

Full Year Financial Statements And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

	Company PhP ('000)		
	31/12/2004	31/12/2003	% Change
Turnover	4,324,279	6,758,608	(36.02)
Cost of goods sold	4,605,708	6,984,736	(34.06)
Gross loss	281,429	226,128	24.46
Operating expenses			
General and administrative	154,931	159,718	(3.00)
Selling and marketing	59,853	26,558	125.37
Total operating expenses	214,784	186,276	15.30
Loss from operations	496,213	412,404	20.32
Other income (expenses) - net			
Foreign exchange gain	1,578	5,949	(73.47)
Interest - net of final tax of PhP1,543,302 and PhP347,958 in 2004 and 2003, respectively	19,034	2,759	589.89
Equity in net loss of a subsidiary	(77)	-	(100.00)
Miscellaneous - net	1,983	(1,517)	230.72
Total other income	22,518	7,191	213.14
Loss before income tax	473,695	405,213	16.90
Provision for income tax	-	-	
Net loss	473,695	405,213	16.90
Basic loss per share	0.76	0.65	
Additional information to the income statements:			
Depreciation and amortization	471,734	613,582	
Provisions for:			
Inventory obsolescence	12,913	22,132	
Doubtful accounts	-	1,887	
Gain on sale of property and equipment	2,924	175	

1 (b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

	Company PhP ('000)		
	31/12/2004	31/12/2003	% Change
Noncurrent Assets			
Property and equipment - net	705,459	1,222,521	(42.29)
Investments	51,422	-	100.00
Other assets	9,277	9,124	1.68
Total noncurrent assets	766,158	1,231,645	(37.79)
Current Assets			
Cash and cash equivalents	827,288	444,081	86.29
Trade and other receivables - net	548,430	1,716,354	(68.05)
Inventories	556,955	296,710	87.71
Prepayments and other current assets	2,554	4,070	(37.25)
Total current assets	1,935,227	2,461,215	(21.37)
Current Liabilities			
Accounts payable and accrued expenses	517,748	1,052,309	(50.80)
Total current liabilities	517,748	1,052,309	(50.80)
Net Current Assets	1,417,479	1,408,906	0.61
Net Assets	2,183,637	2,640,551	(17.30)

Company		
PhP ('000)		
31/12/2004	31/12/2003	% Change
624,000	624,000	-
1,189,397	1,189,397	-
353,459	827,154	(57.27)
16,781	-	
2,183,637	2,640,551	(17.30)

1 (b)(ii)

Aggregate amount of the Company's borrowings and debt securities

(a) Amount repayable in one year or less, or on demand

As at 31/12/04		As at 31/12/03	
Secured PhP ('000)	Unsecured PhP ('000)	Secured PhP ('000)	Unsecured PhP ('000)
-	-	-	-

(b) Amount repayable after one year

As at 31/12/04		As at 31/12/03	
Secured PhP ('000)	Unsecured PhP ('000)	Secured PhP ('000)	Unsecured PhP ('000)
-	-	-	-

Details of any collateral

Not applicable

1 (c)

A cash flow statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Years ended 31 December	
	2004 PhP ('000)	2003 PhP
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(473,695)	(405,213)
Adjustments to reconcile income before income tax to net cash generated from operations:		
Depreciation and amortization	471,734	613,582
Interest income	(19,034)	(4,291)
Provisions for:		
Inventory obsolescence	12,913	22,132
Doubtful accounts	-	1,887
Unrealized foreign exchange gain	(985)	(2,487)
Interest expense	-	1,533
Gain on sale of property and equipment	(2,923)	(176)
Equity in net loss of a subsidiary	77	-
Operating income (loss) before working capital changes	(11,913)	226,967
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable		
Trade	1,099,581	(208,988)
Others	69,229	(27,880)
Inventories	(270,712)	282,988
Prepayments and other current assets	1,516	5,742
Increase (decrease) in accounts payable and accrued expenses	(533,465)	43,714
Net cash generated from operations	354,236	322,543
Interest received	18,098	4,155
Interest paid	-	(3,820)
Net cash provided by operating activities	372,334	322,878

