SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended ....**June 30, 2004**

2. Commission identification number..............**296** 3. BIR Tax Identification No.....**000-130-411-000**.

4. **Metro Alliance Holdings & Equities Corp.**
Exact name of issuer as specified in its charter

5. **Philippines**
Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] SEC use Only)

7. **22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City** **1226**
Address of issuer's principal office Postal Code

8. **(632) 848-0848**
Issuer's telephone number, including area code

9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Class A	**183,673,470**
Common Class B	**122,448,979**
Outstanding Debt	**P1,125,430,575**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [**x**] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippines Stock Exchange **Common Class A and Class B**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [**x**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**x**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached Consolidated Balance Sheet, Income Statement, Changes in Stockholder's Equity, Cash Flows and Notes to Interim Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

a) Key Performance Indicators

The Corporation and its majority-owned subsidiaries key performance indicators follow:

<u>Metro Alliance Holdings & Equities Corp.(The Corporation)</u>

The Corporation's key performance indicators include the following:

1. Net income

2. Earnings per share – net income attributable to each share of common stock
   (net income / weighted number of shares outstanding)

3. Return on average equity – ability to generate returns on investment of stockholders.
   (net income / average equity)

4. Debt to total asset ratio – the proportion to total assets financed by creditors.
   (total debt / total assets)

5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company
   (total debt / equity)

the financial ratios of the Corporation are not stable due to its significant investment in the BPC Project.

Comparative analysis of the Corporation's key performance indicators follows:

Performance indicator	2004	2003	
	June 30	December 31	June 30
Net income (loss) - in millions Php	(75,454)	10,343	(18,787)
Earnings (loss) per share (in Php)	(0.25)	0.03	(0.06)
Return (loss) on average equity	(10.42)	0.01	(2.95)
Debt to total assets ratio	0.59	0.38	0.29
Debt to equity ratio	2.69	0.76	0.78

Consumer Products Distribution Services, Inc. (CPDSI)

1. Profitability

   a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
   (gross profit / revenues)

   b. Net profit margin – ability to generate surplus for stockholders.
   (net income / sales)

   c. Return on assets – ability to generate returns from assets.
   (net income / assets)

   d. Return on equity – ability to generate returns on investment of stockholders.
   (net income / stockholders equity)

2. Liquidity ratios

   a. Current ratio – capacity to meet current obligations out of its liquid assets
   (current assets / current liabilities)

   b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
   (net credit sales / average trade receivables)
   (365 days / receivables turnover)

   c. Inventory turnover and days' sales in inventories – evaluates whether the level of inventory is appropriate given the volume of business and measures the ability to sell the inventories
   (cost of sales / average inventories)
   (365 days / inventories turnover)

CPDSI's financial ratios are distorted because in 2003, the tolling of the propylene and the distribution of the polypropylene had to be slowed down due to its substantial increase in prices of imported raw materials. In 2004, CPDSI operations temporarily stopped due to the continued increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business given the improving business fundamentals lately.

Comparative analysis of CPDSI's key performance indicators follows:

Performance indicator	2004	2003	
	June 30	December 31	June 30
Profitability			
a. Gross loss margin	-	(0.01)	(0.01)
b. Net profit margin	-	0.06	0.02
c. Return on assets	0.01	0.03	0.01
d. Return on equity	0.02	0.04	0.01
Liquidity			
a. Current ratio	4.08	3.17	2.84
b. Receivables turnover	-	10.64	4.73
c. Days' sales in receivables	-	34.32	77.23
d. Inventory turnover	-	375.71	77.68
e. Days sales in inventories	-	0.97	4.70

Mabuhay Vinyl Corporation (MVC)

MVC's key performance indicators include the following:

1. Liquidity

   a. Quick ratio – capacity to cover its short-term obligations using only its more liquid assets.
   [(cash + cash equivalents + receivables) / current liabilities]

   b. Current ratio – capacity to meet current obligations out of its liquid assets.
   (current assets / current liabilities)

