

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____.
COMMISSION FILE NUMBER: 1-5740

DIODES INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

95-2039518
(I.R.S. Employer
Identification Number)

3050 EAST HILLCREST DRIVE
WESTLAKE VILLAGE, CALIFORNIA
(Address of principal executive offices)

91362
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 446-4800

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

COMMON STOCK, PAR VALUE \$0.66 2/3
(Title of each class)

AMERICAN STOCK EXCHANGE
(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

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

The aggregate market value of the 2,723,919 shares of Common Stock held by
non-affiliates of the registrant, based on the closing price of the Common
Stock on the American Stock Exchange on March 22, 1996 of \$9.00 per share, was
approximately \$24,515,271.

The number of shares of the registrant's Common Stock outstanding as of March
22, 1996, was 5,675,794 including 717,115 shares of treasury stock.

DIODES INCORPORATED

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ITEM 1. BUSINESS

BUSINESS DEVELOPMENT

Diodes Incorporated (the "Company") was formed in 1959 under the laws of Delaware. The Company is a supplier of discrete semiconductors. In addition to the Company's corporate headquarters and marketing facility in Westlake Village, California, the Company's wholly-owned subsidiary, Diodes Incorporated Taiwan Company, Ltd. ("Diodes-Taiwan"), maintains an engineering, manufacturing, purchasing, and sales facility in Taipei, Taiwan.

The Company, following a restructuring in 1990, has grown rapidly as a supplier of discrete semiconductors. In 1990, the Company installed new management and raised additional capital from the private sale of 1,000,000 shares of the Company's Common Stock to Silitek Corporation ("Silitek"), a Taiwanese company engaged in the manufacture and sale of electronic components and equipment, including semiconductor rectifiers. Silitek also acquired 945,800 shares of Common Stock from Microsemi Corporation in 1990. Following such purchase of the Company's Common Stock, Silitek owned 46% of the total outstanding shares of Common Stock of the Company. Silitek transferred such Common Stock ownership interest in 1991 to Lite-On Power Semiconductor Corporation ("LPSC"), a wholly-owned, Taiwanese subsidiary of Silitek. LPSC continues to be a major shareholder of the Company, owning 1,995,093 shares of the Company's Common Stock, or 40.2% of the total shares outstanding of the Company's Common Stock as of December 31, 1995.

In 1992, the Company signed a marketing agreement with Intermetall, Halbleiterwerk der Deutsche, ITT Industries GmbH ("ITT") of Freiburg, Germany, to distribute ITT's complete line of discrete semiconductors in North America, including Canada and Mexico. Under this agreement, except for ITT's direct distributors and one value-added reseller, the Company is the exclusive marketing channel for these products in North America. During the business association with ITT, and after aggressive sales efforts, the Company achieved its first \$5 million quarter of net sales, in the fourth quarter of 1992.

In 1993, in order to accommodate a growing product demand and further emphasis on customer service and product quality, the Company relocated to its current headquarters in Westlake Village, California, a suburb of Los Angeles. In addition to office space, the building includes a large warehouse and an on-site testing facility. Also in May 1993, the Company sold 384,616 shares of previously unissued securities of the Company in a private placement to LPSC for a total sales price of \$400,000. The shares were transferred on May 4, 1993 after receipt of the requisite approvals. As a result of such sale, LPSC acquired 214,987 shares of Common Stock and 169,629 shares of the Company's Class A Preferred Stock ("Preferred Stock"). The Preferred Stock has voting rights and are convertible into Common Stock on a one share for one share basis on or after May 4, 1994. LPSC converted the Preferred Stock in July 1995.

The net proceeds to the Company from this private placement transaction has been used to fund a joint venture with LPSC to set up and operate a new semiconductor rectifier manufacturing facility in mainland China, through a corporation organized under the laws of Shanghai, China, Shanghai Seefull Electronics, Ltd. ("Seefull"). The Company and LPSC each owned 50% of the outstanding Common Stock of Seefull, for an equity investment of \$400,000 each.

In 1994, based upon mutual agreement between the Company and LPSC, it was determined to be in the best interest of both parties, for LPSC to continue the expansion plans of the Seefull operations with 100% funding by LPSC, thereby availing the Company's capital for additional investment opportunities. As a result, effective July 1, 1994, a "Stock Purchase and Termination of Joint Shareholder Agreement" was entered into, whereby the Seefull joint venture was terminated and the Company's original \$400,000 investment was returned in cash to the Company.

The Company's success in business development, which has led to a substantial increase in net sales generated in 1995, can be attributed primarily to the Company's continued efforts to improve the level of sales and customer support by restructuring its sales force, focusing on a more pro-active selling philosophy, and improving the level of communication, cooperation, planning and control within the Company.

The growth in net sales in 1995 was aided by a healthy market for the Company's products and by an aggressive marketing program in which the Company has sought to emphasize quality, reliability, and customer service. The Company has also benefited from a growing reputation as a supplier that can be relied upon to deliver quality products to specification, and in a timely fashion.

In November 1995, the Company obtained a new \$14 million credit facility -- consisting of a \$4 million term loan, to be used in financing additional sourcing agreements; and a \$10 million line of credit, to be used in expanding the Company's inventory, and to provide additional working capital. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" for a description of the Company's credit facility.

With the new management installed and the additional capital received from the private sale of 1,000,000 shares of Common Stock to Silitek in 1990, combined with the increased available line of credit, increased sales force, the ITT marketing agreement, and three additional regional offices in the United States, net sales have grown from \$14.7 million in 1991 to \$58.2 million in 1995. Net income has also increased substantially from \$264,000 in 1991, to \$4.7 million in the fiscal year ended December 31, 1995.

A recent report from the Semiconductor Industry Association that book-to-bill ratios (the dollar value of new orders scheduled versus the dollar value of orders shipped) throughout the industry fell in early 1996, reaching a 5 year low in February, indicates a softening of the market. The Company has experienced a similar softening in its book-to-bill ratio in the past few months and although the Company's book-to-bill ratio seems to be recovering slightly, there can be no assurance that the Company's historical book-to-bill ratio will be indicative of future performance.

The Company is engaged in an ongoing marketing program to develop strategic alliances with manufacturers under terms that will provide the Company access to the products its customers need.

Three alliances, in particular, are part of this marketing effort:

1. A sourcing agreement (June 1995) with Shanghai Kai Hong Electronics Co., Ltd. ("Kai Hong") that will give the Company additional SOT-23 capacity. The Company will provide Kai Hong with \$2 million in assistance toward the construction of a new facility for the manufacture of SOT-23s. The total cost of plant and equipment is estimated at \$4 million. On March 18, 1996 this sourcing agreement was changed to a joint venture, providing the opportunity to substantially increase the capacity and capital in several phases. See "Item 1. Business -- New Developments." The

Company will have a 70% controlling interest, and will be responsible for production and management. The Company's involvement will assure it a new source of surface-mount products for which there currently is an increasing demand and that currently are in short supply world-wide. See Note 4 of "Notes to Consolidated Financial Statements."

2. A marketing agreement with LPSC that will provide customers with access to additional high-quality components, further strengthening the Company's relationship with LPSC. The Company is now the exclusive reseller (with the exception of a few house accounts) for LPSC in North America.

3. A recently-announced agreement with FabTech, Inc. (FabTech), a subsidiary of LPSC, whereby the Company will gain a new supply of processed wafers used in the manufacture of various types of discrete semiconductors. See "Item 1. Business -- New Developments".

These alliances are part of the Company's long-term strategic plan to expand its product line while maintaining profitability.

Also in 1995, the Company announced that one of its major suppliers, ITT, had reached a preliminary agreement regarding the sale of ITT's semiconductor operation ("ITT Semiconductors"). Although the sale was not consummated, and ITT Semiconductors remains for sale, the Company believes that such a transaction should not involve significant changes and that customer commitments will continue to be honored.

BUSINESS OF COMPANY

The Company is engaged in the manufacture, sale, and distribution of discrete semiconductors, providing product to a broad customer base in electronic related industries, such as manufacturers of automotive, computer and telecommunication products. For the fiscal years ended December 31, 1995, 1994, and 1993, the sale of such products represented 100 percent of the Company's net sales. The Company intends to continue this practice.

Semiconductors come in two basic configurations: discretetes and integrated circuits. Discretetes are fixed-function components such as diodes, small-signal transistors, and bridge rectifiers. Far more complex in terms of function are integrated circuits. These integrated circuits are multi-function devices of the sort found in computer memory boards and central processing units.

Integrated circuits, characterized by rapid changes in both production and application, and the desire to put ever-more intelligence into ever-smaller packages, have required the development of manufacturing techniques that are sophisticated and expensive.

In contrast, there is little that is proprietary about the manufacturing of discrete components. Here technologies are neither new nor rapidly evolving. Success, therefore, is highly dependent upon the ability to produce large numbers of inexpensive components of consistent high quality, and with low overhead.

Discretetes, which effectively tie integrated circuits to their surrounding environments and enable them to work, come in hundreds of permutations and vary according to voltage, current, power handling capability, and switching speed.

In a standard industry classification, those discrete semiconductors operating at less than 1 watt are referred to as low-power semiconductors, while those operating at greater

than 1 watt are termed power semiconductors. Both types of semiconductors are found in a wide assortment of commercial instrumentation and communication equipment, in consumer products like televisions and telephones, and in automotive, computer and industrial electronic products.

During the fiscal year ended December 31, 1995, the Company sold its products to approximately 400 direct customers, and to distributors who sell to approximately 4,200 additional indirect customers.

All of the products and materials used by the Company in its operations are available both domestically and at the offshore locations where some of the manufacturing is performed at Diodes-Taiwan. During most of 1995, both the Company and its industry experienced unprecedented demand for discrete semiconductor products. This demand for discrete semiconductor products has largely been fueled by corresponding demands in the personal computer and telecommunication industries, and there can be no assurance this demand will continue. In general, the Company maintains sufficient inventories of standard products to permit rapid delivery of customers' orders where required, and continuously coordinates with vendors to support future product demand. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

All of the Company's inventory is composed of discrete semiconductors which are standardized in electronic related industries. Finished goods inventory turns over approximately four times annually. The Company has no special inventory or working capital requirements that are not in the ordinary course of business. Unless arrangements are otherwise specially made, invoices to customers are payable net 30 days. Company policy is to hold shipments to customers who are more than 60 days in arrears.

BACKLOG

The amount of backlog to be shipped during any period is dependent upon various factors and all orders are subject to cancellation or modification, usually without penalty to the customer. Accordingly, the amount of backlog at any date is not necessarily indicative of actual shipments. Backlog of orders scheduled to ship within six months were approximately \$12.0 million on December 31, 1995, compared to approximately \$8.8 million on December 31, 1994, and \$6.5 million on December 31, 1993. Historically, the Company has booked and shipped greater than two times its scheduled backlog, but given the implications of a recent report from the Semiconductor Industry Association that book-to-bill ratios throughout the industry fell in January, there can be no assurance that the Company's book-to-bill ratio will continue its historical trend.

NEW DEVELOPMENTS

In February 1996, the Company announced an agreement with FabTech, Inc. whereby Diodes will gain a new supply of processed wafers used in the manufacture of several types of discrete semiconductors. The Company will provide FabTech with approximately \$2.5 million in working capital to be used in upgrading, reconfiguring, and starting up operations at an existing wafer fabrication facility located in the AT&T building in Lee's Summit, Missouri. FabTech is a newly-created subsidiary of LPSC.

The Company expects to begin receiving wafers from FabTech by the third quarter of 1996. Given current levels of pricing and demand, it is anticipated that FabTech production will contribute substantially to Diodes' net sales in 1997, with further increases in subsequent years.

Output from the facility will include wafers used in the production of Schottky barrier diodes, fast recovery epitaxial diodes (FREDs), and other widely used value-added products. Schottky barrier diodes, currently in short supply world-wide, 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.

In March 1996, the Company entered into the Kai Hong joint venture for the development of additional manufacturing capacity in Shanghai. The joint venture, originally signed as a compensation trade agreement in June 1995, allows for the manufacturing and sales of diodes and associated electronic components. The Company will have a 70% controlling interest, will be responsible for production and management, and will receive 100% of the production, mainly in SOT-23 packaged components. The venture parties have agreed to make significant equity contribution to the joint venture and anticipate that a portion of the cost of developing the project will be debt financed. The capital contribution will be made in several phases over 3 years. The project will be implemented in phases according to market demand.

These alliances, among others, assist the Company in its long-term strategic plan to enhance its ability to acquire -- in a timely fashion and at reasonable cost -- the products that its customers need, while maintaining profitability.

MARKETING AND SALES

The discrete semiconductor components market is served by numerous semiconductor manufacturers and distributors. Some of the larger companies include Motorola, National Semiconductor, International Rectifier, and General Instruments, many of whom have greater financial, marketing, brand name and other resources than the Company. Over the years, there has been a decrease in the number of companies emphasizing discrete components as their primary marketing effort. With fewer service-oriented sources of discrete components available to original equipment manufacturers ("OEMs"), the Company has been able to make gains in market share.

The Company sells both through manufacturers' representatives and through distributors. The Company's in-house sales team, aided by the sales force of approximately 30 independent manufacturers' sales representatives located throughout the United States, supplies more than 200 OEM accounts. The Company's products include catalog items and units designed to specific customer requirements. The Company further supplies approximately 40 stocking distributors, who collectively reach over 4,200 customers on the Company's behalf. At December 31, 1995, OEM customers accounted for approximately 60% of the Company's net sales. Customers ranged from Fortune 500 companies to small, privately-held OEMs.

Through continuous sales and customer service efforts, the Company further developed significant business relationships with companies who are considered leaders in their respective market segments, such as automotive, telecommunications, personal computers, computer peripherals and industrial. The Company's marketing efforts have also benefited from an ongoing program to develop strategic alliances with manufacturers, such as FabTech and Kai Hong, under terms that will provide the Company access to the products its customers need.

The Company's products are sold in the United States, Canada, Mexico, the Pacific Rim and Europe, both directly to end users and through electronic component distributors. During the past four years, the Company has pursued an aggressive program to improve product quality and customer service in order to support more broad-based, strategic accounts.

Through Diodes-Taiwan, the Company employs a general manager who acts as the Pacific Rim purchasing liaison with respect to product procurement from other vendors located in the Far East. Diodes-Taiwan also manufactures product for sale to the Company as well as for other customers. In addition, Diodes-Taiwan generates sales in Taiwan and other Asian countries. See Note 13 of "Notes to Consolidated Financial Statements."

COMPETITION

Competition in the semiconductor marketplace, in which the Company competes, is intense. Competitiveness in sales of the Company's products is determined by the price and quality of the product and the ability of the Company to provide delivery in keeping with the customers' needs. The Company believes itself to be well equipped to be competitive in respect to these requirements. Although technology in the semiconductor industry is ever changing, the products sold by the Company are mature products. Because of this, the Company is not expecting to experience much further technological change within its current product line, nor does it believe its products will become obsolete in the foreseeable future. See "Cautionary Statement for Purposes of the 'Safe Harbor' Provision of the Private Securities Litigation Reform Act of 1995."

MANUFACTURING AND SIGNIFICANT VENDORS

All of the materials used by the Company in its operations are available both domestically and at the off-shore locations where manufacturing is performed. The two largest suppliers of products to the Company are LPSC, an affiliate of the Company based in Taiwan, and ITT, based in Freiburg, Germany. During the year ended December 31, 1995, approximately 50% of purchases were from these two vendors. See Notes 11 and 12 of "Notes to Consolidated Financial Statements," included herein, for a description of the major vendors and the relationship between LPSC and the Company. Further, although the Company believes that there exist alternative sources for the products of any of its suppliers, the loss of any one of its principal suppliers or the loss of several suppliers in a short period of time could have a short-term, materially adverse effect on the Company.

DEPENDENCE ON INDIVIDUAL CUSTOMERS

The Company is not dependent on any one major customer to support its level of net sales. For the fiscal year ended December 31, 1995, there was not one customer that accounted for more than 6% of the Company's net sales. The twenty largest customers of the Company accounted, in total, for approximately 46% of the Company's net sales during such period.

PATENTS

The Company holds one patent but believes this to be of no material value to the Company's business as a whole.

GOVERNMENTAL REGULATION

The Company is aware of no facts indicating the need for governmental approval of any of its principal products or services. The Company also does not believe itself to be affected substantially by any existing or probable governmental regulations on its business. See "Item 1. Business -- Financial Information About Foreign and Domestic Operations and Export Sales."

RESEARCH AND DEVELOPMENT

All research and development expenses relating to products supplied by vendors to the Company during the last two fiscal years have been borne by such vendors.

ENVIRONMENTAL REGULATIONS

Compliance with laws and regulations relating to protection of the environment has not had, nor is it expected to have, a material adverse affect on the Company.

EMPLOYEES

As of December 31, 1995, the Company employed a total of 51 full-time employees in the United States: 13 in sales, 21 in customer support, and 17 in operations and administration. Diodes-Taiwan employed an additional 61 employees in its Taiwan office: 43 in manufacturing, 3 in sales, and 15 in purchasing, quality control, and administration. None of the Company's employees is subject to a collective bargaining agreement. The Company considers its relations with its employees to be good.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

With respect to foreign operations see Notes 1, 12 and 13 of "Notes to Consolidated Financial Statements".

Foreign sourcing exposes the Company to certain risks common to companies doing business overseas. These risks include the difficulty and expense of maintaining foreign sourcing channels, cultural and institutional barriers to trade, fluctuations in currency exchange rates, political instability, transportation delays, expropriation, tariffs, import and export controls (including export licenses and changes in the allocation of quotas), and other U.S. and foreign regulations that may apply to the export and import of the Company's products, and which could have a material adverse effect on the Company. The Company attempts to reduce the risk of doing business in foreign countries by, among other things, contracting in U.S. dollars, and, when possible, maintaining multiple sourcing of product groups from several countries.