	Years ended 31 December	
	2004 PhP ('000)	2003 PhP ('000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(24,100)	(158,454)
Proceeds from sale of property and equipment	86,537	58,244
Increase in:		
Investments	(51,474)	-
Other assets	(28)	214
Net cash provided by (used in) investing activities	10,935	(99,996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payment of:		
Bank loans	-	(111,243)
Long-term debt	-	(133,135)
Net cash used in financing activities	-	(244,378)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(62)	3,354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	383,207	(18,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	444,081	462,223
CASH AND CASH EQUIVALENTS AT END OF YEAR	827,288	444,081

1 (d)(1)

A statement (for the issuer and group) showing either (i) all changes in equity of (ii) changes in equity other than those arising from immediately preceding financial year

	Years ended December 31	
	2004 PhP ('000)	2003 PhP ('000)
Capital Stock	624,000	624,000
Additional Paid-in Capital	1,189,397	1,189,397
Retained Earnings		
Balance at beginning of year	827,154	1,232,367
Net loss	(473,695)	(405,213)
Balance at end of year	353,459	827,154
Exchange reserve	16,781	-
Total Stockholders' Equity	2,183,637	2,640,551

Explanatory notes that are material to an understanding of the information provided in items above

The balance sheets and statements of cash flows for the years ended December 31, 2004 and 2003 disclosed decreases or increases in assets and liabilities as compared with the same period last year due to the following:

General

Effective January 1, 2004, the Company changed its functional currency from Philippine peso to US dollar as a result of the change in the underlying transactions and events affecting the Company. The Company's reporting currency is Philippine peso. The primary guidelines followed in translating the 2004 financial statements information from US dollar to Philippine peso follows:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. The closing rate for 2004 is PhP56.341 to US\$1.
- (2) Income and expenses for each income statement are translated at the monthly average exchange rate for the period.
- (3) Capital stock and additional paid in capital stock are translated at historical rate.
- (4) All resulting exchange differences are recognized as a separate component of the stockholders' equity under the "Exchange Reserve" account.

Accounts receivable

As shown in the cash flow statement for 2004 decrease in trade receivable is due to (1) the collection of the sales during the year and (2) the decreased sales in 2004 due to soft market demand. In 2003, increase in accounts receivables represents uncollected sales in the last quarter. In accordance with the credit terms, these receivables were collected subsequent to the year end.

Inventories

Decrease in inventories in 2003 was due to the consumption brought about by the ramp-up of operations of a turnkey customer during the year. Further increase in 2004 was due to higher production of turnkey customer during the year as compared to the same period of 2003.

Prepayments and other current assets

Prepayments and other current assets in 2004 decreased due to the utilization of prepaid rent carried over from 2003.

Property and equipment

Net book value of property and equipment decreased in 2004 mainly due to the disposal of some equipment and depreciation charges during the year.

Accounts payable and accrued expenses

Substantial decrease in 2004 shown in the cash flow statement is caused by reduced purchases due to lower production activity as compared to the last year activity.

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash as consideration for acquisition

Not applicable

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

These financial statements are not audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements

The Company changed its functional currency from Philippine peso to US dollar in 2004, in compliance with Philippine Accounting Standards (PAS) 21 / Financial Reporting Standards (FRS) 21, "The Effects of Changes in Foreign Exchange Rates". PAS 21 / FRS 21 requires a company to determine its functional currency and measure its results and financial position in that currency. The change in functional currency is accounted for prospectively.

The Company adopted Statement of Financial Accounting Standards (SFAS) 12 / International Accounting Standards (IAS) 12, Income Taxes, and SFAS 17/IAS 17, Leases, which became effective on January 1, 2004. Adoption of the abovementioned new accounting standards did not result in restatement of prior year financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The adoption of PAS 21 / IAS 21 mentioned in item no. 4 is prompted by the change in the underlying transactions, events, and conditions affecting the company.