2. Profitability

   a. Net profit margin – ability to generate surplus for stockholders.
   (net income / sales)

   b. Return on equity – ability to generate returns on investment of stockholders.
   (net income / stockholders equity)

3. Leverage

   a. Debt to total asset ratio – the proportion to total assets financed by creditors.
   (total debt / total assets)

   b. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company
   (long-term debt / equity)

Comparative analysis of MVC's key performance indicators follows:

Performance indicator	2004	2003	
	June 30	December 31	June 30
Liquidity			
a. Quick-ratio	1.9	3.2	2.8
b. Current ratio	3.7	5.1	3.9
Profitability			
a. Net profit margin	0.06	5.4	0.06
b. Return on equity	0.03	3.8	0.02
Leverage			
a. Debt to total asset ratio	0.18	0.16	0.13
b. Debt to equity ratio	0.07	0.80	-

GAC Logistics, Inc. (GAC)

GAC's key performance indicators include the following:

1. Profitability

   a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
   (gross profit / revenues)

   b. Net profit margin – ability to generate surplus for stockholders.
   (net income / sales)

   c. Return on assets – ability to generate returns from assets.
   (net income / assets)

   d. Return on equity – ability to generate returns on investment of stockholders.
   (net income / stockholders equity)

2. Liquidity ratios

   a. Current ratio – capacity to meet current obligations out of its liquid assets
   (current assets / current liabilities)

   b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
   (net credit sales / average trade receivables)
   (365 days / receivables turnover)

Comparative analysis of GAC's key performance indicators follows:

Performance indicator	2004	2003	
	June 30	December 31	June 30
Profitability			
a. Gross profit margin	0.37	0.30	0.06
b. Net profit (loss) margin	0.03	0.01	(0.001)
c. Return (loss) on assets	0.05	0.03	(0.001)
d. Return (loss) in equity	0.08	0.06	(0.002)
Liquidity			
a. Current ratio	2.54	1.48	1.20
b. Receivables turnover	-	10.37	4.73
c. Days' sales in receivables	-	35.18	77.18

FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

b) Changes in Financial Condition

Current Assets

Cash and cash equivalents decreased by P155 million from P283 million as of December 2003 to P127 million as of June 2004. The decrease mainly represents the funds used by MVC to pay its 20% cash dividend in April 2004.

There is a decrease of P198 million as compared to the same period last year. This is mainly due to CPDSI's payment of trust receipts amounting to P75 million and MVC's financing of the IEM expansion project which was completed in October 2003.

Receivables substantially decreased by P294 million from P684 million as of December 31, 2003 to P390 million as of June 30, 2004. This resulted mainly from the collection of CPDSI's notes and interest receivable totaling to P325 million during the first quarter, and the increase in MVC's trade receivable by P31 million because of the increase in sales revenues. The funds collected were used to finance the Advances to Polymax in line with the acquisition of the secured debt paper of Bataan Polyethylene Corporation as discussed in a subsequent portion of this report.

The P42 million increase in receivables of the same period last year is the net effect of the following: (a) increase in CPDSI's notes and interest receivable of P70 million due to the additional notes issuances and accrual of interest income amounting to P47 million and P23 million, respectively; (b) increase in trade receivables of MVC and GACL amounting to P10.8 million and P0.4 million, respectively, due to the increase in sales volume/logistics revenues; (3) decrease in the Parent Company's notes receivable of P8.5 million; and the (4) reduction of CPDSI's trade receivables by P31 million brought about by the slow down of its operations.

Inventories increased by P22 million from P141 million as of December 31, 2003 to P163 million as of June 30, 2004. MVC's finished goods are P20 million higher during the second quarter of 2004 due to the build up of imported caustic soda for anticipated high demand. Work-in-process was reduced by P3 million. Raw materials also increased by P5 million due to the importation of the next few months supply of industrial salt which is a major raw material used in the manufacturing process.