ITEM 2. PROPERTIES

The Company's primary physical properties during the year ended December 31, 1995, were as follows:

1. Industrial building located at 3050 East Hillcrest Drive, Westlake Village, California 91362. This building, consisting of 30,800 square feet, is the Company's corporate headquarters and product distribution center. The Company is primary lessee under a lease that will expire December 14, 1998. The Company has two five-year options to extend the term of the lease.
2. Industrial premises consisting of approximately 9,000 square feet and located at 5Fl. 501-16 Chung-Cheng Road, Hsin-Tien City, Taipei, Taiwan, Republic of China. These premises, owned by Diodes-Taiwan, are used as a manufacturing facility. The facility is subject to a mortgage held by Chang-Hwa Commercial Bank, which matures on November 11, 2003, and is secured by land and buildings.
3. Industrial premises consisting of approximately 7,000 square feet and located at 2Fl. 501-15 Chung-Cheng Road, Hsin-Tien City, Taipei, Taiwan, Republic of China. These premises, owned by Diodes-Taiwan are used as sales and administrative offices. The facility is subject to a mortgage held by Chang-Hwa Commercial Bank, which matures on February 27, 2003, and is secured by land and buildings.
4. Regional sales office located at 400 West Maple, Suite 300, Birmingham, Michigan 48009. These premises are leased at less than \$1,000 per month.
5. Regional sales office located at 39 Carrington Street, Lincoln, Rhode Island 02865. These premises are leased at less than \$1,000 per month.
6. Regional sales office located at 923-D Merchants Walk NW, Huntsville, Alabama 35801. These premises are leased at less than \$1,000 per month.
7. Industrial building located at Xinqiao Town, Song Jian County, Shanghai, Peoples Republic of China. This building, consisting of approximately 20,000 square feet, is the corporate headquarters and product distribution and manufacturing facility for the newly formed Kai Hong joint venture. The building is owned by the joint venture company.

The Company believes its current facilities are adequate for the foreseeable future. See Note 14 of "Notes to Consolidated Financial Statements."

ITEM 3. LEGAL PROCEEDINGS

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

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

No matter was submitted to a vote of security holders by the Company during the last three months of the year ending December 31, 1995.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is listed and traded on the American Stock Exchange ("AMEX") (Symbol "DIO"). The following Table 1 shows the range of high and low sales prices per share for the Company's Common Stock for each fiscal quarter from March 31, 1994 as reported by AMEX.

TABLE 1

CALENDAR QUARTER ENDED -----	SALE PRICE OF COMMON STOCK -----	
	HIGH -----	LOW -----
March 31, 1994	\$ 9 7/8	\$ 4 7/8
June 30, 1994	9 7/8	6 5/8
September 30, 1994	8 3/8	4 3/8
December 31, 1994	7 3/8	4 3/4
March 31, 1995	\$ 7 1/4	\$ 4 7/8
June 30, 1995	11 7/8	5
September 30, 1995	19 5/8	11 7/8
December 31, 1995	15 3/4	10 1/2

On March 22, 1996, the closing sale price of the Company's Common Stock on AMEX was \$9.00. Shareholders are urged to obtain current market quotations for the Common Stock. As of March 22, 1995, there were 1,150 stockholders of record of the Company's Common Stock.

No dividends have been declared during the past three years and the Company does not expect to declare dividends in the foreseeable future. The payment of dividends is within the discretion of the Company's Board of Directors, and will depend upon, among other things, the Company's earnings, financial condition and capital requirements and general business conditions.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the fiscal years ended December 31, 1995, 1994, 1993, 1992 and 1991 is set forth in Table 2 and is qualified in its entirety by, and should be read in conjunction with, the other information and financial statements appearing elsewhere herein (in 000's except per share data).

TABLE 2

	YEAR ENDED DECEMBER 31,				
	1995	1994	1993	1992	1991
Net sales	\$58,190	\$38,275	\$26,403	\$18,430	\$14,700
Gross profit	16,463	10,697	7,143	5,005	4,415
Income from operations	6,941	3,134	1,219	392	365
Interest expense, net	144	6	75	55	43
Provision (benefit) for income taxes (1)	2,610	1,202	(363)	170	94
Net income	4,700	2,363	1,587	405	265
Earnings per share (2)	\$0.90	\$0.46	\$0.34	\$0.09	\$0.06
Common and common equivalent shares outstanding	5,221	5,137	4,724	4,300	4,294
Total assets	\$29,363	\$17,545	\$13,727	\$10,304	\$8,628
Stockholders' equity	16,499	10,770	7,996	6,010	5,605
Working capital	13,263	9,411	6,606	5,354	4,749

(1) See Note 9 of "Notes to Consolidated Financial Statements" included herein.

(2) See Note 1 of "Notes to Consolidated Financial Statements" included herein.

No cash dividends were paid during the years 1991-1995.

FINANCIAL CONDITION

The Company's 52.0% increase in net sales in 1995 was primarily attributed to a healthy market for the discrete semiconductors and an aggressive marketing program in which the Company has sought to emphasize quality, reliability, and customer services, as well as the maturation and further cultivation of existing relationships with major users of discrete components. The Company's gross profit margin increased, primarily due to a rise in demand for the Company's products, while selling, general and administrative expenses decreased as a percentage of net sales due to improved cost controls, resulting in an approximately 121.5% increase in income from operations. Interest expense increased \$138,000 as the Company used approximately \$3.9 million of a new \$14 million credit facility -- consisting of a \$4 million term loan, to be used in financing additional sourcing agreements; and a \$10 million line of credit, to be used in expanding the Company's inventory and to provide additional working capital. Net income and earnings per share in 1995 increased approximately 99.0% and 95.7%, respectively. The weighted average shares outstanding increased approximately 1.6% due to stock options exercised and a higher stock price throughout most of 1995.

RESULTS OF OPERATIONS

The following Table 3 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.

TABLE 3

	PERCENT OF NET SALES					PERCENTAGE DOLLAR INCREASE (DECREASE)			
	YEAR ENDED DECEMBER 31,								
	1995	1994	1993	1992	1991	'94 TO '95	'93 TO '94	'92 TO '93	'91 TO '92
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	52.0 %	45.0 %	43.3 %	25.4 %
Cost of goods sold	(71.7)	(72.1)	(72.9)	(72.8)	(70.0)	51.3	43.2	43.5	30.5
Gross profit	28.3	27.9	27.1	27.2	30.0	53.9	49.8	42.7	13.4
Operating expenses	(16.4)	(19.8)	(22.4)	(25.0)	(27.6)	25.9	27.7	28.4	13.9
Income from operations	11.9	8.2	4.6	2.1	2.5	121.5	157.1	211.0	7.4
Interest expense, net	(0.2)	(0.0)	(0.3)	(0.3)	(0.3)	2,300.0	(92.0)	36.4	27.9
Other income (expense)	0.9	1.1	0.3	0.8	(0.2)	17.6	446.3	(47.0)	(659.3)
Income before taxes	12.6	9.3	4.6	2.6	2.0	105.1	191.3	150.8	65.4
Income taxes (benefit)	4.5	3.1	(1.4)	0.5	0.2	117.1	(431.1)	(537.3)	176.7
Net income	8.1	6.2	6.0	2.2	1.8	99.0	48.9	291.9	52.8

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

	1995 ----	1994 ----	1993 ----
Net Sales	\$ 58,190,000	\$ 38,275,000	\$ 26,403,000

The Company's fiscal 1995 comparative increase in net sales of approximately \$19.9 million, or 52.0%, was the result of a healthy market for the discrete semiconductors, an aggressive marketing program in which the Company sought to emphasize quality, reliability, and customer service, and the maturation and further cultivation of existing relationships with major users of discrete components.

A recent report from the Semiconductor Industry Association that book-to-bill ratios (the dollar value of new orders scheduled versus the dollar value of orders shipped) throughout the industry fell in early 1996, reaching a 5 year low in February, there can be no assurance that the growth in the Company's net sales in 1996 will match that of 1995. See "Item 1. Business -- Business Development." In the fourth quarter of 1995, the Company experienced a slowing of orders, primarily due to a slow down in the personal computer and related industries, and although the Company's book-to-bill ratio seems to be recovering, there can be no assurance that past performance will be indicative of future performance.

The Company believes that the slowdown is primarily due to continued inventory pressures and may remain soft for the next few months as computer and related industries, among others, work off their inventories. Although the Company has to date, observed a decline in its net sales in the first quarter of 1996 as compared to the first quarter of 1995, the Company is optimistic that the slowdown is only temporary. Industry estimates indicate that, although the 1996 growth rates will not match those of 1995, the industry will experience moderate growth in sales and profits. The Company's goal is to equal or exceed the industry's average performance.

The Company's fiscal 1994 comparative increase in net sales of approximately \$11.9 million, or 45.0%, was a result of \$4.3 million in net sales from the introduction of the new product line of small signal transistors and increased demand for discrete semiconductors, as well as improved customer service and the addition of established relationships with major users of discrete components. See "Item 1. Business -- Business Development."

	1995 ----	1994 ----	1993 ----
Gross Profit	\$16,463,000	\$10,697,000	\$7,143,000
Gross Margin Percentage	28.3%	27.9%	27.1%

The Company's gross profit in fiscal 1995 increased approximately \$5.8 million or 53.9%, primarily due to the 52.0% increase in net sales. The gross margin percentage was comparable to that of 1994, increasing 0.4 percentage points.

The Company's gross profit in fiscal 1994 increased approximately \$3.6 million or 49.8%, primarily due to the 45.0% increase in net sales. The gross margin percentage increased 0.8 percentage points, resulting from increased product demand and improvements in service to its customers.

	1995 ----	1994 ----	1993 ----
Selling, General and Administrative			
Expenses ("SG&A")	\$ 9,522,000	\$ 7,563,000	\$ 5,924,000

The Company's SG&A for the fiscal year ended December 31, 1995 increased approximately 25.9%, while net sales increased 52.0%. This approximately \$2.0 million increase was primarily attributable to increased commissions paid to outside sales representatives and distributors of approximately \$1.0 million, or 66.1%, and an increase in overall wages and benefits of approximately \$544,000, or 18.9%. The total SG&A as a percentage of net sales decreased from 19.8% in 1994 to 16.4% in 1995, as a result of improved cost controls.

The Company's SG&A for the fiscal year ended December 31, 1994 increased approximately 27.7%, while net sales increased 45.0%. This \$1.6 million increase was primarily attributable to increased commissions paid to outside sales representatives and distributors of approximately \$450,000, an increase in overall wages and benefits of approximately \$560,000 or 22.2%, and approximately \$180,000 in consulting and programming fees associated with the implementation of a new management information computer system. The total SG&A as a percentage of net sales decreased from 22.4% in 1993, to 19.8% in 1994, as a result of improved cost controls.

	1995 ----	1994 ----	1993 ----
Income from Operations	\$ 6,941,000	\$ 3,134,000	\$ 1,219,000

The Company's fiscal 1995 comparative increase in operating profit of approximately \$3.8 million, or 121.5%, is primarily the net result of the Company's increase in net sales and gross profit as well as a 3.4 percentage point decrease in SG&A as a percentage of net sales.

The Company's fiscal 1994 comparative increase in operating profit of approximately \$1.9 million, or 157.1%, is primarily the net result of the Company's increase in net sales and gross profit as well as a 2.6 percentage point decrease in SG&A as a percentage of net sales.

	1995 ----	1994 ----	1993 ----
Interest Expense	\$ 190,000	\$ 63,000	\$ 128,000
Interest Income	\$ 46,000	\$ 57,000	\$ 53,000

The Company's interest expense for 1995 increased \$127,000, primarily as a result of an increase in the Company's usage of its revolving line of credit to expand the Company's inventory and finance additional sourcing agreements. See "Item 1. Business -- Business Development." The Company's interest income for the year ended 1995 remained relatively unchanged compared to 1994 as the Company maintained adequate working cash.

The Company's interest expense for 1994 decreased \$65,000, or 50.8%, primarily as a result of a decline in the Company's usage of its revolving line of credit to expand the Company's inventory. The Company's interest income for the year ended 1994 remained relatively unchanged compared to 1993 as the Company maintained adequate working cash and used excess cash to completely pay down the line of credit.

	1995 ----	1994 ----	1993 ----
Other Income	\$ 513,000	\$ 437,000	\$ 80,000

The Company's other income for 1995 increased approximately \$76,000, or 17.6% compared to other income in 1994. The Company's other income for 1994 increased \$357,000, or 446.3% compared to other income in 1993. These increases in other income are primarily attributed to commissions increasing from \$279,000 in 1994 to \$297,000 in 1995.

In 1993, a joint venture loss of \$71,000 represented the Company's equity portion of Seefull's net loss for 1993 whereby the original \$400,000 investment in joint venture decreased to \$329,000 as of December 31, 1993. In 1994, a joint venture gain of \$71,000 represented the recovery of the 1993 loss pursuant to the "Stock Purchase and Termination of Joint Shareholder Agreement", whereby the Seefull joint venture was terminated and the Company's original \$400,000 investment was returned in cash to the Company. See "Item 1. Business -- Business Development." The commissions income item represents the commissions earned by the Company's Taiwan subsidiary on drop shipment sales in Asia. Beginning in 1993, additional commissions were earned by assisting ITT in servicing various ITT house accounts.

	1995 ----	1994 ----	1993 ----
Net Income	\$ 4,700,000	\$ 2,363,000	\$ 1,587,000
Earnings Per Share	\$ 0.90	\$ 0.46	\$ 0.34

The Company's net income for the year ended December 31, 1995 increased 99.0% or approximately \$2.3 million, and earnings per share increased to \$0.90 for the year ended December 31, 1995, compared to \$0.46 for 1994. These increases were primarily due to the 52.0% increase in net sales and the decrease in SG&A as a percentage of net sales.

The Company's net income for the year ended December 31, 1994 increased 48.9% or approximately \$776,000. Earnings per share increased to \$0.46 for the year ended December 31, 1994, compared to \$0.34 for 1993 and \$0.09 for 1992. Net income for 1994 includes an aggregate income tax benefit derived from an adjustment to a valuation allowance on a deferred tax asset of less than \$0.02 per share, compared to \$0.18 per share in 1993. The \$0.18 per share tax benefit in 1993 consisted of \$0.10 per share related to a valuation allowance adjustment of deferred tax assets, and an additional \$0.08 per share benefit for net operating loss carryforward and other tax adjustments. Without the income tax benefits in 1993 and 1994, the 1994 earnings per share would have increased 175.0% from \$0.16 per share to \$0.44 per share.

Inflation and changing prices did not have a material effect on net sales or net income in fiscal years 1995, 1994 or 1993. The uncertainty of exchange rates, notably the Japanese Yen and German Deutsche Mark, induced price pressure on some of the products, and the Company is working closely with its suppliers and customers to maintain reasonable profit margins.

LIQUIDITY AND CAPITAL RESOURCES

Cash used by operating activities in 1995 was \$4.8 million, down from cash provided by operating activities of \$3.0 million in 1994 and cash used by operating activities of \$880,000 in 1993. The primary use of cash flows in 1995 was a \$9.3 million, or 132.3%, increase in inventories. The Company believes that this level of inventory is necessary to effectively service current and new customers as well as provide for managed growth. In 1994, the Company utilized positive cash flow provided by operating activities to pay down its line of credit to zero. The line of credit was established on July 1, 1992 and was collateralized by the Company's accounts receivable. The ratio of the Company's current assets to current liabilities on December 31, 1995, was 2.1 to 1 compared to a ratio of 2.5:1 and 2.2:1 as of December 31, 1994 and 1993, respectively.

Cash used by investing activities was \$2.1 million in 1995, compared to \$109,000 in 1994 and \$880,000 in 1993. The Company is providing capital to Kai Hong - for the construction of a new facility for the manufacture of SOT-23s; and to FabTech (beginning in early 1996) - to be used in upgrading, reconfiguring, and starting up operations at an existing wafer fabrication facility. The Company will have a 70% controlling interest in the Kai Hong joint venture, will be responsible for production and management, and will receive 100% of the production. The venture parties have agreed to make significant equity contributions to the joint venture and anticipate that a portion of the cost of developing the project will be debt financed. The capital contribution will be made in several phases over 3 years. As of December 31, 1995, the Company has contributed \$1,878,000 to the venture. Both 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 cost. In 1993 the Company participated in the Seefull joint venture, with the original investment of \$400,000 returned to the Company in 1994.

Cash provided by financing activities was \$5.6 million in 1995, compared to a use of \$2.0 million in 1994 and \$1.2 million in 1993. The Company increased its credit facility to \$14 million: this consists of a \$4 million term loan, to be used in financing additional sourcing agreements; and a \$10 million line of credit, to be used in expanding the Company's inventory, and to provide additional working capital. The Company anticipates it will continue to utilize such credit facility 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 year ended December 31, 1995 decreased approximately \$1.3 million from the 1994 level as the Company will continue to minimize its cash balances to manage interest expense.

Accounts receivable increased 31.2% on a 52.0% increase in net sales as the Company has been able to, through refined customer service and credit review, improve collections on customer receivables. The Company's inventories have increased 132.3% primarily to support the 52.0% increase in net sales, and the Company's commitment to provide timely delivery of product to customers.

The Company's total working capital increased 41.5% to \$13.3 million as of December 31, 1995, from \$9.4 million as of December 31, 1994, primarily as a result of the 52.0% increase in net sales and 99.0% increase in net income in 1995. The Company believes that such strong working capital position will be sufficient for growth opportunities.

As of December 31, 1995, the Company has no material plans or commitments for capital expenditures other than disclosed in the Kai Hong and FabTech agreements filed herein. See "Item 1. Business -- New Developments." 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 financial position will provide sufficient funds should an appropriate investment opportunity arise and thereby, assist the Company in improving customer satisfaction and in maintaining or increasing

product market penetration. The Company's debt to equity ratio increased to 0.78 at December 31, 1995, from 0.63 at December 31, 1994. The Company anticipates this ratio may increase as the Company continues to use its credit facilities to fund additional sourcing opportunities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K" for the Company's Consolidated Financial Statements filed as part of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following Table 4 sets forth information as to the names, ages, positions and offices held with the Company, or principal occupations during the past five years, and, where applicable, the terms of office as directors of all the Company's directors and executive officers. The term of office of each director expires with the annual meeting of shareholders or when a successor is elected and qualified.