For presentation purposes, the assets and liabilities of the Company as of December 31, 2004 are translated into Philippine peso, the presentation currency, using the PDSWAR prevailing at the balance sheet date and, the income statements are translated at actual rates at the date of transactions or the weighted average rate for the year. The exchange differences arising from the translation are taken directly to a separate component of equity and recorded as Exchange Reserve.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	2004	2003
Earnings (PhP) per ordinary share for the period after deducting any provision for preference dividends:		
Based on existing issued capital on a fully diluted basis	0.76	0.65
Net tangible assets backing per ordinary share	3.50	4.23

Earnings per ordinary share is computed based on the weighted average number of shares in issuer during the year of 624,000,000.

The same number of shares was used to compute earnings per share on a fully diluted basis.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	31/12/2004 PhP	31/12/2003 PhP
Net assets value per share based on existing issued share capital as at the respective period	3.50	4.23

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	Years ended 31 December			
	2004 PhP ('000)	2003 PhP ('000)	Increase (Decrease) PhP ('000)	%
Turnover	4,324,279	6,758,608	(2,434,329)	-36.02%
Cost of goods sold	4,605,708	6,984,736	(2,379,028)	-34.06%
Gross loss	(281,429)	(226,128)	55,301	24.46%
Operating expenses	214,784	186,276	28,508	15.30%
Other income	22,518	7,191	15,327	213.14%
Loss before income tax	(473,695)	(405,213)	(68,482)	16.90%
Provision for income tax	-	-	-	
Net loss for the year	(473,695)	(405,213)	(68,482)	16.90%

The Company's turnover in 2004 decreased by PhP2,434.3 million or 36.02% from PhP6,758.6 million in 2003 to PhP4,324.3 million in 2004 as a continuing effect of the change in the relationship with a major customer. Gross loss increased by PhP55.3 million or 24.46% from a gross loss of PhP226.1 million in 2003 to a gross loss of PhP281.4 million in 2004 due to closure of one of its plants last October, 2004 and under loading of the Company's facilities resulting from low customers' demand.

Operating expenses increased from PhP186.3 million in 2003 to PhP214.8 million or 15.30% in the same period of 2004. The said increase in operating expenses is attributable to increase in sales commission due to increase in sales volume subject to commission. Other income increased by PhP15.3 million or 213.14% from PhP7.2 million in 2003 to PhP22.5 million in 2004 due to the net effect of a reduction in foreign exchange gain and increase in interest income earned from dollar savings account and money market placements.

With the foregoing, the Company incurred a net loss of PhP473.7 million in 2004 as compared with a net loss of PhP405.2 million in 2003.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between and the actual results

No variance from the announcement made in the third quarter of 2004.

In a 2003 year-end announcement, the Company disclosed that it expects to incur a net loss in 2004. The Company's results of operations are consistent with such announcement.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Ionics EMS ended the year 2004 with a strong cash position with no outstanding loans and expects to maintain its strong cash position in 2005.

The Company is set to start operations in China by April, 2005. At this time, it is too early for management to determine with reasonable certainty the impact of the China operations to the financial statements. The China operations will be financed from internal sources.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of Dividend

Dividend Type

Dividend Rate

Par value of shares

Tax Rate

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend

Dividend Type

Dividend Rate n/a

Par value of shares

Tax Rate

(c) Date payable

Not applicable

(d) Books closure date

Registrable Transfers received by the company up to 5:00 pm on <Enter the date here> will be registered before entitlements to the dividend are determined.

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

The Company did not declare any dividend for the year ended 31 December 2004.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for immediately preceding year**Analysis by Geographical Market**

	Turnover	
	2004 PhP ('000,000)	2003 PhP ('000,000)
Asia	2,334	2,217
Europe	1,143	2,663
North America	847	1,879
Total	4,324	6,759

The above breakdown by geographic markets refers only to the initial destination of the products. It is not a true reflection of where the demand of our products is derived from. The bulk of our products are intermediate products which are shipped to our customers' manufacturing plants for incorporation or further assembly into final finished product. For example, our flip chip assemblies are delivered to our customers for assembly into the complete disk drive. All sales of this product are reported in the above table as sales to the Asian market since our customers' factory is located in Asia. However, it should be noted that the demand for the customers' disk drive is international and spread across all three continents. We are unable to track down the final destination.