The P2 million decrease in inventories of the same period last year resulted from CPDSI's slowed down of the propylene tolling and polypropylene distribution due to substantial increases in prices of imported raw materials.

Prepaid expenses and other current assets remained almost in the same level as compared to December 31, 2003. As compared to the same period last year, there is a net increase of P3 million mainly due to application of tax credits and advances to BPC for its day-to-day expenses while it is on standby mode.

Non-current assets

Property, plant and equipment as of June 2004, December 2003 and June 2003 amounted to P835 million, P851 million and P770 million, respectively. The decrease from December 2003 is mainly due to depreciation and amortization. On the other hand, the increase of P145 million versus the same period last year is attributed to MVC's construction of the IEM Chlor-alkali Plant in Iligan City, the acquisition of a new vessel for hydrochloric acid and chlorine cylinders and the expansion of depot facilities in Batangas Bay Terminal, Bauan, Batangas.

Other non-current assets significantly increased to P1.7 billion, from P405 million in December 2003. The substantial increase represents advances to Polymax Worldwide Limited (Polymax) and other initial costs relating to a planned acquisition of BPC. This is discussed further in subsequent sections of this report.

Current Liabilities

Loans payable, Current portion of long-term loan and Long-term loans aggregated to P1.175 billion as of June 2004, P651 million as of December 2003 and P215 million as of June 2003. The net increase of P524 million represents the P550 million loan from a local bank which was availed of during the first quarter of 2004 to finance the advances to Polymax in line with the acquisition of the secured debt paper of BPC from IFC, and the settlement of loans to a local bank amounting to P26 million. Likewise, a P280 million loan from a local bank was also secured in December 2003 to initially finance the advances to Polymax. MVC has also secured a total loan of P150 million from local banks for its working capital requirements.

The P20 million decrease in loans payable of the same period last year represents partial payment of the Parent Company's medium-term loan to a local bank.

Accounts payable and accrued expenses amounted to P615 million, P106 million and P153 million as of June 2004, December 2003 and June 2003, respectively. The net increase of P509 million from December 31, 2003 represents mainly the net effect of the following: (a) advances by the Parent Company from third parties amounting to P448 million to partially fund the advances to Polymax in line with the acquisition of the secured debt paper of BPC in IFC, accruals of interest on bank loans of P35 million, and customer's deposit for the purchase of property amounting to P20 million; (b) CPDSI's customer's deposit for the purchase of property amounting to P15 million; and (c) decrease in MVC's liabilities by P11 million due to lesser consumption of power and bunker fuel on account of the annual plant maintenance shutdown.

The net increase of P36 million from December 2002 to June 2003 is brought about mainly by the Parent Company's additional provision for contingent liabilities and management fees of P25 million and P6 million, respectively, MVC's increase in accruals by P28 million for the power and fuel consumption and unpaid importation of caustic soda. Such increase in liabilities were reduced by the full amortization of the deferred credits amounting to P26.6 million where such amount represents negative goodwill in the acquisition of the MVC shares.

Liabilities under trust receipts amounted to P102 million, P88 million and P137 million as of June 2004, December 2003 and June 2003, respectively. This account pertains to trust receipts availed of by CPDSI and MVC in purchasing raw materials. The increase of P15 million during the second quarter represents availment of MVC in payment of imported caustic soda. No availment was made by CPDSI.

There was a net decrease of P5 million from December 2002 to June 2003. This pertains to the net effect of: (a) MVC's availment of trust receipts amounting to P44 million; and (b)CPDSI's settlement of trust receipts totaling to P49 million during the first two quarters of 2003.

Due to affiliates amounted to P0.6 million, P88 million and P1 million as of June 2004, December 2003 and June 2003, respectively. The decrease of P87 million in 2004 mainly represents payments of advances from affiliates amounting to P87 million as a result of the settlement of notes and interest receivable.