TABLE 4

OFFICERS AND DIRECTORS -----	AGE ---	POSITION WITH THE COMPANY -----	DIRECTOR SINCE (1) -----
Raymond Soong (2)	54	Chairman of the Board	1993
David Lin (3)	49	President and Chief Executive Officer; Director	1991
Michael R. Giordano (4)	49	Director	1990
M.K. Lu (5)	48	Director	1995
Shing Mao (6)	60	Director	1990
Michael A. Rosenberg (7)	67	Director	1989
Leonard M. Silverman (8)	56	Director	1995
Pedro Morillas (9)	50	Executive Vice President	N/A
Joseph Liu (10)	54	Vice President-Operations, Chief Financial Officer and Secretary	N/A

(footnotes continued on following page)

- (1) Directors are elected at each annual meeting of shareholders.
- (2) Mr. Soong has been the Chairman of the Board of Silitek since 1990 and has been Chairman of the Board of LPSC since 1992. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" and "Item 13. Certain Relationships and Related Transactions" for a discussion of the relationship between Silitek, LPSC and the Company. Since 1995, Mr. Soong has also been a director of FabTech, with whom the Company entered into an agreement with in February 1996, whereby Diodes will gain a new supply of processed wafers used in the manufacture of several types of discrete semiconductors. FabTech is a newly-created subsidiary of LPSC. Mr. Soong is a graduate of the National Taipei Institute of Technology's Electronic Engineering Department. After serving as a senior engineer for RCA and as a chief engineer for Texas Instruments, Mr. Soong, together with several of his coworkers, founded Taiwan Liton Electronic Co. Ltd., a Taiwan corporation ("Taiwan Liton"), in 1975. Taiwan Liton, which manufactures electronic components and subsystems, is an affiliate of Silitek through common control, and its stock is listed on the Taipei Stock Exchange. Mr. Soong is also Chairman of the Board of Taiwan Liton, and the newly formed Kai Hong joint venture.
- (3) Since 1991, Mr. Lin has served as a director of the Company. Mr. Lin has served as President and Chief Executive Officer of the Company since March 1993. Mr. Lin is also President of Silitek and had served as Executive Vice President of Silitek since 1990, prior to becoming President. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" and "Item 13. Certain Relationships and Related Transactions" for a discussion of the relationship between Silitek, LPSC and the Company. Mr. Lin was previously President of Texas Instruments Asia, Limited, in Taiwan from 1982 to 1990. Mr. Lin has been a director of LPSC since 1991 and a director of Maxi Switch, Inc., since 1990. Mr. Lin is also a director of the newly formed Kai Hong joint venture.
- (4) Mr. Giordano joined the investment banking firm of PaineWebber Incorporated as a Senior Vice President-Investments, when PaineWebber acquired his previous firm, Kidder Peabody and Company, Inc. Mr. Giordano advises corporations, foundations, trusts, and municipal governments in investments and finance. Mr. Giordano was with Kidder Peabody since 1979. Formerly a captain and pilot in the USAF, Mr. Giordano received his Bachelors of Science degree in Aerospace Engineering from California State Polytechnic University and his Masters degree in Business Administration (Management and Finance) from the University of Utah. Mr. Giordano also did post graduate work in International Investments at Babson College.
- (5) Since 1991, Mr. Lu has been President and a director of LPSC. From 1983 to 1990, Mr. Lu was General Manager/Vice President of Silitek. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" and "Item 13. Certain Relationships and Related Transactions" for a discussion of the relationship between Silitek, LPSC and the Company. Since 1995, Mr. Lu has also been a director of FabTech. Mr. Lu earned his Bachelor of E.E. at Tatung Institute of Technology and is a graduate of the Institute of Administration at National Chengchi University. Mr. Lu is also a present member of the Chinese Management Association and the Chinese Association for Advancement of Management. Mr. Lu is also a director of the newly formed Kai Hong joint venture.

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- (6) From 1988 to present, Dr. Mao has been Chairman of the Board of Lite-On, Inc., a California corporation located in Milpitas, California ("Lite-On Milpitas"), a wholly owned subsidiary of Taiwan Liton. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" and "Item 13. Certain Relationships and Related Transactions" for a discussion of the relationship between Silitek, LPSC and the Company. Dr. Mao has been a director of Dyna Investment Co., Ltd. of Taiwan, a venture capital company, and a director of LPSC, both since 1989. Since 1995, Dr. Mao has also been a director of FabTech. Before joining Lite-On, Dr. Mao served in a variety of management positions with Raytheon Company for four years, with Texas Instruments for 11 years, and with UTL Corporation (later acquired by Boeing Aircraft Company) for seven years. Dr. Mao earned his Ph.D. degree in electrical engineering at Stanford University in 1963.
- (7) From 1992 to present, Mr. Rosenberg serves as an independent consultant to Vishay Company, a Fortune 500 Company. Vishay is a major international passive component manufacturer with 50 operating plants located in 11 countries. Until 1991, Mr. Rosenberg was President, Principal Operating Officer and a director of SFE Technologies. Prior to that, Mr. Rosenberg served since 1970 as Vice President Technology. SFE Technologies, with principal offices in San Fernando, California, was a manufacturer of electronic components.
- (8) From 1984 to present, Dr. Leonard Silverman has been the Dean of Engineering at the University of Southern California ("USC"), and has been employed by USC since 1968. Dr. Silverman is internationally known for his pioneering work in the theory and application of multi-variable control systems and signal processing and has more than 100 publications to his credit. Dr. Silverman has been honored as a Fellow of the IEEE, as a Distinguished Member of the IEEE Control Society, and has received a Centennial Medal of the IEEE. He has also received election to the National Academy of Engineering, one of the highest honors that can be bestowed on an engineer. Dean Silverman also serves on the Board of Directors for Advanced Micro Devices, as well as for the Colachis Foundation, the Lord Foundation, and the M.C. Gill Foundation. Dr. Silverman earned his A.B., B.S., M.S. and Ph.D. degrees in electrical engineering at Columbia University during the period 1961 through 1966.
- (9) Mr. Morillas joined the Company in 1993. Prior to becoming Executive Vice President of the Company, Mr. Morillas was associated with National Semiconductor for over 10 years, most recently as Vice President, Asia Marketing, in Hong Kong for four years. Mr. Morillas is a director of the newly formed Kai Hong joint venture.
- (10) Mr. Liu has served as Vice President, Operations of the Company since 1994 and Chief Financial Officer and Secretary since 1990. Mr. Liu has been the Company's Vice President, Administration from 1990 to 1994. Prior to joining the Company, Mr. Liu held various management positions with Texas Instruments ("TI"), Dallas, since 1971, including Planning Manager, Financial Planning Manager, Treasury Manager, Cost Accounting Manager and General Accounting Manager with TI Taiwan, Ltd. in Taipei; from 1981-1986 as Controller with TI Asia in Singapore and Hong Kong; from 1986-1989 as Financial Planning Manager, TI Latin America Division (for TI Argentina, TI Brazil, and TI Mexico) in Dallas and from 1989-1990 Chief Coordinator of Strategic Business Systems for TI Asia Pacific Division in Dallas. Mr. Liu is a director of the newly formed Kai Hong joint venture.

There are no family relationships among any of the directors or executive officers of the Company and, except as set forth above, as of the date hereof, no directorships are held by any director in a company which has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1933, as amended (the "Exchange Act"), or subject to the requirements of Section 15(d) of the Exchange Act, or any company registered as an investment company under the Investment Company Act of 1940. None of the directors, nominees for director, or executive officers were selected pursuant to any arrangement or understanding, other than with the directors and executive officers of the Company acting within their capacity as such.

COMPLIANCE WITH REPORTING REQUIREMENTS OF SECTION 16(a)

Under Section 16(a) of the Exchange Act, the Company's directors, executive officers and any persons holding ten percent or more of the Common Stock are required to report their ownership of Company stock and any changes in that ownership to the Securities and Exchange Commission (the "SEC") and to furnish the Company with copies of such reports. Specific due dates for these reports have been established and the Company is required to report any failure to file on a timely basis by such persons. Based solely upon a review of copies of reports filed with the SEC during the fiscal year ended December 31, 1995, all reporting persons filed reports on a timely basis.

The following Table 5 sets forth certain summary information concerning compensation paid or accrued by the Company with respect to the Company's Chief Executive Officer (who has served in such capacity at any time during the last fiscal year) and each of the two other executive officers of the Company (determined as of the end of the last fiscal year) (the "Named Executives") for each of the fiscal years ended December 31, 1995, 1994 and 1993:

TABLE 5
SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compen- sation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compen- sation (\$)	Awards	Securities Underlying Option SARs (#)	Payouts	
					Restricted Stock Awards (\$)		LTIP Payouts (\$)	
DAVID LIN	1995	--(1)	--	--	--	--	--	--
President and	1994	--(1)	--	--	--	--	--	--
Chief Executive Officer	1993	--(1)	--	--	--	70,000 (2)	--	--
PEDRO MORILLAS	1995	128,003	146,481	-- (3)	--	--	--	--
Executive	1994	125,169	71,504	-- (3)	--	--	--	--
Vice President	1993	96,062 (4)	14,836	-- (3)	--	50,000 (5)	--	--
JOSEPH LIU	1995	115,564	73,240	-- (6)	--	--	--	--
Vice President-	1994	115,560	45,300	-- (6)	--	40,000 (7)	--	--
Operations, Chief Financial Officer and Secretary	1993	115,776	13,094	--	--	20,000 (8)	--	--

(1) Mr. Lin receives no direct cash compensation from the Company, other than issuance of the Company's stock options. However, Mr. Lin receives cash compensation directly from Silitek for his services as President of Silitek, which, through its subsidiary LPSC, supplies a significant volume of the semiconductors products distributed by the Company. As disclosed elsewhere in this Form 10-K, Silitek is also the beneficial owner of 1,995,093 shares of the Company's Common Stock.

(2) These options were granted pursuant to the Company's 1993 Non-Qualified Stock Option Plan ("1993 NQO Plan") at an exercise price of \$1.875. The 1993 NQO Plan became effective retroactively to July 6, 1993, upon approval by the shareholders at the Company's 1994 annual meeting. The 1993 NQO Plan provides for the issuance of up to 1,000,000 shares of the Company's authorized but unissued Common Stock. Options granted shall terminate and be of no force and effect with respect to any shares not previously taken up by optionee upon the expiration of ten years from the date of grant. An unexercised option is normally exercisable for 90 days after termination of employment, other than by death or

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retirement. In the event of death, unmatured options are accelerated to maturity. The Stock Option Committee, which administers the 1993 NQO Plan, has full discretion to determine whether or not options granted under the 1993 NQO Plan shall have a right to relinquish up to one-half of an unexercised position of an option for an amount of cash, if concurrently, the holder of the option exercises a portion of the option and purchases a number of shares of stock at least equal to the number of shares which could have been purchased under the portion of the option relinquished ("SAR"). However, the Board has expressly stated that it has not and does not intend to grant such SAR. The shares to be issued upon exercise of options under the 1993 NQO Plan require a three-year vesting period. The option price is 100% of the fair market value of such shares on the date the option is granted. Options expire ten years from the grant of the option.

- (3) Mr. Morillas receives the benefit of a Company-owned automobile and a life insurance premium; the aggregate value is less than 10% of his total annual salary and is not included in this total. Effective September 1, 1994, the Company implemented a Deferred Profit Sharing Plan ("401(k) Plan") whereby employees shall be permitted to make elective deferrals in any amount from 2% to 15% of their compensation. The Company contributes an additional and discretionary 50% of the employee's contribution, not to exceed 3% of the employee's compensation. Under the Company's 401(k) Plan, the employee then directs funds into selected investments. Mr. Morillas participates in the 401(k) Plan and the Company's discretionary contribution is 3% of his compensation from September 1, 1994. In addition, Mr. Morillas receives the benefit of the Company's group health insurance plan, which is partially funded by the Company; the value of such benefit is less than 10% of his salary and is not included in this total. Mr. Morillas also received a one time moving expense in 1993 of \$12,400 in connection with his and his family's move to the Los Angeles area, which is less than 10% of his salary and is not included in the 1993 total.
- (4) Such compensation was paid from the date of commencement of Mr. Morillas' employment on March 16, 1993 through December 31, 1993.
- (5) Mr. Morillas' options were issued pursuant to the Company's 1993 Incentive Stock Option Plan ("1993 ISO Plan") at an exercise price of \$1.875 and are exercisable annually in three equal amounts over a three year vesting period. The 1993 ISO Plan provides for the issuance of up to 1,000,000 shares of the Company's authorized but unissued Common Stock. Options granted under the 1993 ISO Plan are not transferable, except by will or the laws of descent or distribution. An vested but unexercised option is normally exercisable for 90 days after termination of employment, other than by death or retirement. In the event of death, unmatured options are accelerated to maturity. An option granted under the 1993 ISO Plan may not be priced at less than 100% of fair market value on the date of grant and expires 10 years from the date of grant.
- (6) Mr. Liu receives the benefit of a Company-owned automobile and a life insurance premium; the aggregate value is less than 10% of his total annual salary and is not included in this total. Mr. Liu participates in the Company's 401(k) Plan and the Company's contribution is 3% of his compensation from September 1, 1994. In addition, Mr. Liu receives the benefit of the Company's group health insurance plan, which is funded by the Company, the value of such benefit is less than 10% of his salary and is not included in this total.
- (7) Mr. Liu's options granted in 1994 were issued pursuant to the Company's 1993 ISO Plan at an exercise price of \$7.875 and become exercisable with respect to 50% of the options on June 17, 1995 and the remaining 50% of the options on June 17, 1996.

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- (8) The options granted to Mr. Liu in 1993 were issued pursuant to the Company's 1993 ISO Plan at an exercise price of \$1.875. All 20,000 stock options were immediately exercisable upon their grant on July 6, 1993.

STOCK OPTIONS

The following Table 6 contains information concerning the grant of stock options during fiscal year ended December 31, 1995 to the Named Executives:

TABLE 6

OPTION/SAR GRANTS IN FISCAL YEAR 1995

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
	Number of Securities Underlying Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees in FY 1995	Exercise or Base Price (\$/Sh)	Expiration Date	5% (\$)	10% (\$)
DAVID LIN	--	--	--	--	--	--
PEDRO MORILLAS	--	--	--	--	--	--
JOSEPH LIU	--	--	--	--	--	--

- (1) The Potential Realizable Value is the product of (a) the difference between (i) the product of the closing sale price per share at the date of grant and the sum of (A) 1 plus (B) the assumed rate of appreciation of the Common Stock compounded annually over the term of the option and (ii) the per share exercise price of the option and (b) the number of shares of Common Stock underlying the option at December 31, 1995. These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent upon a variety of factors, including market conditions and the price performance of the Common Stock. There can be no assurance that the rate of appreciation presented in this table can be achieved.

OPTION EXERCISES AND HOLDINGS

The following Table 7 contains information with respect to the Named Executives concerning the exercise of options during the fiscal year ended December 31, 1995 and unexercised options held by the Named Executives as of December 31, 1995:

TABLE 7

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 1995
AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options/SAR's at 12/31/95(#)		Value of Unexercised "In-the-Money" Options/SAR at 12/31/95 (\$) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
DAVID LIN	23,000	212,750	23,667	23,333	204,128	201,247
PEDRO MORILLAS	16,667	189,576	--	16,667	--	143,753
JOSEPH LIU	15,000	176,250	40,000	20,000	225,000	52,500

- (1) Value of unexercised "in-the-money" options is the difference between the closing sale price of the Company's Common Stock on December 29, 1995 (\$10.50 per share) and the exercise price of the option, multiplied by the number of shares subject to the option.

COMPENSATION OF DIRECTORS

All directors each receive \$750 for each board meeting attended during the year ended December 31, 1995. No additional amounts are paid to directors for committee participation or special assignments. Both employee and non-employee directors are eligible to receive grants of stock options.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN
CONTROL ARRANGEMENTS

Effective March 16, 1993, the Company entered into an employment agreement with Pedro Morillas, the Company's Executive Vice President. Under such employment agreement, Mr. Morillas is entitled to, among other things, (i) receive an annual base salary and performance bonus subject to the determination and evaluation of the Company's Compensation Committee on a yearly basis, (ii) participate in all plans sponsored by the Company for employees in general, (iii) usage of a Company car, and (iv) receive an option to purchase from the Company up to 50,000 shares of the Company's Common Stock at \$1.875 per share (exercisable in three equal installments commencing June 10, 1994 and expiring on the tenth anniversary of the date of grant).

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No person who served as a member of the Company's Compensation Committee during the 1995 fiscal year has ever been an officer or employee of the Company or any of its subsidiaries.

David Lin, the President, Chief Executive Officer and Director of the Company, during fiscal year 1995, was President and a director of Silitek. Silitek's entire Board of Directors participated in compensation decisions for Silitek in the absence of its Compensation Committee during fiscal year 1995.

Silitek controls LPSC, its subsidiary. LPSC is the record owner of 40.2% of the Company's issued and outstanding Common Stock, excluding Treasury Stock, and as of March 22, 1996, continues to be the record owner of 40.2% of all of the Company's issued and outstanding securities, excluding Treasury Stock. Thus, since LPSC is a controlled subsidiary of Silitek, Silitek is the beneficial owner of 40.2% of the Company's outstanding voting securities. However, although Silitek could be considered the ultimate beneficial owner of all of the Company's securities held of record by LPSC, Silitek has disclaimed beneficial ownership of the 1,995,093 shares of Common Stock held by LPSC. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" and "Item 13. Certain Relationships and Related Transactions" for a discussion of the relationship between Silitek, LPSC and the Company.

During the years ended December 31, 1995 and 1994, approximately 13% and 18%, respectively, of the purchases of products for resale by the Company, amounting to approximately \$6,512,000 and \$5,048,000, respectively, were from LPSC. These products, which were also available generally from other sources, were purchased in transactions negotiated at prices competitive with prices charged by other vendors of similar products in similar quantities. There are no special or exclusive trading agreements or understandings between the Company and LPSC, other than the Company's marketing agreement with LPSC. See "Item 1. Business -- Business Development."

The following Table 8 sets forth the number of shares and the percentage of outstanding Common Stock as of March 22, 1996 by each person known to the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock, by each executive officer and director, and by all directors and officers as a group.

TABLE 8

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (2)	TITLE OF CLASS	PERCENT OF CLASS (3)
Silitek Corporation	1,995,093 (4)	Common Stock	40.2%
Raymond Soong, Chairman of the Board	66,667 (5)	Common Stock	1.3%
David Lin, President, Chief Executive Officer, Director	23,667 (6)	Common Stock	*
Michael R. Giordano, Director	21,000 (7)	Common Stock	*
M.K. Lu, Director	0	--	*
Shing Mao, Director	63,333 (8)	Common Stock	1.3%
Michael A. Rosenberg, Director	15,000 (9)	Common Stock	*
Leonard M. Silverman, Director	0	--	*
Pedro Morillas, Executive Vice President	0	--	*
Joseph Liu, Vice President - Operations, Chief Financial Officer and Secretary	50,000 (10)	Common Stock	1.0%
Directors and Executive Officers as a group (9 persons)	239,667 (11)	Common Stock	4.8%

* Less than 1%.

