primarily the result of the Company's 20.2% increase in net sales and 31.0% increase in gross profit, offset by a 0.2 percentage point increase in SG&A as a percentage of net sales.

	1997	1996
INTEREST INCOME	$ 133,000	$ 89,000
INTEREST EXPENSE	$ 200,000	$ 272,000

The Company's interest income for the six months ended June 30, 1997 increased approximately $44,000, or 49.4%, compared to the same period last year as the Company is advancing funds under its Kai Hong and FabTech agreements. Interest income is primarily the interest charged to FabTech under the Company's loan agreement. The Company's interest expense for 1997 decreased $72,000 or 26.5%. Interest expense is primarily the result of the $2.8 million investment in the Kai Hong joint venture and the $2.7 million loan advance to a related party, FabTech.

	1997	1996
MINORITY INTEREST IN JOINT VENTURE	$ (248,000)	$ 11,000

The Company's minority interest in joint venture for the six months ended June 30, 1997 is the minority investor's share of the joint venture's net income for the period. The joint venture investment is eliminated in consolidation of the Company's financial statements and the activities of Kai Hong are included therein.

	1997	1996
OTHER INCOME	$ 202,000	$ 178,000

The Company's other income for the six months ended June 30, 1997 increased approximately $24,000, or 13.5%, compared to other income for the same period in 1996 primarily as a result of increased commissions earned by the Company's Taiwan subsidiary on drop shipment sales in Asia.

	1997	1996
INCOME TAXES	$ 784,000	$ 762,000

The Company's income taxes for the six months ended June 30, 1997 decreased approximately $22,000, or 2.9%, compared to income taxes for the same period last year. The Company's effective tax rate in the current quarter decreased to 24.5% from 35.2% as a result of the net income in China of the Kai Hong joint venture, which under Chinese tax law is not taxed for the first two years upon commencing profitable operation.

	1997	1996
NET INCOME	$ 2,413,000	$ 1,403,000
EARNINGS PER SHARE	$ 0.45	$ 0.27

The Company's net income for the six months ended June 30, 1997 increased approximately $1.0 million or 72.0%, compared to the same period in 1996 due to the 20.2% increase in net sales and 31.0% increase in gross profit, offset in part by an increase in SG&A as a percentage of net sales of 0.2 percentage points. Earnings per share increased approximately 66.7% for the six months ended June 30, 1997, compared to the same period in 1996. The number of fully-diluted common and common equivalent shares outstanding for the six months ended June 30, 1997 increased 3.6% compared to the same period last year, due primarily to stock options issued.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the six months ended June 30, 1997 was $2.8 million compared to cash provided by operating activities of $629,000 for the six months ended June 30, 1996. The primary source of cash flows from operations for the six months ended June 30, 1997 was net income of $2.4 million. The primary use of cash flow from operations was a $1.4 million increase in accounts receivable. Accounts receivable increased 16.6% on a 20.2% increase in net sales as the Company continues to closely monitor its credit policy while, at times, providing more flexible terms when necessary. The ratio of the Company's current assets to current liabilities on June 30, 1997 was 2.8 to 1 compared to a ratio of 3.2 to 1 as of December 31, 1996.

Cash used by investing activities was $677,000 for the six months ended June 30, 1997, compared to $5.9 million for the same period in 1996. The primary investments were approximately $220,000 for computer system upgrades as well as approximately $300,000 for additional manufacturing equipment at Kai Hong.

The Company has a 70% interest in the Kai Hong joint venture, is responsible for production and management, and currently receives 100% of the production. The venture parties have made a significant equity contribution to the joint venture and a portion of the cost of developing the project is debt financed. The Kai Hong operation is in full production with its existing equipment and, beginning in the first quarter of 1997, is making a positive contribution to the Company's bottom line. The joint venture agreement allows for additional production expansion in phases according to market demand.

The Company's Taiwan and Kai Hong manufacturing facilities receive wafers from FabTech, among others. Output from the FabTech facility includes wafers, which may be used in the production of such products as Schottky barrier diodes, fast recovery epitaxial diodes (FREDs), and other widely used value-added products. Schottky barrier diodes are employed in the manufacture of the power supplies found in personal computers, telecommunications devices and myriad other applications where high frequency, low forward voltage and fast recovery are required.