Loans from a minority stockholder of a subsidiary amounted to P1.2 million, P1.7 million and P1.2 million as of June 2004, December 2003 and June 2003, respectively. The decrease of P0.5 million from December 2003 to June 2004 represents settlement of loans by the subsidiary.

c) Changes in Operating Results

Net Income

The Group registered year to date unaudited consolidated net loss of P75 million and second quarter unaudited consolidated net loss of P35 million. This is mainly due to the interest on various bank loans including existing short and long term loans as of the end of December 2003 amounting to P651 million as well as a bank loan secured in January 2004 amounting to P550 million. The funds were used to finance the advances in Polymax in line with the acquisition of the secured debt paper of BPC in IFC and to finance MVC's working capital requirements in line with the IEM Chlor Alkali plant which was completed in October 2003. As compared to the same period last year, the Group registered a consolidated net loss of P18.8 million. Contributory to the significant disparity are, as follows 1) interest expenses were significantly higher (P84 million in June 2004 versus P19 million in June 2003) due to reasons stated above and 2) interest income was significantly lower (P22 million in June 2004 versus P31 million in June 2003) due to the collection of interest and notes receivables during the first quarter of 2004.

Sales and Services

Net Sales and services amounted to P566 million as of June 2004 as against P676 million as of the same period last year.

The decrease in net sales and services of P110 million is mainly due to CPDSI's temporary suspension of its importation of raw materials, conversion, marketing and distribution of polypropylene due to the substantial increase in prices of imported raw materials and low selling prices of polypropylene. CPDSI's year to date sales in 2003 amounted to P207 million. On the other hand, MVC's sales increased by P94 million due to favorable volume and price of caustic soda and HCL and the increase in sales volume of sodium hypochlorite and liquid chlorine.

Net sales and services for the second quarter decreased by P5 million due mainly to the temporary suspension of CPDSI's operations.

Cost of Sales

Cost of sales decreased from P549 million to P395 million mainly due to CPDSI which stopped importing propylene and selling polypropylene during the second quarter of 2003. This was slightly set up by the increase in the cost of sales and services of MVC and GACL which increased due the volume of sales and services for the period.

Operating expenses
Operating expenses increased by P11 during the quarter due mainly to MVC's higher delivery cost for shipping and hauling more volume to caustic soda, HcL acid and sodium hypochlorite.

Equity in net earnings of affiliates
The amount of P26 million as of June 2003 represents the January to March 2003 amortization of the negative goodwill in MVC.

Interest income
Interest income correspondingly reduced by P10 million (and P2 million for the second quarter) following the settlement of Notes and Interest receivables amounting to P 377 million during the first quarter of 2004.

Interest expense
Interest expense increased significantly by P65 million (and P34 million for the second quarter) mainly due to the interest on the P830 million loans secured by the parent Company from local banks in December 2003 and January 2004 and MVC's availment of a P100 million loan from a local bank to partially finance the recently completed major plant expansion, and P50 million short term loan from another local bank for working capital.

Other income (charges) – net
Other expenses decreased by P20 million from June 2003 to June 2004. The June 2003 amount of P21 million mainly represents provision that has been seen set up to cover legal and administrative proceedings that arise in the ordinary course of business. This was eventually reversed on the same year. The June 2004 figure of P0.5 million mainly represents processing fees charged by a local bank in connection with the granting of a P550 million loan to the Parent Company in January 2004.