(footnotes continued on following page)

(footnotes continued from previous page)

- (1) The address of Silitek is 10 FL. NO. 25, Sec. 1, Tung Hua S. Rd., Taipei, Taiwan, Republic of China. The address of the directors and executive officers of the Company is 3050 E. Hillcrest Drive, Westlake Village, California 91362.
- (2) The named shareholder has sole voting power and investment power with respect to the shares listed, except as indicated.
- (3) Shares which the person (or group) has the right to acquire within 60 days after March 24, 1996 are deemed to be outstanding in calculating the percentage ownership of the person (or group) but are not deemed to be outstanding as to any other person or group. Percent of class total does not take into account 717,115 shares held as treasury stock.
- (4) Includes 1,995,093 shares of Common Stock to which Silitek disclaims beneficial ownership. LPSC, which holds 1,995,093 shares of Common Stock, as the record holder, is a controlled subsidiary of Silitek. The address of LPSC is 28-1 Wu Shin St., Ta Wu Lung Industrial Zone, Keelung, Taiwan, Republic of China.

The 1,995,093 shares of Common Stock to which Silitek disclaims beneficial ownership and which are held in name by LPSC included (less stock sales); (a) 1,945,800 shares of Common Stock transferred to LPSC from Silitek during the year ended December 31, 1991 in connection with a consolidation of the semiconductor rectifier activities of Silitek into its LPSC subsidiary; (b) 214,987 shares of Common Stock and; (c) 169,629 shares of Preferred Stock which are convertible into Common Stock on a one share to one share basis, acquired in May 1993 pursuant to a private placement transaction with the Company. Silitek purchased the 214,987 shares of Common Stock and the 169,629 shares of Preferred Stock for investment purposes for its own benefit. On July 12, 1995, LPSC converted its 169,629 shares of Preferred Stock into 169,629 shares of Common Stock. Silitek intends to continue to review its investment in the Common Stock with the view to maximizing its investment. Future actions by Silitek, if any, will be made in light of the then current financial conditions of Silitek, LPSC and the Company, prevailing market prices, and other factors deemed relevant by Silitek.
- (5) Represents 66,667 shares of Common Stock which Mr. Soong has the right to acquire within 60 days of March 22, 1996, by the exercise of vested stock options.
- (6) Represents 23,667 shares of Common Stock which Mr. Lin has the right to acquire within 60 days of March 22, 1996 by the exercise of vested stock options.
- (7) Represents 1,000 shares of Common Stock held in the name of PaineWebber Trust for the IRA of Mr. Giordano and 20,000 shares of Common Stock which Mr. Giordano has the right to acquire within 60 days of March 22, 1996 by the exercise of vested stock options.
- (8) Represents 63,333 shares of Common Stock which Dr. Mao has the right to acquire within 60 days of March 22, 1996 by the exercise of vested stock options.
- (9) Represents 15,000 shares of Common Stock which Mr. Rosenberg has the right to acquire within 60 days of March 22, 1996 by the exercise of vested stock options.

(footnotes continued on following page)

(footnotes continued from previous page)

- (10) Includes 40,000 shares of Common Stock which Mr. Liu has the right to acquire within 60 days of March 22, 1996 by the exercise of vested stock options.
- (11) Includes 228,667 shares which the Directors and Officers have the right to acquire within 60 days of March 22, 1996 by the exercise of vested stock options.

Other than as disclosed in the foregoing table, to the knowledge of the Company, no other person (other than Cede & Co., a depository company) owns of record or beneficially more than 5 percent of the issued and outstanding Common Stock of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

LPSC is the record owner of 40.2% of the Company's issued and outstanding Common Stock, excluding treasury stock, at December 31, 1995, and as of March 22, 1996, continues to be the record owner of 40.2% of all of the Company's issued and outstanding securities, excluding treasury stock. Thus, since LPSC is a controlled subsidiary of Silitek, Silitek is the beneficial owner of 40.2% of the Company's outstanding voting securities. However, although Silitek could be considered the ultimate beneficial owner of all of the Company's securities held of record by LPSC, Silitek has disclaimed beneficial ownership of the 1,995,093 shares of Common Stock. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" and "Item 13. Certain Relationships and Related Transactions" for a discussion of the relationship between Silitek, LPSC and the Company.

During the years ended December 31, 1995 and 1994, approximately 13% and 18%, respectively, of the purchases of products for resale by the Company, amounting to approximately \$6,512,000 and \$5,048,000, respectively, were from LPSC. These products, which were also available generally from other sources, were purchased in transactions negotiated at prices competitive with prices charged by other vendors of similar products in similar quantities. There are no special or exclusive trading agreements or understandings between the Company and LPSC.

David Lin, who has been a director of the Company since 1991 and effective March 16, 1993 became President and Chief Executive Officer of the Company, is also the President and a director of Silitek and his salary is fully paid by Silitek. See "Item 11. Executive Compensation." Mr. Lin is also a director of the newly formed Kai Hong joint venture.

Raymond Soong, who became a director and Chairman of the Board of the Company effective March 16, 1993, is also the Chairman of the Board of Silitek, LPSC, Taiwan Liton, and the newly formed Kai Hong joint venture.

Silitek is affiliated through common ownership and control with Taiwan Liton, and both companies are members of the Lite-On Group of companies in Taiwan. Both Silitek and Taiwan Liton are public corporations in Taiwan with stock registered on the Taipei Stock Exchange. Taiwan Liton owns 100% of the voting shares of Lite-On Milpitas. Dr. Shing Mao, who is a director of the Company, is Chairman of the Board of Lite-On Milpitas. Dr. Mao is also a director of LPSC, and since 1995, has also been a director of FabTech, with whom the Company entered into an agreement with in January 1996, whereby Diodes will gain a new supply of processed wafers used

in the manufacture of several types of discrete semiconductors. FabTech is a newly-created subsidiary of LPSC.

During 1995, Mr. Michael R. Giordano, a member of the Company's Board of Directors and Senior Vice President-Investments at the investment banking firm of PaineWebber, Inc., assisted members of the Board of Directors and Executive Officers of the Company in stock option exercises and subsequent stock sales of the Company's Common Stock. Mr. Giordano also assisted LPSC in stock transactions. Compensation received by Mr. Giordano for services rendered to the Company and LPSC was approximately \$17,000.

Mr. M.K. Lu, who has been a director of the Company since 1995, is also the President and a director of LPSC since 1991. From 1983 to 1990, Mr. Lu was General Manager/Vice President of Silitek. Mr. Lu is also a director of the newly formed Kai Hong joint venture.

Mr. Joseph Liu, Vice President, Operations, Chief Financial Officer and Secretary of the Company, is also a director of the newly formed Kai Hong joint venture.

Mr. Pedro Morillas, Executive Vice President of the Company is also a director of the newly formed Kai Hong joint venture.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENT SCHEDULES

(1) Financial statements:

	Page ----
Independent Auditors' Report	F-1
Consolidated Balance Sheet at December 31, 1995 and 1994	F-2 to F-3
Consolidated Statement of Income for the Years Ended December 31, 1995, 1994, and 1993	F-4
Consolidated Statement of Stockholders' Equity for the Years Ended December 31, 1995, 1994, 1993	F-5
Consolidated Statement of Cash Flows for the Years Ended December 31, 1995, 1994, and 1993	F-6
Notes to Consolidated Financial Statements	F-7 to F-15

(2) Schedules:

Report of Independent Accountants on Financial Statements and Schedules	S-1
Schedule II -- Valuation and Qualifying Account	S-2

(b) EXHIBITS

See the Index to Exhibits at page 35 of this Annual Report on Form 10-K for exhibits filed or incorporated by reference

(c) REPORTS ON FORM 8-K

None.

The Company has decided to take advantage of the new "Safe Harbor" provision of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). In that connection, this annual report of Form 10-K includes forward looking statements concerning the Company. The forward looking statements are made pursuant to the Reform Act.

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, 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, operational, 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 growth and the Company's selling, general and administrative expenses, difficulties in obtaining materials, supplies and equipment, difficulties for 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, and 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, spectrum authorizations and licensing, 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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIODES INCORPORATED (Registrant)

/s/ David Lin March 22, 1996

DAVID LIN
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Joseph Liu March 22, 1996

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

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities indicated, on March 22, 1996.

/s/ Raymond Soong

RAYMOND SOONG
Chairman of the Board of Directors

/s/ David Lin

DAVID LIN
Director

/s/ Michael R. Giordano

MICHAEL R. GIORDANO
Director

/s/ M.K. Lu

M.K. LU
Director

/s/ Shing Mao

SHING MAO
Director

/s/ Michael A. Rosenberg

MICHAEL A. ROSENBERG
Director

/s/ Leonard M. Silverman

LEONARD M. SILVERMAN
Director

INDEX TO EXHIBITS

Number -----	Description -----	Sequential Page Number -----
3.1	Certificate of Incorporation of Diodes Incorporated (the "Company") dated July 29, 1968 (1)	
3.2	Amended By-laws of the Company dated August 14, 1987 (2)	
10.1	Stock Purchase and Termination of Joint Shareholder Agreement (3)	
10.2	1994 Credit Facility Agreement between the Company and Wells Fargo Bank, National Association (4)	
10.3 *	Company's 401(k) Plan - Adoption Agreement (5)	
10.4 *	Company's 401(k) Plan - Basic Plan Documentation #03 (5)	
10.5 *	Employment Agreement between the Company and Pedro Morillas (6)	
10.6 *	Company's Incentive Bonus Plan (7)	
10.7 *	Company's 1982 Incentive Stock Option Plan (7)	
10.8 *	Company's 1984 Non-Qualified Stock Option Plan (7)	
10.9 *	Company's 1994 Non-Qualified Stock Option Plan (7)	
10.10 *	Company's 1993 Incentive Stock Option Plan (5)	
10.11	\$6.0 Million Revolving Line of Credit Note (8)	
10.12	Credit Agreement between Wells Fargo Bank and the Company dated November 1, 1995 (8)	
10.13	Kai Hong Compensation Trade Agreement for SOT-23 Product (9)	
10.14	Kai Hong Compensation Trade Agreement for MELF Product (10)	
10.15	Lite-On Power Semiconductor Corporation Distributorship Agreement (11)	
10.16	Loan Agreement between the Company and FabTech Incorporated	
10.17	Kai Hong Joint Venture Agreement between the Company and Mrs. J.H. Xing	
11	Statement regarding Computation of Per Share Earnings	

(index continued on following page)

(index continued from previous page)

21	Subsidiaries of the registrant
23.1	Consent of Independent Public Accountants
27	Financial Data Schedule

- (1) Previously filed as Exhibit 3 to Form 10-K filed with the Commission for fiscal year ended April 30, 1981, which is hereby incorporated by reference.
 - (2) Previously filed as Exhibit 3 to Form 10-K filed with the Commission for fiscal year ended April 30, 1988, which is hereby incorporated by reference.
 - (3) Previously filed with the Company's Form 8-K, filed on July 1, 1994, which is hereby incorporated by reference.
 - (4) Previously filed as Exhibit 10.4 to Form 10-KSB/A filed with the Commission for fiscal year ended December 31, 1993, which is hereby incorporated by reference.
 - (5) Previously filed with Company's Form 10-K, filed on March 31, 1995, which is hereby incorporated by reference.
 - (6) Previously filed as Exhibit 10.6 to Form 10-KSB filed with the Commission on August 2, 1994, for the fiscal year ended December 31, 1993, which is hereby incorporated by reference.
 - (7) Previously filed with Company's Form S-8, filed on May 9, 1994, which is hereby incorporated by reference.
 - (8) Previously filed with Company's Form 10-Q, filed on November 14, 1995, which is hereby incorporated by reference.
 - (9) Previously filed as Exhibit 10.2 to Form 10-Q/A, filed with the Commission on October 27, 1995, which is hereby incorporated by reference.
 - (10) Previously filed as Exhibit 10.3 to Form 10-Q/A, filed with the Commission on October 27, 1995, which is hereby incorporated by reference.
 - (11) Previously filed as Exhibit 10.4 to Form 10-Q, filed with the Commission on July 27, 1995, which is hereby incorporated by reference.
- * Constitute management contract, compensatory plans and arrangements which are required to be filed pursuant to Item 601 of Regulation S-K.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Diodes Incorporated and Subsidiaries

We have audited the accompanying consolidated balance sheet of Diodes Incorporated (a Delaware corporation) and Subsidiaries, as of December 31, 1995 and 1994 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diodes Incorporated and Subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

MOSS ADAMS LLP
/s/ Moss Adams
Los Angeles, California
February 16, 1996
(Except for Note 4,
as to which the date
is March 18, 1996)

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1995 AND 1994

ASSETS

	1995	1994
	-----	-----
CURRENT ASSETS		
Cash	\$ 478,000	\$ 1,733,000
Accounts receivable		
Customers	7,794,000	5,862,000
Related party	233,000	158,000
Other	194,000	245,000
	-----	-----
Allowance for doubtful accounts	8,221,000	6,265,000
	177,000	170,000
	-----	-----
	8,044,000	6,095,000
Inventories	16,295,000	7,015,000
Deferred income taxes	893,000	815,000
Prepaid expenses and other	173,000	220,000
	-----	-----
Total current assets	25,883,000	15,878,000
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	1,527,000	1,596,000
INVESTMENT IN JOINT VENTURE	1,878,000	-
OTHER ASSETS	75,000	71,000
	-----	-----
Total assets	\$ 29,363,000	\$ 17,545,000
	=====	=====

The accompanying notes are an
integral part of these financial statements

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1995 AND 1994

LIABILITIES AND STOCKHOLDERS' EQUITY

	1995	1994
	-----	-----
CURRENT LIABILITIES		
Due to bank	\$ 3,916,000	\$ -
Accounts payable		
Trade	5,454,000	3,543,000
Related party	621,000	334,000
Accrued liabilities	1,954,000	1,377,000
Income taxes payable	637,000	1,173,000
Current portion of long-term debt	38,000	40,000
	-----	-----
Total current liabilities	12,620,000	6,467,000
LONG-TERM DEBT, net of current portion	244,000	294,000
DEFERRED COMPENSATION PAYABLE	-	14,000
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Class A convertible preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; 169,629 shares issued and outstanding in 1994	-	170,000
Common stock - par value \$.66 2/3 per share; 9,000,000 shares authorized; 5,675,619 shares in 1995 and 5,343,124 shares in 1994 issued and outstanding	3,784,000	3,562,000
Additional paid-in capital	5,768,000	4,791,000
Retained earnings	8,729,000	4,029,000
	-----	-----
	18,281,000	12,552,000
Less: Treasury stock - 717,115 shares of common stock, at cost	1,782,000	1,782,000
	-----	-----
	16,499,000	10,770,000
	-----	-----
Total liabilities and stockholders' equity	\$ 29,363,000	\$ 17,545,000
	=====	=====

The accompanying notes are an
integral part of these financial statements

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	1995	1994	1993
	-----	-----	-----
NET SALES	\$ 58,190,000	\$ 38,275,000	\$ 26,403,000
COST OF GOODS SOLD	41,727,000	27,578,000	19,260,000
	-----	-----	-----
Gross profit	16,463,000	10,697,000	7,143,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,522,000	7,563,000	5,924,000
	-----	-----	-----
Income from operations	6,941,000	3,134,000	1,219,000
OTHER INCOME (EXPENSES)			
Interest income	46,000	57,000	53,000
Interest expense	(190,000)	(63,000)	(128,000)
Equity earnings in joint venture	-	71,000	(71,000)
Commissions and other	513,000	366,000	151,000
	-----	-----	-----
Income before income taxes	7,310,000	3,565,000	1,224,000
INCOME TAX BENEFIT (PROVISION)	(2,610,000)	(1,202,000)	363,000
	-----	-----	-----
NET INCOME	\$ 4,700,000	\$ 2,363,000	\$ 1,587,000
	=====	=====	=====
EARNINGS PER SHARE	\$.90	\$.46	\$.34
	=====	=====	=====
Number of shares used in computation	5,220,196	5,136,510	4,723,809
	=====	=====	=====

The accompanying notes are an
integral part of these financial statements

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1995, 1994, AND 1993

	Preferred Stock			Common Stock				
	Shares	Amount	Shares	Shares in treasury	Amount	Additional paid-in capital	Retained earnings	Common stock treasury
BALANCE, December 31, 1992	-	\$ -	5,016,867	717,115	\$3,345,000	\$4,369,000	\$ 79,000	\$1,782,000
Preferred stock issued	169,629	170,000	-	-	-	-	-	-
Common stock issued	-	-	229,090	-	152,000	76,000	-	-
Net income for the year ended December 31, 1993	-	-	-	-	-	-	1,587,000	-
BALANCE, December 31, 1993	169,629	170,000	5,245,957	717,115	3,497,000	4,445,000	1,666,000	1,782,000
Exercise of stock options, including \$250,000 income tax benefit	-	-	97,167	-	65,000	346,000	-	-
Net income for the year ended December 31, 1994	-	-	-	-	-	-	2,363,000	-
BALANCE, December 31, 1994	169,629	170,000	5,343,124	717,115	3,562,000	4,791,000	4,029,000	1,782,000
Exercise of stock options, including \$684,000 income tax benefit	-	-	162,766	-	109,000	920,000	-	-
Re-issuance of lost shares	-	-	100	-	-	-	-	-
Preferred stock converted	(169,629)	(170,000)	169,629	-	113,000	57,000	-	-
Net income for the year ended December 31, 1995	-	-	-	-	-	-	4,700,000	-
BALANCE, December 31, 1995	-	\$ -	5,675,619	717,115	\$3,784,000	\$5,768,000	\$8,729,000	\$1,782,000

The accompanying notes are an
integral part of these financial statements

DIODES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1995, 1994, AND 1993

	1995	1994	1993
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 4,700,000	\$ 2,363,000	\$ 1,587,000
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	339,000	328,000	249,000
Loss (earnings) from joint venture	-	(71,000)	71,000
Gain on sale of property, plant and equipment	(67,000)	(8,000)	(6,000)
Changes in operating assets and liabilities			
Accounts receivable	(1,949,000)	(1,603,000)	(1,488,000)
Inventories	(9,280,000)	(1,198,000)	(1,397,000)
Prepaid taxes, expenses and other	(31,000)	(177,000)	(516,000)
Other assets	(4,000)	(48,000)	17,000
Accounts payable	2,198,000	1,532,000	439,000
Accrued liabilities	577,000	561,000	212,000
Income taxes payable	(1,220,000)	1,390,000	(11,000)
Deferred compensation payable	(14,000)	(71,000)	(37,000)
	-----	-----	-----
Net cash provided (used) by operating activities	(4,751,000)	2,998,000	(880,000)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation (investment) in subsidiary	-	400,000	(400,000)
Investment in Joint Venture	(1,878,000)	-	-
Purchases of property, plant and equipment	(348,000)	(522,000)	(493,000)
Proceeds from sales of property, plant and equipment	145,000	13,000	13,000
	-----	-----	-----
Net cash used by investing activities	(2,081,000)	(109,000)	(880,000)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances on line of credit, net	3,916,000	(2,000,000)	1,000,000
Net proceeds from the issuance of capital stock	1,713,000	162,000	398,000
Repayments of long-term debt	(52,000)	(119,000)	(165,000)
	-----	-----	-----
Net cash provided (used) by financing activities	5,577,000	(1,957,000)	1,233,000
	-----	-----	-----
INCREASE (DECREASE) IN CASH	(1,255,000)	932,000	(527,000)
CASH, beginning of year	1,733,000	801,000	1,328,000
	-----	-----	-----
CASH, end of year	\$ 478,000	\$ 1,733,000	\$ 801,000
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid (received) during the year for:			
Interest	\$ 169,000	\$ 73,000	\$ 119,000
	=====	=====	=====
Income taxes	\$ 1,344,000	\$ (114,000)	\$ 352,000
	=====	=====	=====
Non-Cash Financing Activity			
Tax Benefit related to exercise of stock options credited to paid-in capital	\$ 684,000	\$ 250,000	\$ -
	=====	=====	=====

The accompanying notes are an integral part of these financial statements

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - Diodes, Inc., and its subsidiary distributes diodes and semi-conductors. The products are sold to electronics manufacturers primarily throughout North America.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Diodes Taiwan Co., Ltd. (a foreign subsidiary). All significant intercompany balances and transactions have been eliminated.