Both the Kai Hong and FabTech alliances are indicative of the Company's desire to participate in the sourcing of advanced-technology discrete components, and to enhance its ability to procure products in a timely fashion and at reasonable costs.

Cash provided by financing activities was $562,000 as of June 30, 1997, compared to cash provided of $5.5 million for the same period in 1996. The Company uses its credit facility to fund the advances to FabTech and Kai Hong as well as to support its operations. The Company believes that the continued availability of this credit facility, together with internally generated funds, will be sufficient to meet the Company's currently foreseeable operating cash requirements. The Company's cash balance at June 30, 1997 increased approximately $2.7 million, or 147.3%, compared to the December 31, 1996 cash balance primarily as a result of net income.

In August 1996, the Company obtained a $22.6 million credit facility with a major bank consisting of: a working capital line of credit up to $9 million, term commitment notes providing up to $9.5 million for plant expansion and advances to vendors, and letters of credit of $4.1 million for Kai Hong. Interest on outstanding borrowings under the credit agreement is payable monthly at LIBOR plus a negotiated margin. Fixed borrowings require payments of interest only for six months from the date of distribution and fixed principal plus interest payments for sixty months thereafter. The agreement has certain covenants and restrictions which, among other matters requires the maintenance of certain financial ratios and operating results, as defined in the agreement. The Company was in compliance as of June 30, 1997. The working capital line of credit expires August 3, 1998 and contains a sublimit of $2 million for issuance of commercial and stand-by letters of credit. The weighted average interest rate on outstanding borrowings was 6.8% for the six months ended June 30, 1997.

As of June 30, 1997, $4.6 million is outstanding under the term note commitment. The Company may borrow the remaining $4.9 million available under the term note commitment through September 30, 1997. The Company also has two guaranty agreements which guarantee term loans made by a major bank to Shanghai Kaihong Electronics Co., Ltd. (Kai Hong) (to assist in establishing a credit record with the bank) and the minority investor of the Kai Hong joint venture (as per the Kai Hong joint venture agreement) for $1.0 million and $850,000, respectively. In the event that the Company shall be required to pay any amount whatsoever to any person pursuant to, in connection with or as a result of or relating to the guaranty, the Company shall have the right, in its sole and absolute discretion, to purchase from the minority investor, and the minority investor hereby sells and assigns to the Company, that portion of the minority investor's shares of the capital stock of Shanghai Kaihong Electronics Co., Ltd. obtained by dividing (x) the amount so paid by the Company by (v) the aggregate amount theretofor required to be paid by the minority investor to Shanghai Kaihong Electronics Co., Ltd. for the purchase of such shares, in cancellation of the minority investor's obligations to reimburse for the Company for such amount so paid by the Company.

The Company's total working capital increased 11.0% to $19.3 million as of June 30, 1997 from $17.4 million as of December 31, 1996. The Company believes that its working capital position will be sufficient for its requirements in the foreseeable future.

As of June 30, 1997, the Company has no material plans or commitments for capital expenditures other than disclosed in the Kai Hong and FabTech agreements previously mentioned. However, to ensure that the Company can secure reliable and cost effective sourcing to support and better position itself for growth, the Company is continuously evaluating additional sources of products. The Company believes its credit and financial position will provide sufficient access to funds should an appropriate investment opportunity arise and, thereby, assist the Company in improving customer satisfaction and in maintaining or increasing product market penetration. The Company's debt to equity ratio increased to 0.66 at June 30, 1997 from 0.62 at December 31, 1996. The Company anticipates this ratio may increase as the Company continues to use its credit facilities to fund additional sourcing opportunities.

Factors That May Affect Future Results

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 "Factors That May Affect Future Results" and elsewhere in this Report on Form 10-Q, that could cause actual results to differ materially from those anticipated by the Company's management. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made on this Quarterly Report on Form 10-Q are made pursuant to the Act.