Summary of Material Trends, Events and Uncertainties

Acquisition of BPC
On December 4, 2003, the MAHEC entered into a Memorandum of Agreement (MOA) with Polymax, a company incorporated in British Virgin Islands, whereby the MAHEC confirmed the designation of Polymax as the acquisition company in the proposed acquisition of the secured debt papers of Bataan Polyethylene Corporation (BPC), a company engaged in the petrochemical business, from International Finance Corporation (IFC). Under the MOA, the MAHEC and Polymax agreed that the acquisition of the secured debt papers is for the account and benefit of the MAHEC; the funding for the acquisition will be provided and arranged by MAHEC; and the exercise of creditor rights arising from the secured debts via foreclosure and take-over of the assets of BPC shall be directed by and for the account and benefit of MAHEC. In addition, MAHEC will make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase of the senior secured debt papers of BPC. MAHEC advanced to Polymax the initial deposit of $5 million remitted to IFC for the assignment payment, pursuant to the terms of the Agreement.

On February 11, 2004, IFC confirmed that they have received the full payment of the Assignment of the senior secured debt papers of BPC.

On February 16, 2004, pursuant to its plan of acquiring the full control of BPC, the MAHEC ratified the investment related to the polyethylene business, particularly the acquisition of the debt papers of IFC and the eventual take-over of the share capital of BPC.

On April 16, 2004, MAHEC entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI) with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed with the parties, the SPA is to take effect as of March 31, 2004 subject to closing conditions, as defined in the SPA, which the parties have to comply within a period of 60 days or later if the conditions are not met. The Company is also in the process of acquiring the 40% interest in Bataan Polyethylene Land Development Resources Corporation, the registered owner of the land where the plant of BPC is located.

Loan Obligation

The loan agreement with a local bank provides for certain restrictions, with respect to, among others, change in ownership structure, merger and disposition of assets, encumbrance of assets, incurrence of debt, maintenance of certain financial ratios, declaration and payment of cash dividend and management bonus and the sale of MVC shares mortgaged to the bank. As of December 31, 2003, the Parent Company is not in compliance with the financial ratio requirements of the loan agreement. However, this will be resolved when the restructuring of the capital stock increasing the paid in capital, which is already approved by the shareholders as mentioned in Note 12 to the 2003 Audited Financial Statements, is finalized.

Legal cases

a. On July 5, 2002, the MAHEC received a decision from the Court of Tax Appeals (CTA) denying the Company's Petition for Review and ordering the payment of P83 million for withholding tax assessments for the taxable years 1989 to 1991. A motion for reconsideration was filed by the Company on July 31, 2002 but subsequently denied by the CTA. A petition for review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Company then appealed the decision of the CTA to the Court of Appeals, which likewise denied the appeal and upheld the assessment against the Company. The Company, through its legal counsel, filed a motion for reconsideration in December 2003.

   On July 9, 2004, the Company received the Court of Appeals resolution denying the Motion for Reconsideration. On July 22, 2004, the Company filed with the Court of Appeals a Motion for Extension of time to file and appeal to the Supreme Court. On August 20, 2004, the Company will file said appeal.

b. On January 23, 1998, MVC received assessment notices from the Bureau of Internal Revenue (BIR) for alleged deficiency withholding taxes on interest incurred on borrowings totaling P454.39 million, including basic surcharges and interest, for years 1988 and 1989. On March 6, 1998, MVC likewise received pre-assessment notices for deficiency income taxes amounting to P322.61 million for years 1988 and 1989 resulting from disallowance of interest expenses for failure to withhold taxes.

   On September 21, 1998, MVC filed a Petition for Review of the above assessments with the Court of Tax Appeals (CTA).

   On January 9, 2003, MVC received CTA's decision on the assessments, ordering MVC to pay the BIR an amount totaling to P119.21 million representing deficiency withholding taxes on borrowings, including surcharges and interests for years 1988 and 1989 computed up to February 1998 until fully paid. CTA also ruled that pre-assessment notices on deficiency income taxes is still premature and cannot be the subject of a decision as CTA may only assume jurisdiction if the assessment involves a decision of the BIR on a disputed assessment.

   On January 24, 2003, MVC filed a Motion for Reconsideration (Motion) with the CTA appealing its position that (1) the right of the BIR to assess has already prescribed; (2) MVC is not liable to pay 50% surcharges on fraud as MVC was able to comply with the filing of necessary returns; and (3) MVC is not liable to pay total amount of P119.21 million.