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

DEPRECIATION AND AMORTIZATION - Property, plant and equipment are depreciated using straight-line and accelerated methods over the estimated useful lives, which range from 30 to 53 years for buildings and 1 to 10 years for machinery and equipment. Leasehold improvements are amortized using the straight-line method over 1 to 5 years.

INCOME TAXES - Income taxes are accounted for using an asset and liability approach whereby deferred tax assets and liabilities are recorded for the differences in the financial reporting bases and tax bases of the Company's assets and liabilities. Income taxes are further explained in Note 10.

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

The Company and its subsidiaries maintain cash balances at financial institutions in the United States and Taiwan. Accounts at each institution in the United States are insured by the Federal Deposit Insurance Corporation up to \$100,000. Accounts at each institution in Taiwan are insured by the Central Deposit Insurance Company up to NT\$1,000,000.

FOREIGN OPERATIONS - Through its subsidiary, Diodes Taiwan Co., Ltd., the Company maintains operations in Taiwan for which the functional currency is the U.S. dollar. Assets and liabilities of its foreign operations are not hedged and therefore are subject to fluctuations in the currency exchange rate between the U.S. and NT dollar.

Monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets and liabilities are converted at historical rates. Income and expense accounts are translated using an average exchange rate for the year, except that cost of goods sold and depreciation expense are remeasured using historical rates. Included in net income are translation losses of approximately \$66,000 and \$84,000 for the years ended December 31, 1995 and 1994, respectively and translation gains of approximately \$14,000 for the year ended December 31, 1993.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

EARNINGS PER SHARE - Earnings per share are based upon the weighted average number of shares of common stock and common stock equivalents outstanding, net of common stock held in treasury. Fully diluted earnings per share do not materially differ from primary earnings per share.

INVESTMENT IN JOINT VENTURES - The Company's investment in Seefull Electronic Co., Ltd. was accounted for using the equity method of accounting. During 1994, the joint venture was liquidated (Note 4). In June 1995, the Company entered into a product sourcing and compensation trade agreement with Shanghai Kai Hong Electronics Co., Ltd. (Kai Hong). On March 18, 1996, the sourcing agreement was changed to a joint venture (Note 4). The method to be used to account for the joint venture investment in future periods has not yet been determined.

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

STOCK-BASED COMPENSATION-The Financial Accounting Standards Board has recently issued Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock-Based Compensation. This standard will become effective for the year ending December 31, 1996, although earlier application is permitted. The Company has determined that it will implement the new standard in 1996. Under SFAS 123, a fair value method is used to determine compensation cost for stock options or similar equity instruments. Compensation is measured at the grant date and is recognized over the service or vesting period. Under the current accounting standard, compensation cost is the excess, if any, of the quoted market price of the stock at a measurement date over the amount that must be paid to acquire the stock.

The new standard would allow the Company to continue to account for stock-based compensation under the current standard, with disclosure of the effects of the new standard, or adopt a fair value based method of accounting. The Company has not yet decided which method will be utilized, nor has it determined the impact, if any, that adoption of the new standard will have on the financial condition and results of operations. However, management believes the effect of the new accounting standard will not be significant.

NOTE 2 - INVENTORIES

	December 31,	
	1995	1994
Finished goods	\$ 15,602,000	\$ 6,435,000
Work-in-progress	367,000	159,000
Raw materials	326,000	421,000
	\$ 16,295,000	\$ 7,015,000

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

	December 31,	
	1995	1994
Building	\$ 468,000	\$ 468,000
Leasehold improvements	140,000	128,000
Machinery and equipment	1,806,000	1,563,000
	-----	-----
	2,414,000	2,159,000
Less accumulated depreciation and amortization	1,210,000	886,000
	-----	-----
	1,204,000	1,273,000
Land	323,000	323,000
	-----	-----
	\$ 1,527,000	\$ 1,596,000
	=====	=====

NOTE 4 - JOINT VENTURES

KAI HONG - In June 1995, the Company entered into a product sourcing and compensation trade agreement with Shanghai Kai Hong Electronics Company, Ltd. (Kai Hong), an entity in Shanghai, China. Initially, the agreement with Kai Hong was structured as a trade agreement whereby the Company was to make cash and other forms of advances for the development of a production facility. Effective March 18, 1996, a joint venture partnership was established between the Company and the original owner of Kai Hong. The Company will have a 70% controlling interest in the joint venture, will be responsible for production and management, and will receive 100% of the production, mainly in SOT-23 packaging. The venture parties have agreed to make significant equity contributions to the joint venture and anticipate that a portion of the cost of developing the project will be debt financed. The capital contribution will be made in several phases over 3 years. As of December 31, 1995, the Company has contributed \$1,878,000 to the venture.

SEEFULL - In February 1993, under a Joint Shareholder Agreement (the JV agreement), the Company and Lite-On Power Semiconductor (Note 12) each purchased 50% of the common stock of Shanghai Seefull Electronic Co., Ltd. (Seefull) for \$400,000. During 1994, Lite-On Power Semiconductor purchased the Company's share of Seefull for \$400,000 cash, and the JV agreement was terminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - REVOLVING LINE OF CREDIT

The Company has an unsecured credit agreement with a bank providing a working capital line of credit up to \$10 million and a term commitment note providing up to \$4 million for plant expansion and advances to vendors. Interest on borrowings is payable monthly at the bank's prime lending rate, and the Company may fix amounts greater than \$250,000 for a thirty day period. The interest rate on fixed portions is determined by a variable index. 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 December 31, 1995.

The line of credit expires November 1, 1996. The line contains a sublimit of \$4.5 million for issuance of commercial letters of credit. During 1995 average borrowings on the line of credit were \$2,080,000, and maximum borrowings outstanding were \$5,349,000. The weighted average interest rate on outstanding borrowings was 7.5% at December 31, 1995 and 8% for the year ended December 31, 1995.

The term commitment expires November 1, 1996 at which time it converts to a fixed amount due in equal monthly installments with remaining balances payable in full November 1, 2001. During 1995, there were no borrowings on the term commitment.

NOTE 6 - ACCRUED LIABILITIES

	December 31,	
	1995	1994
Employee compensation and payroll taxes	\$ 839,000	\$ 483,000
Sales commissions	486,000	255,000
Current portion of deferred compensation payable	-	44,000
Other	629,000	595,000
	<u>\$ 1,954,000</u>	<u>\$ 1,377,000</u>

NOTE 7 - LONG-TERM DEBT

	December 31,	
	1995	1994
LOAN PAYABLE to bank secured by buildings and land, with monthly principal payments of NT\$84,000 (approximately \$3,200 U.S.), plus interest at 7% per annum.	\$ 281,000	\$ 331,000
OTHER	1,000	3,000
	<u>282,000</u>	<u>334,000</u>
Current portion	<u>38,000</u>	<u>40,000</u>
Long-term portion	<u>\$ 244,000</u>	<u>\$ 294,000</u>

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for future year ending December 31 are as follows:

1996	\$	38,000
1997		40,000
1998		40,000
1999		40,000
2000		40,000
Thereafter		84,000

	\$	282,000
		=====

NOTE 8 - DEFERRED COMPENSATION PAYABLE

Deferred compensation payable to a former officer was paid in monthly installments of principal, plus interest calculated at 9%, through December 1995. The Company recorded the present value of the deferred compensation liability, which at December 31, 1994 and 1993 was approximately \$44,000 and \$84,000, respectively.

NOTE 9 - INCOME TAXES

The components of the income tax provisions are as follows:

	Year ended December 31,		
	1995	1994	1993
Current			
Federal	\$ 1,720,000	\$ 988,000	\$ 12,000
Taiwanese	450,000	189,000	51,000
State	518,000	346,000	50,000
	-----	-----	-----
Deferred tax benefit	2,688,000 (78,000)	1,523,000 (321,000)	113,000 (476,000)
	-----	-----	-----
	\$ 2,610,000	\$ 1,202,000	\$ (363,000)
	=====	=====	=====

A reconciliation between the effective tax rate and the statutory federal tax rate for the years ended December 31, 1995, 1994 and 1993 follows:

	1995		1994		1993	
	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings	Amount	Percent of pretax earnings
Federal tax at 34%	\$2,485,000	34.0%	\$1,212,000	34.0%	\$ 416,000	34.0%
State franchise tax, net of federal benefit	449,000	6.1	228,000	6.4	75,000	6.1
Foreign income tax at lower rates	(248,000)	(3.4)	(82,000)	(2.3)	(5,000)	(.4)
Recognition of net operating loss carryforward	-	-	-	-	(120,000)	(9.8)
Inventory liquidation	-	-	-	-	(301,000)	(24.6)
Net change in deferred tax asset valuation allowance	-	-	(162,000)	(4.5)	(476,000)	(38.9)
Other	(76,000)	(1.0)	6,000	.1	48,000	3.9
	-----	-----	-----	-----	-----	-----
Income tax provision (benefit)	\$2,610,000	35.7%	\$1,202,000	33.7%	\$ (363,000)	(29.7)%
	=====	=====	=====	=====	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - INCOME TAXES (Continued)

At December 31, 1995 and 1994, the Company's deferred tax asset is comprised of the following items:

	1995	1994
	-----	-----
Inventory cost	\$ 737,000	\$ 433,000
Accrued expenses	74,000	261,000
Miscellaneous	82,000	121,000
	-----	-----
	\$ 893,000	\$ 815,000
	=====	=====

NOTE 10 - STOCK OPTION PLANS

The Company has stock option plans for directors, officers, and employees, which provide for nonqualified and incentive stock options. The Board of Directors determines the option price (not to be less than fair market value for the incentive options) at the date of grant. The options generally expire ten years from the date of grant and are exercisable over the period stated in each option. At December 31, 1995, options for 431,567 shares were exercisable and 2,655,000 shares were available for future grants under the plans.

	Outstanding Options		
	Number	Price Per Share	
		Range	Weighted Average
	-----	-----	-----
Balance, January 1, 1992	514,000	\$.875 - 4.25	\$ 2.34
Granted	400,000	1.88	1.88
Exercised	(12,500)	1.50	1.50
Canceled	(335,000)	.875 - 4.25	2.86
	-----	-----	-----
Balance, December 31, 1993	566,500	.875 - 3.88	1.72
Granted	65,000	7.88	7.88
Exercised	(97,167)	.875 - 3.88	1.68
	-----	-----	-----
Balance, December 31, 1994	534,333	.875 - \$7.88	2.48
Granted	60,000	11.25	11.25
Exercised	(162,766)	1.00 - 2.63	1.66
	-----	-----	-----
Balance, December 31, 1995	431,567	\$ 0.88-11.25	\$ 3.84
	=====	=====	=====

The Company also has an incentive bonus plan which reserves 200,000 shares of stock for issuance to key employees. As of December 31, 1995, 124,000 shares remain available for issuance under this plan.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - MAJOR SUPPLIERS

The Company purchases a significant amount of its inventory from two suppliers, one of which is a related party (Note 12). During 1995, 1994, and 1993, purchases from these suppliers amounted to approximately 50%, 59%, and 67%, respectively, of total inventory purchases. There are a limited number of suppliers for these materials.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Company's major stockholder is Lite-On Power Semiconductor Corporation (LPSC), a Taiwan corporation. LPSC owns approximately 40% of the Company's common stock. The Company's subsidiary, Diodes Taiwan Co. Ltd., buys product from and sells product to LPSC. Transactions with LPSC for the years ended December 31 and outstanding balances as of December 31 are as follows:

	1995	1994
	-----	-----
NET SALES	\$ 1,998,000 =====	\$ 948,000 =====
PURCHASES	\$ 6,512,000 =====	\$ 5,048,000 =====
ACCOUNTS RECEIVABLE	\$ 233,000 =====	\$ 158,000 =====
ACCOUNTS PAYABLE	\$ 621,000 =====	\$ 334,000 =====

During 1995, LPSC converted its 169,629 shares of preferred stock, \$1 par value, on a 1 for 1 basis, to common stock, \$.66 2/3 par value. The difference between the par value of the preferred shares and that of the common shares has been recorded as additional paid in-capital.

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - OPERATIONS BY GEOGRAPHIC AREAS

Information about the Company's operations in the United States and Taiwan is presented below. The Taiwan operations consist primarily of purchasing inventory units for transfer to the United States operations. Items are transferred at prices to recover costs plus an appropriate mark up for profit. Inter-geographic revenues and assets have been eliminated to arrive at the consolidated amounts. Identifiable assets are total assets which are identified with the operations in the respective country.

	1995	1994	1993
	-----	-----	-----
Net sales - unconsolidated entities			
United States	\$ 52,742,000	\$ 35,177,000	\$ 24,685,000
Taiwan	5,448,000	3,098,000	1,718,000
	-----	-----	-----
	\$ 58,190,000	\$ 38,275,000	\$ 26,403,000
	=====	=====	=====
Inter-geographic net sales			
United States	\$ 2,370,000	\$ 1,477,000	\$ 987,000
Taiwan	12,407,000	7,809,000	7,064,000
	-----	-----	-----
	\$ 14,777,000	\$ 9,286,000	\$ 8,051,000
	=====	=====	=====
Total net sales			
United States	\$ 55,112,000	\$ 36,654,000	\$ 25,672,000
Taiwan	17,855,000	10,907,000	8,782,000
Less inter-geographic net sales	(14,777,000)	(9,286,000)	(8,051,000)
	-----	-----	-----
	\$ 58,190,000	\$ 38,275,000	\$ 26,403,000
	=====	=====	=====
Income from operations			
United States	\$ 5,536,000	\$ 2,542,000	\$ 1,202,000
Taiwan	1,405,000	592,000	17,000
	-----	-----	-----
	\$ 6,941,000	\$ 3,134,000	\$ 1,219,000
	=====	=====	=====
Identifiable assets			
United States	\$ 26,015,000	\$ 14,230,000	\$ 11,202,000
Taiwan	3,348,000	3,315,000	2,525,000
	-----	-----	-----
Total identifiable assets	\$ 29,363,000	\$ 17,545,000	\$ 13,727,000
	=====	=====	=====

DIODES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS

In October 1993, the Company entered into an operating lease for a facility under an agreement which expires in December 1998. Rental expense amounted to approximately \$140,000, \$132,000, and \$126,000 for the years ended December 31, 1995, 1994 and 1993 respectively.

Future minimum payments under the noncancellable operating lease for future years ending December 31 are as follows:

1996	\$	129,000
1997		135,000
1998		145,000

	\$	409,000
		=====

NOTE 15 - EMPLOYEE BENEFIT PLAN

In 1994 the Company adopted a 401(k) profit sharing plan (the Plan) for the benefit of qualified employees. Employees who participate may elect to make salary deferral contributions to the Plan. The Company may make a discretionary matching contribution of \$1 for every \$2 contributed by the participant. The Company's contribution is limited to 3% of the employee's compensation. For the years ended December 31, 1995 and 1994, the Company contributed approximately \$79,000 and \$18,000 respectively to the Plan.

NOTE 16 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
FISCAL 1995				
Net Sales	\$ 14,239,000	\$ 14,539,000	\$ 15,356,000	\$ 14,056,000
Gross Profit	3,943,000	4,138,000	4,432,000	3,950,000
Net Income	983,000	1,122,000	1,261,000	1,334,000
Earnings Per Share	.19	.22	.24	.25
FISCAL 1994				
Net Sales	\$8,780,000	\$9,445,000	\$9,887,000	\$ 10,163,000
Gross Profit	2,423,000	2,627,000	2,809,000	2,838,000
Net Income	495,000	570,000	639,000	659,000
Earnings Per Share	.10	.11	.12	.13

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders
Diodes Incorporated and Subsidiaries

Our audits of the consolidated financial statements of Diodes Incorporated and Subsidiaries referred to in our report dated February 16, 1996 appearing in item 8 in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in item 14(a) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

MOSS ADAMS LLP
/s/ Moss Adams
February 16, 1996
(Except for Note 4,
as to which the date
is March 18, 1996)

DIODES INCORPORATED

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COL A	COL B	COL C	COL D	COL E
----- Description -----	----- Balance at beginning of period -----	----- Additions charged to costs & expenses -----	----- Deductions -----	----- Balance at end of period -----
Year ended December 31, 1995 - Allowance for doubtful accounts	\$ 170,000 =====	\$ 58,000 =====	\$ (90,000) =====	\$ 138,000 =====
Year ended December 31, 1994 - Allowance for doubtful accounts	\$ 61,000 =====	\$ 138,000 =====	\$ (29,000) =====	\$ 170,000 =====
Year ended December 31, 1993 - Allowance for doubtful accounts	\$ 42,000 =====	\$ 48,000 =====	\$ (29,000) =====	\$ 61,000 =====

LOAN AGREEMENT

This Agreement (the "Agreement") is entered into as of February 15, 1996 by and between FabTech, Inc., a Delaware corporation (the "COMPANY"), and Diodes Incorporated, a Delaware corporation (the "LENDER"), upon the basis of the following facts and understandings of the parties:

A. The Lender agrees to lend to the Company Two Million Five Hundred Thousand Dollars (\$2,500,000) in accordance with the terms and conditions of this Agreement.