Analysis by Product Use

	Consumer Electronics 2004 PhP ('000)	Computer Peripherals 2004 PhP ('000)	Telecom- munication 2004 PhP ('000)	Automotive 2004 PhP ('000)	Total 2004 PhP ('000)
Turnover	79,796	946,013	2,213,237	1,085,233	4,324,279
Income (loss) from operations	(25,388)	(301,936)	5,877	(174,766)	(496,213)
Interest Income	2,118	8,471	3,015	5,430	19,034
Foreign exchange gain (loss)	140	(2,592)	589	3,441	1,578
Miscellaneous - net	152	874	(579)	1,459	1,906
Provision for Income Tax	-	-	-	-	-
Net Income (Loss)	(22,978)	(295,183)	8,902	(164,436)	(473,695)

	Consumer Electronics 2004 PhP ('000)	Computer Peripherals 2004 PhP ('000)	Telecom munication 2004 PhP ('000)	Automotive 2004 PhP ('000)	Total 2004 PhP ('000)
Identifiable assets	123,165	744,604	612,846	180,324	1,660,939
Unallocated assets	-	-	-	-	1,040,446
Total Assets	123,165	744,604	612,846	180,324	2,701,385

Identifiable liabilities	-	36,206	92,065	-	128,271
Unallocated liabilities	-	-	-	-	389,477
Total liabilities	-	-	-	-	517,748

Capital expenditures	901	15,654	7,545	-	24,100
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Depreciation and amortization	14,350	319,204	49,922	88,258	471,734
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	Consumer Electronics 2003 PhP ('000)	Computer Peripherals 2003 PhP ('000)	Telecom- munication 2003 PhP ('000)	Automotive 2003 PhP ('000)	Total 2003 PhP ('000)
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Turnover	53,250	5,748,295	860,974	96,089	6,758,608
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Loss from operations	(23,409)	(317,248)	(17,806)	(53,941)	(412,404)
Interest - net	461	1,167	631	500	2,759
Foreign exchange gain (loss))	1,340	(3,334)	6,662	1,281	5,949
Miscellaneous - net	101	(1,070)	(430)	(118)	(1,517)
Provision for Income Tax	-	-	-	-	-
Net Loss	(21,507)	(320,485)	(10,943)	(52,278)	(405,213)

Identifiable assets	36,013	3,290,928	181,039	46,321	3,554,301
Unallocated assets	-	-	-	-	138,559
Total Assets	36,013	3,290,928	181,039	46,321	3,692,860

Identifiable liabilities	-	374	834,306	12,469	847,149
Unallocated liabilities	-	-	-	-	205,160
Total liabilities	-	-	-	-	1,052,309

Capital expenditures	-	158,454	-	-	158,454
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Depreciation and amortization	8,195	513,347	22,136	69,904	613,582
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14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

The material changes in the contribution to turnover and earnings by product segments were due to the following factors:

1. Turnover of Computer Peripherals decreased by 83.54% due to soft market demand for this segment. As a result of the underutilization of the plant capacity this segment reported a net loss of PhP295.2 million in 2004 as compared with net loss of PhP320.5 million in 2003.
2. Turnover of Telecom increased by 157.06% due to higher production activity for this segment in 2004. As a result, this segment reported net income of PhP8.9 million in 2004 as compared with the net loss of PhP10.9 million in 2003.

15. **A Breakdown of sales**

	2004	2003	%
	PhP ('000)	PhP ('000)	Increase (Decrease)
Sales reported for the first half of year	1,847,748	2,813,940	-34.34%
Operating profit (loss) reported for first half of year	(222,060)	(313,453)	-29.16%
Sales reported for the second half of year	2,476,531	3,944,668	-37.22%
Operating profit (loss) reported for second half of year	(251,635)	(91,760)	174.23%

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	PhP ('000)	
	2004	2003
NONE	-	-

BY ORDER OF THE BOARD

Company Chief Executive Officer

Mr. Lawrence C. Qua

February 28, 2005