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

There are many factors that could cause the events in such forward looking statements to not occur, including, but not limited to, general or specific economic conditions, fluctuations in product demand, the introduction of new products, the Company's ability to maintain customer relationships, technological advancements, impact of competitive products and pricing, growth in targeted markets, risks of foreign operations, the ability and willingness of the Company's customers to purchase products provided by the Company, the perceived absolute or relative overall value of these products by the purchasers, including the features, quality, and price in comparison to other competitive products, the level of availability of products and substitutes and the ability and willingness of purchasers to acquire new or advanced products, and pricing, purchasing, financing, operating, advertising and promotional decisions by intermediaries in the distribution channels which could affect the supply of or end-user demands for the Company's products, the amount and rate of sales growth and the Company's selling, general and administrative expenses, difficulties in obtaining materials, supplies and equipment, difficulties of delays in the development, production, testing and marketing of products including, but not limited to, failure to ship new products and technologies when anticipated, the failure of customers to accept these products or technologies when planned, defects in products, any failure of economies to develop when planned, the acquisition of fixed assets and other assets, including inventories and receivables, the making or incurring of any expenditures, the effects of and changes in trade, monetary and fiscal policies, laws and regulations, other activities of governments, agencies and similar organizations and social and economic conditions, such as trade restriction or prohibition, inflation and monetary fluctuation, import and other charges or taxes, the ability or inability of the Company to obtain or hedge against foreign currency, foreign exchange rates and fluctuations in those rates, intergovernmental disputes as well as actions affecting frequency, use and availability, the costs and other effects of legal investigations, claims and changes in those items, developments or assertions by or against the Company relating to intellectual property rights, adaptations of new, or changes in, accounting policies and practices in the application of such policies and practices and the effects of changes within the Company's organization or in compensation benefit plans, and activities of parties with which the Company has an agreement or understanding,

including any issues affecting any investment or joint venture in which the Company has an investment, and the amount, and the cost of financing which the Company has, and any changes to that financing, and any other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no matters to be reported under this heading.

ITEM 2. CHANGES IN SECURITIES

There are no matters to be reported under this heading.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no matters to be reported under this heading.

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

The Company submitted to a vote of its security holders at an annual meeting of shareholders on June 6, 1997, the election of members of the Board of Directors. The directors were each elected to serve until the 1997 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:

Michael R. Giordano,	For:	4,600,490
Director	Withheld:	30,208
David Lin,	For:	4,559,665
Director	Withheld:	31,033
M.K. Lu,	For:	4,600,365
Director	Withheld:	30,333
Shing Mao,	For:	4,600,690
Director	Withheld:	30,008
Michael A. Rosenberg,	For:	4,599,890
Director	Withheld:	30,808
Leonard M. Silverman,	For:	4,600,065
Director	Withheld:	30,633
Raymond Soong,	For:	4,600,665
Director	Withheld:	30,033

The Company also submitted to a vote of its security holders at an annual meeting of shareholders on June 6, 1997, the appointment of Moss Adams LLP as the Company's independent certified public accountants for the fiscal year ending December 31, 1997. The result of the tabulation was 2,400,093 shares voted in favor of the proposal and no shares voted against or 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11 - Computation of Earnings Per Share

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURE

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

DIODES INCORPORATED (Registrant)

/s/ Joseph Liu August 11, 1997

- ---------------------

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

INDEX TO EXHIBITS

DIODES INCORPORATED AND SUBSIDIARIES

EXHIBIT - 11

COMPUTATION OF EARNINGS PER SHARE

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
PRIMARY				
Weighted average number of common shares outstanding	4,962,855	4,958,679	4,960,779	4,958,638
Assumed exercise of stock options	472,726	265,939	430,728	267,763
	5,435,581	5,224,618	5,391,507	5,226,401
Net income	$1,229,000	$ 555,000	$2,413,000	$1,403,000
Primary earnings per share	$ 0.23	$ 0.11	$ 0.45	$ 0.27
FULLY-DILUTED				
Weighted average number of common shares outstanding	4,962,855	4,958,679	4,960,779	4,958,638
Assumed exercise of stock options	*472,726	*265,939	455,671	*267,763
	5,435,581	5,224,618	5,416,450	5,226,401
Net income	$1,229,000	$ 555,000	$2,413,000	$1,403,000
Fully diluted earnings per share	$ 0.23	$ 0.11	$ 0.45	$ 0.27

* No further effect given to common stock equivalents as their effect would be anti-dilutive.

5

3-MOS
DEC-31-1997
APR-01-1997
JUN-30-1997
4,501,000
0
10,064,000
212,000
13,054,000
30,029,000
7,040,000
2,267,000
37,584,000
10,703,000
0
0
0
3,789,000
18,101,000
37,584,000
15,541,000
15,541,000
10,854,000
3,050,000
0
0
9,000
1,583,000
354,000
1,229,000
0
0
0
1,229,000
0.23
0.23