B. The Company wishes to borrow Two Million Five Hundred Thousand Dollars (\$2,500,000) from the Lender in accordance with the terms and conditions of this Agreement.

C. The Company is willing to undertake certain obligations, including a wafer production commitment, which are expressly set forth in this Agreement (without accepting any other obligations whether express or implied).

A G R E E M E N T

NOW, THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. PROMISSORY NOTE. Subject to the covenants, conditions and other provisions of this Agreement, the Lender agrees to lend to the Company up to Two Million Five Hundred Thousand Dollars (\$2,500,000) pursuant a secured promissory note in substantially the form attached hereto as Exhibit A (the "NOTE"), which is incorporated herein by this reference, receipt of which amount is hereby acknowledged by the Company. All indebtedness outstanding under the Note shall mature no later than, and shall be payable on demand at any time following, February 14, 2001, as set forth in the Note; provided, however, the Company shall be entitled to prepay all or any portion of the principal and interest due on the Note, as of the date of such prepayment, without penalty. Any prepayment shall be applied first against outstanding interest and then against the outstanding principal balance. Payment of principal and interest shall be made in lawful money of the United States to the holder of this Note at the Company's principal offices or, at the option of the Lender, at such other place in the United States as the Lender shall have designated to the Company in writing.

2. INTEREST.

Interest will accrue on the unpaid outstanding principal under the Note at Cost of Funds Rate. The term "Cost of Funds Rate" shall mean the same rate of interest payable from time to time by the Lender for borrowed money for working capital purposes to its principal institutional lender. The Lender shall notify the Company in writing of any change in the Cost of Funds Rate within ten (10) days thereof; provided, however, that the failure to so notify the Company shall not affect the Cost of Funds Rate. On the effective date of this Agreement, the Cost of Funds Rate is * (% as of February 15, 1996) plus * (%). All computations of interest shall be made on the basis of a year containing a total of 360 days and shall be computed daily for the actual number of calendar days during which any principal owed on the Note remains outstanding by dividing the applicable interest rate by 360 and multiplying that number by the unpaid principal balance at the end of each day.

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

All agreements between the Company and the Lender expressly are limited so that in no event whatsoever (whether by reason of the advancement of funds hereunder, acceleration of maturity of the unpaid principal balance or otherwise) shall the amount paid or agreed to be paid by the Company to the Lender for the use of funds advanced hereunder exceed the highest rate prescribed by law. If fulfillment of any provision hereof at the time performance of such provision becomes due involves exceeding such highest rate prescribed by law, then such obligation shall be reduced to such highest rate prescribed by law. If by any circumstance the Lender shall be deemed to have received as interest an amount which exceeds the highest rate prescribed by law, any amount which may be deemed excessive interest shall be applied to the reduction of the unpaid principal balance and not to the payment of interest. The terms and provisions of this paragraph shall control all other terms and provisions contained in this Agreement.

3. CONDITIONS PRECEDENT.

(a) CONDITIONS PRECEDENT TO EFFECTIVENESS. The obligations of the Lender to the Company in connection with this Agreement, including without limitation the obligation of the Lender to lend the principal to be subject to the Note, are subject to the following conditions precedent:

(i) The Company shall have executed and delivered (or cause to be executed and delivered) to the Lender this Agreement and the Note;

(ii) No Event of Default and no event which after the giving of notice or the lapse of time would constitute an Event of Default shall have occurred and be continuing;

(iii) Each and every representation and warranty by the Company contained in this Agreement shall be true and correct as of the advance of funds pursuant to this Agreement;

(iv) The Company shall have executed and delivered to the Lender a Security Agreement (the "Security Agreement") and Financing Statement on Form UCC-1 (the "UCC-1") in substantially the forms attached hereto as Exhibits B and C, respectively.

4. ACKNOWLEDGMENTS. The Company acknowledges and agrees that as of the date of this Agreement:

(a) All of the Company's indebtedness to the Lender under the Note will be due and payable on demand at any time following November 30, 2000 unless the date for payment is accelerated pursuant to any other provision of this Agreement or the Note;

(b) The Company is voluntarily undertaking the obligations under this Agreement and the other documents executed in connection herewith with full awareness of their significance and risks, and the Company's management has read and understands this Agreement and each of the exhibits attached hereto and has had an opportunity to discuss this Agreement and each such exhibit with independent legal counsel. The Company is not relying upon any representation, understanding or obligation of the Lender which is not expressly stated in this Agreement or such other documents; and

(c) Nothing in this Agreement shall be construed to create any obligation of the Lender to any person other than the Company.

5. REPRESENTATIONS AND WARRANTIES. In order to induce the Lender to execute this Agreement and to make the advances of any funds pursuant to this Agreement, the Company represents and warrants to the Lender as follows:

(a) The recitals herein are true and correct and are incorporated herein by this reference;

(b) The Company is a corporation which is duly organized and validly existing in good standing under the laws of the State of Delaware, and the Company is duly qualified to transact business in each jurisdiction in which the character of its properties or the nature of the activities conducted by it makes such qualification necessary. The Company has full power, authority and legal right to execute, deliver and perform this Agreement, the Note, the Security Agreement, the UCC-1 and all other instruments and contracts executed or delivered (or to be executed and delivered) pursuant to this Agreement, to incur the indebtedness represented by the Note to the Lender, to own its properties and to carry on its business as it is now being conducted;

(c) The execution, delivery and performance by the Company of this Agreement, the Note, the Security Agreement, the UCC-1 and all other instruments and contracts executed or delivered (or to be executed or delivered) by the Company in connection with or pursuant to this Agreement, the consummation of the transactions and contracts required or contemplated by this Agreement, and the performance by the Company of its obligations in connection with this Agreement and said instruments and contracts, each (i) have been duly authorized by all necessary corporate action, (ii) require no registrations with or approvals of any person not heretofore obtained, and (iii) do not violate or contravene or conflict with the Company's Certificate of Incorporation and Bylaws, any law, any order or regulation of any court or any governmental authority, official or agency, or any contract, indenture or other instrument to which the Company is a party or by which it or any of its property may be bound;

(d) The Company has paid all taxes required to be paid (and all assessments of which it has notice or knowledge) to the extent such taxes (or assessments) have become due and payable;

(e) Upon execution and delivery by the Company to the Lender, this Agreement and the Note, the Security Agreement, the UCC-1 and all other instruments and contracts executed or delivered (or to be executed and delivered) by the Company in connection with or pursuant to this Agreement will each be and remain the valid, binding and legally enforceable obligation of the party or parties executing the same; and

(f) No Event of Default, nor any event which with the lapse of time or the giving of notice would constitute an event of default under any agreement to which the Company is currently a party or by which the Company or any of its property is currently bound, has occurred or is occurring or will exist immediately after the execution and delivery of this Agreement or the advance of any funds by the Lender to the Company hereunder.

6. COVENANTS. The Company hereby covenants and agrees that, except as the Lender may in its discretion otherwise consent to in writing, so long as this Agreement continues in effect and until the full and final payment of all indebtedness and performance of all obligations of the Company to the Lender:

(a) PAYMENT ON LOANS. The Company shall promptly pay all amounts owing under the Note and all other indebtedness owing to the Lender in connection with this Agreement or any other contract, note or instrument at the time and place and in the manner prescribed;

(b) NOTICES. The Company shall hereafter give immediate telephonic and written notice to the Lender of the following:

(i) The occurrence of any Event of Default hereafter or the occurrence of any event hereafter which upon the giving of notice or the lapse of time, or both, would constitute an Event of Default;

(ii) Any matter which has resulted or might result in a materially adverse change in the financial condition, operations of the Company; and

(c) BORROWINGS. The Company shall not create, assume, incur, permit to exist, or in any manner be or become liable for (directly or indirectly) any indebtedness of itself or any other person, without the prior written permission of the Lender, other than:

(i) indebtedness of the Company to the Lender;

(ii) indebtedness subordinated to all indebtedness of the Company to the Lender. The Lender shall have no obligation under any circumstances to permit the Company to grant any security interest on any of its property in favor of any subordinated creditors;

(iii) indebtedness to banks, insurance companies, lease financing institutions or other institutional lenders approved by the Company's Board of Directors;

(iv) indebtedness to trade creditors which is necessary to (and incurred in the ordinary course of) the Company's business; or

(v) indebtedness for taxes which the Company is contesting in good faith.

(d) SALE OF RECEIVABLES. The Company shall not sell, transfer or discount any receivables, accounts or instruments for less than the face amount or value thereof, on credit or for any amount with recourse to the Company.

(e) FURTHER ASSURANCES. The Company shall at all times and from time to time do and perform all acts and things which the Lender deems necessary or appropriate in order to carry out the provisions of this Agreement.

(f) COLLATERAL. Debtor hereby agrees (a) to perform all acts that may be necessary to maintain, preserve, protect and perfect the Collateral (as defined in the Security Agreement), the Lien (as defined in the Security Agreement) granted to the Lender in the Security Agreement and the first priority of such Lien, except for Permitted Liens (as defined in the Security Agreement); (b) not to use or permit any Collateral to be used (i) in violation of any provision of the Security Agreement, (ii) in violation of any applicable law, rule or regulation, (c) to pay promptly when due all taxes and other governmental charges, all liens and all other charges now or hereafter imposed upon or affecting any Collateral; (d) without 30 days' written notice to the Lender, (i) not to change Company's name or place of business (or, if Company has more than one place of business, its chief executive office), or the office in which Company's records relating to Collateral are kept, (e) to procure, execute and deliver from time to time any endorsements, assignments, financing statement and other writings reasonably deemed necessary or appropriate by the Lender to perfect, maintain and protect its lien under the Security Agreement and the priority thereof and to deliver promptly to the Lender all originals of Collateral consisting of instruments; (f) to appear in and defend any action or proceeding which may affect its title to or the Lender's interest in the Collateral; (g) if the Lender gives value to enable Debtor to acquire rights in or the use of any Collateral, to use such value for such purpose; (h) to keep separate, accurate and complete records of the Collateral and to provide the Lender with such records and such other reports and information relating to the Collateral as the Lender may reasonably request from time to time, but not more than once per month; (i) not to surrender or lose possession of (other than to the Lender), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein, and to keep the Collateral free of all liens except Permitted Liens; and (j) to collect, enforce and receive delivery of the accounts receivable in accordance with past practice until otherwise notified by the Lender.

7. PRODUCTION AGREEMENT.

(a) PRODUCTION AGREEMENT. The Company agrees to sell to the Lender, and Lender agrees to purchase on a monthly basis, finished Schottky and other wafers; provided, however, that in no event shall the Company be required to sell to the Lender, nor shall the Lender be required to purchase from the Company, in any month greater than the lower of (i) * (%) of the aggregate number of Schottky and other wafers manufactured by the Company or (ii) * wafers per month; provided that in no event shall the number of wafers purchased by the Lender, after both parties shall have reached their respective full capacities, be less than * wafers per month. These

quantities can be modified as mutually agreed by the Lender and the Company from time to time to reflect the manufacturing capacities of both parties. Any such modification will take effect after documented in writing and signed by an authorized officer of each company. The companies will develop and document a methodology which will include a six month rolling forecast, limitations on the amount any monthly forecast can change from the previous month's forecast, and other factors related to the successful operation this business. The price for the Schottky and other wafers shall not exceed the lowest price of wafers with like starting material and processed in a substantially similar manner sold by the Company to any other customer during any month. For each wafer accepted by the Lender, * dollars (\$) shall be credited first against the interest and then the principal of the amount advanced as of the day the wafers are accepted by the Lender at the Lenders facility, if Lender elects to receive such wafers inside the United States, or the date they are shipped, if Lender elects to receive such wafers outside the United States.

(b) RIGHT OF FIRST REFUSAL. In the event that the Company receives an offer from a third party to enter into a wafer financing agreement, it shall give the Lender written notice of such offer, describing the terms of the offer. The Lender shall within thirty (30) days from the date of receipt of any such notice agree to enter into a new financing agreement upon the terms specified in such notice by giving written notice to the Company.

(c) TERM OF PRODUCTION AGREEMENT. The term of the Production Agreement shall be five (5) years from the date set forth above. The Lender shall have the right to renew the Production Agreement for an additional five-year term on the terms set forth herein.

(d) SURVIVAL OF PROVISIONS. The rights and obligations of the parties pursuant to Section 7 shall survive the termination of this Agreement.

8. DEFAULT.

(a) EVENTS OF DEFAULT. Each and every one of the following described events shall constitute an "EVENT OF DEFAULT" under this Agreement and a default under the Note:

(i) The Company fails to make any payment of principal or interest when due, and such failure shall continue unremedied for a period of ten (10) days; or

(ii) The Company (i) commences any proceeding or other action relating to it in bankruptcy or seek reorganization, dissolution, liquidation, winding-up, or any other relief under the US Bankruptcy Code, as amended (the "Bankruptcy Code"), or (ii) makes a general assignment for the benefit of creditors; or

(iii) Any proceedings are commenced or any other action is taken against the Company in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, or for any other relief under the Bankruptcy Code, as amended; and any such event continues for thirty (30) days undismissed or undischarged; or

(iv) A default by the Company under the terms of any agreement or instrument, including this Agreement, pursuant to which the Company has incurred debt from any person or entity, including from the Lender; or

(v) The Company suffers in the Lender's judgment any material adverse changes in the condition of its business; or

(vi) The Company furnished to the Lender pursuant hereto and in connection with any information which proves to be materially incorrect or misleading; or

(vii) A default by the Company under the terms of the Security Agreement; or

(viii) Any judgment or order for the payment of money in excess of ten thousand dollars (\$10,000) shall be rendered against the Company and shall remain unsatisfied or unstayed for a period of forty-five (45) days; or

(ix) The Security Agreement or the UCC-1 shall cease for any reason to be in full force and effect or shall cease to be effective to grant the Lender a perfected first priority security interest in the Collateral.

(b) RIGHTS OF THE LENDER UPON EVENT OF DEFAULT.

(i) GENERAL. Upon the occurrence of any Event of Default, the Lender may at any time [but in no event earlier than 30 days after notifying the Company in writing about the occurrence of the Event of Default at the Lender's option by written notice to the Company (i) declare all sums of principal and accrued interest outstanding under the Note to be immediately due and payable without presentment, protest, further demand or notice of dishonor, all of which are expressly waived by the Company; and (ii) exercise its rights under the Securities Agreement. The Company will reimburse the Lender for any costs and expenses, including reasonable attorneys' fees, incurred in connection with the enforcement of its rights under the Note.

Any payment of principal that is not made when due, by acceleration or otherwise, shall bear interest after the due date and until paid at an annual rate of * plus * percent (*%). Notwithstanding anything to the contrary in this Agreement, no rate of interest required under this Agreement shall exceed the maximum legal rate permitted under applicable law.

(ii) RIGHTS OF OFFSET UPON DEFAULT. Upon the occurrence of any Event of Default, the Lender shall be entitled to offset any monies due and payable under the Production Agreement to the Company by the Lender against any amounts due pursuant to the Note.

9. MISCELLANEOUS.

(a) WAIVERS, ETC.

(i) The Lender and the Company expressly acknowledge and agree that each party has relied on its own information and completed investigation as to all matters agreed, represented, warranted or acknowledged herein, and each party has no desire for further information and for further investigation prior to entering into this Agreement. Neither party has expressly or impliedly relied on any representation, agreement or understanding of the other party or any of its agents, except as expressly stated in this Agreement.

(ii) If the Lender permits actions inconsistent with the terms of this Agreement or the Note it does so without waiving its right to insist on the Company's full performance under this Agreement or the Note. No waiver of any Event of Default shall be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to any such Event of Default or from any previous waiver of any similar or unrelated Event of Default. A waiver must be made in writing and shall be limited to the express written terms of such waiver.

(iii) Each party to this Agreement that has been or continues to be represented by Wilson, Sonsini, Goodrich & Rosati, P.C., counsel to the Company, hereby acknowledges that Rule 3-310 of the Rules of Professional Conduct promulgated by the State Bar of California requires an attorney to avoid representations in which the attorney has or had a relationship with another party interested in the representation without the informed written consent of all parties affected. By executing this Agreement, each such party gives such party's informed written consent to the representation of the Company by Wilson, Sonsini, Goodrich & Rosati, P.C., in connection with this Agreement and the transactions contemplated hereby.

(b) NO THIRD PARTY BENEFICIARIES. This Agreement shall be binding upon the parties hereto and their respective successors and assigns. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other contract between the Company and the Lender to which it is not a named and signing party. The Company shall not assign or transfer any of its rights under this Agreement without the Lender's prior written consent, and any such assignment or transfer without such consent shall be void.

(c) CALIFORNIA LAW GOVERNS. This Agreement shall be governed by and construed in accordance with California law as applied to contracts executed and to be performed wholly in California. The parties expressly stipulate that any litigation under this Note shall be brought in the State courts of the County of Los Angeles, California and in the United States District Court for the Southern District of California. The parties agree to submit to the jurisdiction and venue of those courts.

(d) TIME OF ESSENCE. Time is of the essence in every provision of this Agreement and the other contracts, notes and instruments referred to in this Agreement.

(e) ENFORCEABILITY. If any provision of this Agreement shall for any reason be determined by a court of competent jurisdiction to be unenforceable in any respect, such unenforceability shall not affect any other provision thereof, and this Agreement shall be construed as if such unenforceable provision had not been contained therein.

(f) ENFORCEMENT. If any party shall bring or participate in any successful legal action or proceeding to enforce, defend or construe any provision of this Agreement, then the prevailing party shall recover from the other party (or parties) to such action or proceeding all legal expenses and costs (including reasonable attorneys' fees) which the prevailing party may suffer or incur in connection with such action or proceeding.

(g) DESCRIPTIVE HEADINGS. The descriptive headings which are used in this Agreement are for convenience only and shall not affect the meaning of any provision of this Agreement.

(h) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument. This Agreement shall become effective upon the execution and delivery of a counterpart hereof by each of the parties hereto.