   On November 17, 2003, the CTA issued a Resolution denying the Motion. MVC then responded with the filing of Petition for Review (Petition) with the Court of Appeals (CA) on December 29, 2003. In the Petition, MVC reiterated the position it raised in the Motion filed with the CTA. The Petition is still pending with the CA.

Management, with its legal counsel, is vigorously contesting the case. Management believes that it would be able to defend its position on the issues being raised by the BIR and that the outcome of the case will not result to a significant liability that would materially affect the financial position or results of operation of MVC as of or for the year ended December 31, 2003.

Contingent or Financial Obligation

In relation to the acquisition of the 83% equity share of BPC through Tybalt Investment Limited, the completion of the Share Purchase Agreement (SPA) on the BPC Project (after the closing conditions are fully complied with) will trigger direct or contingent financial obligation such as taxes, licenses and other liabilities that may be assumed as provided for in the SPA that is material to the Corporation. Except for the BPC Project mentioned above, there are no additional known events that will trigger direct or contingent financial obligation that is material to the Company, including the default of acceleration of an obligation, except for Notes 11, 13 and 14 of the 2003 Audited Consolidated Financial Statements that remain outstanding as of June 30, 2004.

Commitment For Capital Expenditures

In relation to the IEM plant, MVC has an outstanding commitment with contractors and suppliers amounting to P12 Million. Sources of fund will be internally-generated cash.

Impact On Net Sales / Net Income

With added capacities and improvement of caustic soda price in the international market, MVC's net sales is projected to hit P1 billion and a 30% improvement in net income as compared to 2003 results.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations.

None.

Material Changes on Line Items in the Financial Statements

These are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Company

None.

PART II--OTHER INFORMATION

None.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

______________________	______________________
Atty. Nestor S. Romulo	Estrella C. de la Torre
Corporate Secretary	Assistant Vice President
	Principal Financial Officer
Date: ____________________	Date: ____________________

SUBSCRIBED AND SWORN to before me this ____day of August, 2004 affiants exhibiting to me their Community Tax Certificates, as follows:

AFFIANTS	Community Tax Certificate No.	Date of Issue	Place of Issue
Nestor S. Romulo	23195320	04/13/04	Quezon City
Estrella C. de la Torre	22682607	02/23/04	Paranaque City

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METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2004 Unaudited	December 31, 2003 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱127,309,214**	₱283,042,048
Receivables - net (Notes 5 and 11)	**390,201,820**	684,064,404
Inventories (Note 6)	**162,601,179**	140,884,090
Prepaid expenses and other current assets	**52,441,715**	52,398,775
Total Current Assets	**712,553,928**	1,160,389,317
Noncurrent Assets		
Investments in shares of stock	**13,257,428**	13,257,428
Property and equipment at cost – net	**834,852,272**	850,840,812
Other noncurrent assets (Note 7)	**1,673,798,832**	405,062,261
Total Noncurrent Assets	**2,521,908,532**	1,269,160,501
TOTAL ASSETS	**₱3,254,462,460**	₱2,429,549,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Loans payable (Note 8)	**₱916,081,848**	₱371,900,000
Accounts payable and accrued expenses (Note 9)	**614,817,011**	105,740,094
Liabilities under trust receipts	**102,388,993**	87,569,779
Due to affiliates (Note 11)	**553,419**	87,554,001
Current portion of long-term debt (Note 10)	**53,665,586**	55,000,000
Total Current Liabilities	**1,687,506,857**	707,763,874
Noncurrent Liabilities		
Long-term debt (Note 10)	**205,683,141**	224,433,141
Loans from a minority stockholder of a subsidiary (Note 11)	**1,157,459**	1,706,579
Other noncurrent liabilities	**39,976,174**	39,601,286
Total Noncurrent Liabilities	**246,816,774**	265,741,006
Minority Interest	**608,918,906**	669,371,020
Stockholders' Equity		
Capital stock	**306,122,449**	306,122,449
Additional paid-in capital	**3,571,921**	3,571,921
Revaluation increment in property	**17,652,146**	17,652,146
Share in revaluation increment in properties of subsidiaries	**80,225,904**	80,225,904
Retained earnings	**303,647,503**	379,101,498
Total Stockholders' Equity	**711,219,923**	786,673,918
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱3,254,462,460**	₱2,429,549,818