(i) AMENDMENTS, INTERPRETATION. This Agreement contains (or incorporates) the entire agreement of the parties hereto with respect to the matters discussed herein, and may be modified or amended only by written instrument executed by each of the parties hereto.

(j) NOTICES. All notices given under this Agreement or any related document shall be delivered or transmitted to the addresses below or to such other address in the State of California as a party may designate by written notice to the other party:

"LENDER" DIODES INCORPORATED
3050 E. Hillcrest Drive, Suite 200
Westlake Village, CA 91362-3154

"COMPANY" FABTECH, INC.
777 N. Blue Parkway
Lee's Summit, MO 64086-5709

with copy to:

WILSON, SONSINI, GOODRICH & ROSATI
650 Page Mill Road
Palo Alto, California 94304-1050
Attn: Richard C. DeGolia, Esq.

All such notices shall be deemed to have been given at the time of actual delivery, or on the first business day after date of mailing, when sent by first class, express, certified or registered mail, postage prepaid.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

"COMPANY" FABTECH, INC.
By: /s/ Walter Buchanan
Title: President

"LENDER" DIODES INCORPORATED
By: /s/ David Lin
Title: President & Chief Executive Officer

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

\$2,500,000

February 15, 1996

FABTECH, INC.

SECURED PROMISSORY NOTE

FABTECH, Inc., a Delaware corporation (the "COMPANY"), for value received, promises to pay to Diodes Incorporated, a Delaware corporation (the "LENDER"), the principal sum of Two Million Five Hundred Thousand Dollars (\$2,500,000), plus interest thereon to be computed on such amount from the date of disbursement until paid. Interest shall accrue on the unpaid balance at the Cost of Funds Rate. The term "Cost of Funds Rate" shall mean the same daily rate of interest payable from time to time by the Lender for borrowed money for working capital purposes to its principal institutional lender. The Cost of Funds Rate shall be determined by the Lender, which determination shall be final and binding on the Company in the absence of manifest error. The Lender shall notify the Company in writing of any change in the Cost of Funds Rate within ten (10) days thereof; provided, however, that the failure to so notify the Company shall not affect the Cost of Funds Rate. On the effective date of this Agreement, the Cost of Funds Rate is * (% as of February 15, 1996) plus * percent (*%). All principal and interest shall be due and payable on demand at any time following February 14, 2001.

All computations of interest shall be made on the basis of a year containing a total of 360 days and shall be computed daily for the actual number of calendar days during which any principal owed on this Note remains outstanding by dividing the applicable interest rate by 360 and multiplying that number by the unpaid principal balance at the end of each day.

Payment of principal and interest shall be made in lawful money of the United States to the holder of this Note at the Company's principal offices or, at the option of the Lender, at such other place in the United States as such Lender shall have designated to the Company in writing.

The following is a statement of the other terms and conditions to which this Note is subject and to which the Lender, by the acceptance of this Note, agrees:

1. Prepayment

The Company shall have the right to prepay without penalty, in whole or in part, the unpaid principal and interest due on this Note as of the date of such prepayment. Any prepayment shall be applied first against outstanding interest and then against the outstanding principal balance.

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

2. Events of Default

If one or more of the following events (herein called "Events of Default") shall have occurred and be continuing:

- (a) The Company fails to make any payment of principal or interest when due, and such failure shall continue unremedied for a period of ten (10) days; or
- (b) The Company (i) commences any proceeding or other action relating to it in bankruptcy or seek reorganization, dissolution, liquidation, winding-up, or any other relief under the U.S. Bankruptcy Code, as amended (the "Bankruptcy Code"), or (ii) makes a general assignment for the benefit of creditors; or
- (c) Any proceedings are commenced or any other action is taken against the Company in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, or for any other relief under the Bankruptcy Code, as amended; and any such event continues for thirty (30) days undismissed or undischarged; or
- (d) A default by the Company under the terms of any agreement or instrument pursuant to which the Company has incurred debt from person or entity, including from Lender; or
- (e) The Company suffers in the Lender's judgment any material adverse changes in the condition of its business; or
- (f) The Company furnished to the Lender pursuant hereto any in connection herewith any information which proves to be materially incorrect or misleading; or
- (g) A default by the Company under the Security Agreement dated February 15, 1996, between the Company and the Lender; or
- (h) The Company shall fail to perform any of its obligations hereunder; or
- (I) Any judgment or order for the payment of money in excess of ten thousand dollars (\$10,000.00) shall be rendered against the Company and shall remain unsatisfied or unstayed for a period of forty-five (45) days; or
- (j) The Security Agreement or the UCC-1 shall cease for any reason to be in full force and effect or shall cease to be effective to grant the Lender a perfected first priority security interest in the accounts receivable;

then the Lender may at any time, but in no event earlier than 30 days after notifying the Company in writing about the occurrence of the Event of Default, at such Lender's option by written notice to the Company declare all sums of principal and accrued interest outstanding hereunder to be

immediately due and payable without presentment, protest, further demand or notice of dishonor, all of which are expressly waived by the Company. The Company hereby agrees to reimburse the Lender for any costs and expenses, including reasonable attorneys' fees, incurred in connection with the enforcement of its rights under this Note.

(k) All agreements between the Company and the Lender expressly are limited so that in no event whatsoever (whether by reason of the advancement of funds hereunder, acceleration of maturity of the unpaid principal balance or otherwise) shall the amount paid or agreed to be paid by the Company to the Lender for the use of funds advanced hereunder exceed the highest rate prescribed by law. If fulfillment of any provision hereof at the time performance of such provision becomes due involves exceeding such highest rate prescribed by law, then such obligation shall be reduced to such highest rate prescribed by law. If by any circumstance the Lender shall be deemed to have received as interest an amount which exceeds the highest rate prescribed by law, any amount which may be deemed excessive interest shall be applied to the reduction of the unpaid principal balance and not to the payment of interest. The terms and provisions of this paragraph shall control all other terms and provisions contained in this Note.

3. Waiver

If the Lender permits actions inconsistent with the terms of this Note it does so without waiving its right to insist on the Company's full performance under this Note. No waiver of any Event of Default shall be implied from any failure of the Lender to take, or any delay by the Lender in taking, action with respect to any such Event of Default or from any previous waiver of any similar or unrelated Event of Default. A waiver must be made in writing and shall be limited to the express written terms of such waiver.

4. Notices

All notices and other communications required or permitted hereunder shall be in writing shall be mailed by first- class mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed (a) if to the Lender at such Lender's address as set forth herein, or at such other address as the Lender shall have furnished to the Company in writing, or (b) if to the Company at 777 N. Blue Parkway, Suite 350, Lee's Summit, Missouri, 64086-5709 addressed to the attention of the President, or at such other address as the Company shall have furnished to the Lender.

5. Governing Law

This Note and the obligations of the Company hereunder shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed wholly within that State. The parties expressly stipulate that any litigation under this Note shall be brought in the State courts of the County of Los Angeles, California and in the United States District Court for the Southern District of California. The parties agree to submit to the jurisdiction and venue of those courts.

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name this 15th day of February, 1996.

FABTECH, INC.

By: /s/ Walter Buchanan

Title: President

AGREED TO AND ACCEPTED:

DIODES INCORPORATED

By: /s/ David Lin

Title: President & Chief Executive Officer

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT B

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of February 15, 1996, is executed by FABTECH, INC., a Delaware corporation (the "Company"), in favor of DIODES INCORPORATED, a Delaware corporation (the "Lender").

RECITALS

A. Pursuant to the terms of a Loan Agreement, dated as of February 15, 1996 (the "Loan Agreement"), between the Company and the Lender, the Company has executed a Secured Promissory Note, dated as of February 15, 1996 (the "Note"), in favor of the Lender.

B. The Loan Agreement and the Note provide that the Company's obligations to the Company will be secured by this Security Agreement executed by the Company in favor of the Lender.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company hereby agrees with the Lender as follows:

1. Definitions and Interpretation. When used in this Security Agreement, capitalized terms not otherwise defined shall have the respective meanings set forth in Attachment 1 hereto which is incorporated herein by this reference. Unless otherwise defined herein, all terms defined in the UCC shall have the respective meanings given to those terms in the UCC.

2. Grant of Security Interest. As security for the Obligations, the Company hereby pledges and assigns to the Lender and grants to the Lender a security interest in all right, title and interests of the Company in and to the Collateral.

3. Representations and Warranties. The Company represents and warrants to the Lender that (a) the Company is the owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Company acquires rights in the Collateral, will be the owner thereof) and that no other Person has (or, in the case of after-acquired Collateral, at the time the Company acquires rights therein, will have) any right, title, claim or interest (by way of Lien or otherwise) in, against or to the Collateral, other than Permitted Liens; (b) the Lender has (or in the case of after-acquired Collateral, at the time the Company acquires rights therein, will have) a first priority perfected security interest in the Collateral, except for Permitted Liens; and (c) each Receivable is genuine and enforceable against the party obligated to pay the same.

4. Certain Covenants. While any amount is outstanding under the Note, without the prior written consent of the Lender:

5. Covenants Relating to Collateral. The Company hereby agrees (a) to perform all acts that may be necessary to maintain, preserve, protect and perfect the Collateral, the Lien granted to the Lender therein and the first priority of such Lien, except for Permitted Liens; (b) not to use or permit any Collateral to be used (i) in violation of any provision of any Transaction Document, (ii) in violation of any applicable law, rule or regulation; (c) to pay promptly when due all taxes and other governmental charges, all Liens and all other charges now or hereafter imposed upon or affecting any Collateral; (d) without 30 days' written notice to the Lender, (i) not to change the Company's name or place of business (or, if the Company has more than one place of business, its chief executive office), or the office in which the Company's records relating to Receivables are kept, (ii) not to keep Receivables at any location other than its chief executive office, (e) to procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings reasonably deemed necessary or appropriate by the Lender to perfect, maintain and protect its Lien hereunder and the priority thereof and to deliver promptly to the Lender all originals of Collateral; (f) to appear in and defend any action or proceeding which may affect its title to or the Lender's interest in the Collateral; (g) if the Lender gives value to enable the Company to acquire rights in or the use of any Collateral, to use such value for such purpose; (h) to keep separate, accurate and complete records of the Collateral and to provide the Lender with such records and such other reports and information relating to the Collateral as the Lender may reasonably request from time to time, but in no event more often than once per month; (i) not to surrender or lose possession of (other than to the Lender), sell, encumber, or otherwise dispose of or transfer any Collateral or right or interest therein, and to keep the Collateral free of all Liens except Permitted Liens; and (j) to collect, enforce and receive delivery of the Receivables in accordance with past practice until otherwise notified by the Lender.

6. Authorized Action by Agent. The Company hereby irrevocably appoints the Lender as its attorney-in-fact and agrees that the Lender may perform (but the Lender shall not be obligated to and shall incur no liability to the Company or any third party for failure so to do) any act which the Company is obligated by this Security Agreement to perform, and to exercise such rights and powers as the Company might exercise with respect to the Collateral, including the right to (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral; (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral; (c) insure, process and preserve the Collateral; (d) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; (e) pay any indebtedness of the Company relating to the Collateral; and (f) execute UCC financing statements and other documents, instruments and agreements required hereunder; provided, however, that the Lender shall not exercise any such powers prior to the occurrence of an Event of Default and shall only exercise such powers during the continuance of an Event of Default. The Company agrees to reimburse the Lender upon demand for any reasonable costs and expenses, including attorneys' fees, the Lender may incur while acting as the Company's attorney-in-fact hereunder, all of which costs and expenses are included in the Obligations. It is further agreed and understood between the parties hereto that such care as the Lender gives to the safekeeping of its own property of like kind shall constitute reasonable care of the Collateral when in the Lender's possession; provided, however, that the Lender shall not be required to make any presentment, demand or protest, or give any notice and need not take any action to preserve any rights against any prior party or any other person in connection with the Obligations or with respect to the Collateral.

7. Default and Remedies. The Company shall be deemed in default under this Security Agreement upon the occurrence and during the continuance of an Event of Default (as defined in the Note). Upon the occurrence and during the continuance of any such Event of Default, the Lender shall have the rights of a

secured creditor under the UCC, all rights granted by this Security Agreement and by law, including the right to: (a) require the Company to make the Collateral available to the Lender at a place to be designated by the Lender; and (b) prior to the disposition of the Collateral, store, process, it or otherwise prepare it for disposition in any manner and to the extent the Lender deems appropriate. The Company hereby agrees that thirty (30) days' notice of any intended sale or disposition of any Collateral is reasonable.

8. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon the Company or the Lender under this Security Agreement shall be by telecopy or in writing and telecopied, mailed or delivered to each party at telecopier number or its address set forth below (or to such other telecopy number or address as the recipient of any notice shall have notified the other in writing). All such notices and communications shall be effective (a) when sent by Federal Express or other overnight service of recognized standing, on the business day following the deposit with such service; (b) when mailed, by registered or certified mail, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (c) when delivered by hand, upon delivery; and (d) when telecopied, upon confirmation of receipt.

Lender: DIODES INCORPORATED
3050 East Hillcrest Drive
Westlake Village, CA 91362
Attn: Joseph Liu
Telephone No.: (805) 446-4800
Telecopier No.: (805) 374-1255

Company: FABTECH, INC.
777 N. Blue Parkway, Suite 350
Lee's Summit, MO 64086-5709
Attn: Walter Buchanan
Telephone No.: (816) 251-8800
Telecopier No.: (816) 251-8850

(b) Nonwaiver. No failure or delay on the Lender's part in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(c) Amendments and Waivers. This Security Agreement may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by the Company and the Lender. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(d) Assignments. This Security Agreement shall be binding upon and inure to the benefit of the Lender and the Company and their respective successors and assigns; provided, however, that the Company may not sell, assign or delegate rights and obligations hereunder without the prior written consent of the Lender.

(e) Cumulative Rights, etc. The rights, powers and remedies of the Lender under this Security Agreement shall be in addition to all rights, powers and remedies given to the Lender by virtue of any applicable law, rule or regulation of any governmental authority, any Transaction Document or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing the Lender's rights hereunder. The Company waives any right to require the Lender to proceed against any Person or to exhaust any Collateral or to pursue any remedy in the Lender's power.

(f) Partial Invalidity. If at any time any provision of this Security Agreement is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Security Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(g) Expenses. The Company shall pay on demand all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by the Lender in connection with custody, preservation or sale of, or other realization on, any of the Collateral or the enforcement or attempt to enforce any of the Obligations which is not performed as and when required by this Security Agreement.

(h) Construction. Each of this Security Agreement and the other Transaction Documents is the result of negotiations among, and has been reviewed by, the Company, the Lender and their respective counsel. Accordingly, this Security Agreement and the other Transaction Documents shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against the Company or the Lender.

(i) Entire Agreement. This Security Agreement and each of the other Transaction Documents, taken together, constitute and contain the entire agreement of the Company and the Lender and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(j) Governing Law. This Security Agreement shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules (except to the extent governed by the UCC).

(k) Jury Trial. EACH OF THE COMPANY AND THE LENDER, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT.

IN WITNESS WHEREOF, the Company has caused this Security Agreement to be executed as of the day and year first above written.

FABTECH, INC.
By: /s/ Walter Buchanan
Name: Walter Buchanan
Title: President

AGREED:

DIODES, INCORPORATED
By: /s/ David Lin
Name: David Lin
Title: President & Chief Executive Officer

ATTACHMENT 1
TO SECURITY AGREEMENT

As used in the Security Agreement of which this Attachment 1 is a part, the following capitalized terms shall have the following respective meanings:

"Collateral" shall mean and include all right, title and interest of the Company now owned or hereafter acquired in and to the following:

(a) All accounts, chattel paper, contract rights and rights to the payment of money (collectively, the "Receivables");

(b) All proceeds of the foregoing (including, without limitation, whatever is receivable or received when Collateral or proceeds is sold, collected, exchanged, returned, substituted or otherwise disposed of, whether such disposition is voluntary or involuntary, including rights to payment and return premiums and insurance proceeds under insurance with respect to any Collateral, and all rights to payment with respect to any cause of action affecting or relating to the Collateral).

"Lien" shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or comparable law of any jurisdiction.

"Obligations" shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to the Lender of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including, without limitation, obligations arising under or pursuant to the terms of the Note and the other Transaction Documents, including all interest, fees, charges, expenses, attorneys' fees and accountants' fees chargeable to and payable by the Company hereunder and thereunder.

"Permitted Liens" shall mean and include:

(a) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith, provided provision is made to the reasonable satisfaction of the Lender for the eventual payment thereof if subsequently found payable;

(b) Liens of carriers, warehousemen, mechanics, materialmen, vendors, and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith, provided provision is made to the reasonable satisfaction of the Lender for the eventual payment thereof if subsequently found payable;

(c) Deposits under workers' compensation, unemployment insurance and social security laws or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations of surety or appeal bonds or to secure indemnity, performance or other similar bonds in the ordinary course of business;

(d) Liens securing obligations under a capital lease if such lease is permitted under this Security Agreement and such Liens do not extend to property other than the property leased under such capital lease;

(e) Easements, reservations, rights of way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances affecting real property in a manner not materially or adversely affecting the value or use of such property; and

(f) Liens in favor of the Lender.

"Person" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

"Receivables" shall have the meaning given to that term in the definition of "Collateral" set forth in this Attachment 1.

"Transaction Documents" shall mean this Security Agreement, the Note, the Loan Agreement dated as of February 15, 1996, between the Company and the Lender, and all other documents or agreements executed in connection with the foregoing.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of California from time to time.

EXHIBIT C

UNIFORM COMMERCIAL CODE-FINANCING STATEMENT-FORM UCC-1
IMPORTANT-READ INSTRUCTIONS ON BACK BEFORE FILLING OUT FORM

STATE OF MISSOURI

This FINANCING STATEMENT is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code: No. of Additional Sheets Presented: 1 3. - To be Recorded in Real Estate Records Book _____ Page: _____

1. Debtor(s) (Last Name First) and Address(es): 2. Secured Party(ies): Name(s) Address(es): 4. For Filing Officer use only:

FABTECH, INC. 777 N. BLUE PARKWAY, SUITE 350 LEE'S SUMMIT, MO 64086-5709
DIODES INCORPORATED 3050 EAST HILLCREST DRIVE WESTLAKE VILLAGE, CA 91362

5. This Financing Statement Covers the Following Types (or Items) of Property:

THE PROPERTY OF DEBTOR DESCRIBED ON "SCHEDULE 1" ATTACHED HERETO, WHICH IS MADE A PART HEREOF BY THIS REFERENCE.

X Products of the Collateral are Also Covered

6. Description of Real Estate: 7. Name(s) of Record Owner(s):

8. Assignee(s) of Secured Party and Address:

This statement is signed by the Secured Party instead of the Debtor to perfect a security interest in collateral:

- (Please check appropriate box) - already subject to a security interest in another jurisdiction when it was brought into this state, or when the debtor's location was changed to this state.
- which is proceeds of the original collateral described above in which a security interest was perfected. Proceeds should be described above.
- as to which the filing has lapsed.
- acquired after a change of name, identity or corporate structure of the debtor.

FABTECH, INC.
BY /s/ Walter Buchanan
SIGNATURE(S) OF DEBTOR(S)

DIODES INCORPORATED
BY /s/ David Lin
SIGNATURE(S) OF SECURED PARTY(IES)

Exhibit 10.17, Kai Hong Joint Venture Agreement, constitutes a fair and accurate English translation of the exhibit.

DIODES INCORPORATED (Registrant)

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

March 22, 1996

EXHIBIT 10.17

JOINT VENTURE AGREEMENT

BETWEEN

MRS. J.H. XING

AND

DIODES INCORPORATED

MARCH 18, 1996

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION

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Dated March 18, 1996

JOINT VENTURE AGREEMENT

ARTICLE I
SUMMARY

To satisfy market demand for certain electronic components and manufacturing management requirements, Diodes Incorporated and Mrs. J. H. Xing (the original sole investor of Shanghai Kai Hong Electronic Company, Ltd.), based on fair and mutual benefit principle agree to execute this agreement (the "Agreement") and establish a joint venture to capitalize and operate Shanghai Kai Hong Electronics Company, Ltd. (the "Company"). The Company's address shall be: Xinqiao Town, Song Jian County, Shanghai, the People's Republic of China.

ARTICLE II
PARTIES

1. Formation of the Company: The partners of the Joint Venture are:
 - Party A: Overseas Chinese, Mrs. J. H. Xing (the original sole investor of Shanghai Kai Hong Electronic Company, Ltd.)
Address: 97-12 63rd Drive, Apt. 10D
Rego Park, New York 11374 U. S. A.
 - Party B: Diodes, Incorporated, a U. S. A. Corporation
Address: 3050 Hillcrest, Suite 200
Westlake Village, California 91362-3254 U.S.A.

ARTICLE III
PURPOSE AND SCOPE

2. The Company, based on the good intention of both parties, will develop and use advanced manufacturing techniques and modern management concepts in its business operations to achieve maximum profitability.
3. Scope: To manufacture and sell diodes and associated electronic components, surface mount devices (SMD) SOT-23 transistors and other electronic components and packages.
4. Scale: Company's manufacturing capability will be developed in different phases according to market demand.

ARTICLE IV
TOTAL INVESTMENT AND INVESTMENT RATIO

5. Total investment amount: U. S. Dollar * (U. S. \$*).
6. Registered Capital: U. S. Dollar * (U. S. \$*).
7. Party A's paid in capital shall be U. S. Dollar * (U. S. \$*), and shall have thirty percent (30%) ownership of the Company, Party B's paid in capital shall be U. S. Dollar * (U. S. \$*), and shall have seventy percent (70%) ownership of the Company.
8. Party A and Party B shall remit the registered capital in stages according to the ratio set forth above. Within the first three (3) months of the Company obtaining its business license, both parties should remit up to fifteen percent (15%) of the

registered capital. The balance shall be paid in several phases within the next three (3) years in intervals agreed upon by the parties in the form of U. S. currency, equipment or building and utilities.

9. Neither party may transfer its interest in the Company to a third party without the written consent of the other party, and the Chinese authorities approval. Any such transfer shall be subject to the non-transferring party's right of first refusal to acquire the interest of the transferring party, on the same terms and conditions as the proposed transfer.
10. If Party B offers to sell its whole or partial ownership in the Company to Party A, and Party A desires to purchase such interest, Party B agrees to allow Party A to pay the mutually agreed sales price during a period which shall be no less than three (3) years and not greater than five (5) years. The interest rate shall be calculated according to the most favorable interest rate available to U. S. currency loan at the time of the sale.
11. At any time during the first ten (10) years of this agreement, if Party B finds it difficult to work with Party A, then Party B shall have the right to purchase Party A's whole or a portion of its ownership interest in the Company.
- 11.1 If the Company's Retained Earnings at that time is positive, the purchase price shall be calculated as follows:
The Company's net worth x Party A's share ratio x
f1 (f1 is a factor).
- f1: For the first and second year of the joint venture agreement, f1 is *. For the third and fourth year of the joint venture agreement, f1 is *. For the fifth and sixth year of the joint venture agreement, f1 is *. For the seventh through tenth year of the joint venture agreement, f1 is *.

11.2 If the Company's retained earnings at the time of the conflict is negative, then the payments should be equal to the original value of Party A's investment. The Company's loss will be Party B's responsibility.

This clause is valid for ten (10) years from effective date of this agreement. It will become invalid thereafter.

12. If during the initial ten (10) years of this agreement, the Company has two (2) consecutive years in which it posts losses, Party A has the right to sell its all or a portion of its interest in the Company to Party B. The sales price in such an event will be equivalent to the Company's net worth prior to its losses times Party A's share ratio. However, in no event shall the purchase price be below Party A's original capital investment.

This clause is valid for ten (10) years from the date of this agreement, it will become invalid thereafter.

ARTICLE V
SHANGHAI KAI HONG ELECTRONIC CO., LTD.
CAPITAL INVESTMENT INCREASE

13. Prior to the establishment of this joint venture, Shanghai Kai Hong Electronic Co., Ltd.'s original Registered Capital was U. S. Dollar * (U. S. \$*), which consists of U. S. Dollar * (U. S. \$*) for Diodes products and U. S. Dollar * (U. S. \$*) for MELF and SOT-23 semi-conductor packages.

In order to fulfill Party B's Securities & Exchange Commission (SEC) obligations in the U.S.A., it is necessary for the company to have a clear financial reporting system for the Company. Party A agrees to transfer its original investment of

U. S. Dollar * (U. S. \$*), with its associated asset, liability, and shareholders equity out of Kai Hong.

Once the assets, liability, and shareholder equity which were related to the diodes products were transferred out of the old Kai Hong Company, it will no longer have any association with the new Kai Hong Company.

All of the original investment of U. S. Dollar *(U. S. \$*) and its associated assets, liability, and shareholder equity which were related to the MELF and SOT-23 product are to remain in the Company (New Kai Hong).

All the expenses relating to the preparation of product and training of employees prior to the initial sales shall be designated as start-up capital and amortized accordingly.

- 14. The Shanghai Kai Hong Electronic Co., Ltd. increased investment is U.S. Dollar * (U. S. \$*).

ARTICLE VI
RESPONSIBILITY

- 15. Party A and Party B shall have the following responsibilities:

Party A's responsibilities:

- 1. Remit the Registered Capital according to Article IV, Item 7. Party A may require Party B to provide a guarantee for a loan to provide Party A's capital. The amount of this loan shall not exceed * (*) of Party A's Registered Capital investment. Party A agrees to pledge a pro rata share of its ownership interest in the Company as collateral to Party B.

The loan shall be due and payable to the lender within * (*) years. Should Party A become delinquent in excess of six (6) months of the scheduled payments of principal and/or interest, Party A agrees to transfer a pro rata share of its ownership interest in the Company to Party B to compensate Party B for any losses Party B suffers as a result of its guarantee of the loan.

2. Obtain the license for the Company's building and the approval use of the land for the Company from the appropriate Chinese authorities.
3. To provide adequate water, electricity, compressed air, and plating facility.
4. Assist foreign employees in obtaining necessary entry visa, work permit, and travel documentation in the People's Republic of China.
5. To fulfill any reasonable requests made by the Company.

Party B's responsibilities:

1. Remit in the Registered Capital according to Article IV, Item 7.
2. Export all Company products for sales to worldwide markets, currently 100% export.
3. Provide technical, quality, manufacturing, financial and control, administration, and train local management personnel.
4. To fulfill any reasonable requests made by the Company.
5. If necessary, provide a guarantee for the following:

1. A loan to the Company from a bank which is authorized by the People's Republic of China in an amount up to the amount allowed by local government regulations.
2. Provide necessary guarantee for a loan to Party A as specified above in Party A's Responsibilities - 1.

ARTICLE VII
SALES OF PRODUCT

16. It is currently agreed that One Hundred Percent (100%) of Company's product will be purchased by and exported by Party B.
17. The sales price for the Company's products shall be established based on the manufacturing cost plus reasonable profit margin, but in no event higher than a price which is competitive within the worldwide market.

ARTICLE VIII
BOARD OF DIRECTORS

18. The Company shall be formally established as of the date of issuance of its business license by the People's Republic of China.
19. The Board shall consist of seven (7) members, two (2) of which shall be appointed by Party A and five (5) of which shall be appointed by Party B. The Chairman of the Board shall be appointed by Party B. The Deputy Chairman of the Board shall be appointed by Party A. The appointment of each member of the Board of Directors shall be for a period of four (4) years, and renewable by corresponding party.

20. The Board of Directors shall be the highest authority in the Company, and shall make all major decisions for the Company.
21. The Board shall meet at least once a year. Meetings may be called by the Chairman of the Board who shall host the meeting. The minutes of each Board meeting shall be taken and properly retained by the Company's secretary. A quorum shall consist of two-thirds (2/3) of the Board members, any decisions or consent shall be invalid without two-thirds (2/3) of the Board members present at the meeting. If any Board member (including the Chairman of the Board) cannot be present, he/she may designate another Board member to take his/her place by signing a written Proxy. The Proxy shall be interpreted as physical presence of the absent member and the designated member may cast the vote of the absent member. Any member absent without designating another member will be deemed as having waived his/her right to vote.
22. Any decision or resolution of the Board meeting is deemed to be valid only if approved by greater than one-half (1/2) of the members who are present in the meeting.

ARTICLE IX
MANAGEMENT AND OPERATIONS

23. The Company shall have an appropriate management organization. Party B shall be responsible for the Company's production and management. The Board will hire a General Manager and an Assistant General Manager for a term of two (2) years, renewable upon approval of the Board. The General Manager and Assistant General Manager shall be prohibited from participating in any other organization which is in competition with this company.

24. The General Manager shall execute all decisions made by the Board of Directors, and shall manage the Company's daily operation. The Assistant General Manager shall assist the General Manager in his/her daily duties. During the General Manager's absence, the Assistant General Manager or other managers who are assigned by the General Manager, shall act in his/her capacity. The Company shall establish the following departments: Manufacturing, Sales, Administration, Financial and Control, and others which are deemed to be necessary. Department Managers are responsible for each department's duties as designated by the General Manager and Assistant General Manager, and shall report to the General Manager.
25. If the General Manager, the Assistant General Manager, or other administrative personnel is not performing his/her duties, or receiving payments from outside sources that are deemed to be inappropriate, or is showing favoritism, the Board shall have the authority to terminate that Manager.

ARTICLE X
DISTRIBUTION OF PROFIT AND LOSSES

26. Party A and Party B will allocate the Company's profit and losses in direct relations to their investment ratios.
27. The Company shall distribute its profit once every year. During the first two (2) months of each accounting year, the General Manager will present the previous year balance sheet, profit and loss statements, fixed asset list, and profit allocation proposal to the local government body for review and approval; it then shall present to the Board of Directors for review and approval. The profit distribution plan and the amount for each party shall be announced by March 15. In

consideration of the Company's long term growth, the Board of Directors may pass a resolution to temporarily suspend the profit distribution. The reinvestment of the retained earnings shall increase both party's paid in capital on a pro rata basis.

ARTICLE XI
TERM

28. This joint venture period is thirty (30) years, from the date the business license is obtained.
29. To extend the Company period, The Board of Directors may extend the term of the joint venture by resolution passed at least one (1) year before its maturity and submit its written consent to the appropriate government body for review and approval. Upon official approval, the Company shall apply the amendment of business registration from the government body.

ARTICLE XII
LIQUIDATION

30. Upon maturity or dissolution, the Company should liquidate according to the rules and regulations provided by "Shanghai Foreign Investment Business Liquidation Law". The liquidated asset, after made tax payments, and satisfying all liabilities, shall be distributed to Party A and Party B according to the capital ratio. Upon liquidation, the Company shall report to the appropriate government body, and apply for cancellation of registration and return the business license, and make the necessary announcement to the public.

ARTICLE XIII
AMENDMENT, CHANGES OR TERMINATION OF THE AGREEMENT

31. Any amendment, changes, or termination of this agreement shall be approved in writing by both Party A and Party B and approved by the appropriate government body.
32. If circumstances beyond either party's control result in operating losses for seven consecutive years, the Board of Directors may adopt a resolution to terminate this agreement and request the approval from the appropriate government body.
33. Failure of either party to perform its responsibilities as specified in this Agreement or Company's By-laws, or material violation of this Agreement or Company's By-laws, which results in the Company's inability to perform its business as specified in this agreement shall be deemed to be in default. The party who is abiding of this agreement may ask the party who is in default for compensation and also has the right to obtain from the government body authorization to terminate this agreement. If both parties agree to continue this Company, the parties who are in default shall compensate the Company for its economic losses.

ARTICLE XIV
CONTEMPT PARTY'S RESPONSIBILITY

34. If either Party A or Party B fails to submit its portion of the Registered Capital as specified herein, the delinquent party shall be penalized for each month of such failure. The party in violation shall pay to the other party an amount equal to three percent (3%) of the amount due. If the capital contribution is overdue more than three (3) months (including the scheduled payment plus the penalty), the party who is abiding has the right to cease this agreement, and ask the party in violation for compensation for all financial losses resulting from the violation.
35. Party who fails to function properly which results in whole or in partial, of this agreement or its attachments cannot be performed, shall be responsible for entire loss. This party shall compensate the other party for all its economic losses. If both parties are at fault, the damages shall be apportioned in accordance to the amount of each party's fault.

ARTICLE XV
FORCE MAJEURE

36. If one party cannot perform its obligations under this agreed because of acts of God (i.e., earthquakes, typhoon, floods, or war, etc.), or incidents of force majeure, the party so affected shall immediately inform the other party and shall provide the proof of the event of force majeure within the fifteen (15) day of each event. This proof document shall be issued by authorized institution. Depending on the impact on this agreement, the parties may negotiate and decide to waive the requirement to perform any or all the requirements of this agreement.

ARTICLE XVI
GOVERNING LAW

37. This agreement and the obligation of the parties hereunder shall be interpreted, construed, and enforced in accordance with the People's Republic of China's, laws, rules, and regulations.

ARTICLE XVII
ARBITRATION

38. Any of the dispute arising out of the execution, interpretation or performance of this agreement or associated with this agreement, shall be resolved through negotiation in good faith. Should the negotiation not resolve the dispute, it shall be submitted to arbitration. Arbitration proceedings are to be held in Shanghai by the People's Republic of China International Economic Trading Arbitration Committee, Shanghai Branch, in accordance with "the rules of the People's Republic of China International Economic Trading Arbitration Committee", and shall apply the law of the People's Republic of China's and generally accepted international practices. The decision of the arbitration shall be final and binding to each of the parties.
39. During the arbitration period other than the issue that is in dispute, the rest of this agreement shall continue in full force and effect.

ARTICLE XVIII
LANGUAGE

40. The original of this Agreement is in Chinese. Its English translation shall be of equal validity. Any dispute will be resolved according to the Chinese version.

ARTICLE XIX
MISCELLANEOUS

41. This agreement and its attachment, the Product Sales Agreement and the Equipment Purchase Agreement, shall be submitted to Xinqiao Town, Song Jian County, Shanghai, the People's Republic of China's government for approval and shall be effective from the date of approval.
42. The attachment to this agreement are binding and shall have the same force and effect as this Agreement.
43. Either Party A or Party B can use the telex or fax communication system to give notices, however the original documents shall be forwarded to the addressee by the addresser when either party's rights and obligation are involved. The address of each party listed above in this agreement shall be the official address.
44. This agreement consists of five (5) originals, Party A and Party B each has two (2) sets, the other set is to be submitted to the government party.
45. This agreement signed March 18, 1996 by authorized persons in Shanghai.

Party A:
Overseas Chinese
Mrs. J. H. Xing

Party B:
Diodes, Incorporated
U. S. A. Corporation

/s/ J.H. Xing

/s/ David Lin

DIODES INCORPORATED AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

PRIMARY	Year Ended December 31,		
	1995	1994	1993
Net income for primary earnings per share	\$ 4,700,000	\$ 2,363,000	\$ 1,587,000
Weighted average number of common shares outstanding during the year	4,881,125	4,752,883	4,558,630
Add common equivalent shares upon exercise of stock options	339,071	383,627	165,179
Weighted average number of shares used in calculations of primary earnings per share	5,220,196	5,136,510	4,723,809
Primary earnings per share	\$.90	\$.46	\$.34
FULLY DILUTED			
Weighted average number of shares used in calculating primary earnings per share	5,220,196	5,136,510	4,723,809
Add additional shares issuable upon exercise of stock options	326	*	86,640
Weighted average number of shares used in calculation of fully diluted earnings per share	5,220,522	5,136,510	4,810,449
Fully diluted earnings per share	\$.90	\$.46	\$.33

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

SUBSIDIARIES OF THE REGISTRANT

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

2. NAE, Inc., a corporation organized and existing the laws of the Commonwealth of Massachusetts, with principal offices located at 3050 E. Hillcrest Drive, Westlake Village, California 91362. Business operations of this subsidiary have been suspended since 1989. This is a wholly-owned subsidiary of Diodes Incorporated.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-78716) of Diodes Incorporated of our report dated February 16, 1996 appearing in item 8 in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the financial statement schedule, which appears at page S-1 of this Form 10-K.

MOSS ADAMS LLP
/s/ Moss Adams
Los Angeles, California
March 28, 1996

5
1,000
US DOLLARS

YEAR	DEC-31-1995	DEC-31-1995
	1,000	478
	0	
	8,221	
	177	
	16,295	
	25,883	1,527
	0	
	29,363	
12,620		0
0		
	0	
	3,784	
	12,715	
29,363		
	58,190	
	58,190	
	41,727	41,727
	9,522	
	0	
	0	
	7,310	
	2,610	
6,941		
	0	
	0	
	0	
	4,700	
	.90	
	.90	