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	For the Six Months Ended June 30	
	2004 (Unaudited)	2003 (Unaudited)
CAPITAL STOCK - P1 par value		
Common shares		
Class "A"		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class "B"		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,448,979 shares	**₱306,122,449**	₱306,122,449
ADDITIONAL PAID-IN CAPITAL	**3,571,921**	3,571,921
REVALUATION INCREMENT IN PROPERTY	**17,652,146**	17,652,146
SHARE IN REVALUATION INCREMENT IN PROPERTIES OF SUBSIDIARIES	**80,225,904**	59,352,881
RETAINED EARNINGS		
Balance at beginning of period	**379,101,498**	369,242,329
Net loss for the period	**(75,453,995)**	(18,786,576)
Balance at end of period	**303,647,503**	350,455,753
TOTAL STOCKHOLDERS' EQUITY	**₱711,219,923**	₱737,155,150

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METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2004 (Unaudited)	2003 (Unaudited)	**2004 (Unaudited)**	2003 (Unaudited)
NET SALES AND SERVICE INCOME	**₱566,130,496**	₱676,991,418	**₱296,023,311**	₱301,054,725
COST OF SALES AND SERVICES	**394,905,216**	549,477,525	**204,759,462**	242,214,057
GROSS PROFIT	**171,225,280**	121,621,275	**91,263,849**	58,840,668
OPERATING EXPENSES	**149,780,439**	138,512,054	**79,014,958**	68,583,754
INCOME (LOSS) FROM OPERATING ACTIVITIES	**21,444,841**	(10,998,161)	**12,248,891**	(9,743,086)
OTHER INCOME (CHARGES)				
Interest income	**21,737,555**	31,343,118	**12,170,913**	13,836,469
Interest expense	**(83,783,712)**	(19,104,862)	**(44,866,409)**	(10,635,654)
Equity in net earnings of investees	-	26,655,410	**-**	-
Others – net	**541,080**	(21,744,316)	**4,222,837**	(9,106,397)
	(61,505,077)	17,149,350	**(28,472,659)**	(5,905,582)
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	**(40,060,236)**	6,151,189	**(16,223,768)**	(15,648,668)
PROVISION FOR INCOME TAX	**17,481,177**	11,240,530	**10,272,326**	2,916,760
INCOME (LOSS) BEFORE MINORITY INTEREST	**57,541,413**	(5,089,341)	**(26,496,094)**	(18,565,428)
MINORITY INTEREST	**17,912,582**	13,697,235	**9,182,087**	7,112,337
NET LOSS	**(₱75,453,995)**	(₱18,786,576)	**(₱35,678,181)**	(₱25,677,765)
Loss Per Share*	**(₱0.25)**	(₱0.06)	**(₱0.12)**	(₱0.08)

* Based on the weighted average number of shares of 306,122,449.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30	
	2004 (Unaudited)	2003 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax and minority interest	**(₱40,060,236)**	₱6,151,189
Adjustments for:		
Interest income	**(21,737,555)**	(31,343,118)
Depreciation and amortization	**15,988,540**	32,388,065
Interest expense	**83,783,712**	19,104,862
Provisions for doubtful accounts and other losses	**-**	20,698,000
Amortization of preoperating expenses	**-**	476,000
Equity in net earnings of investees	**-**	(26,655,410)
Operating income before working capital changes	**37,974,461**	20,819,588
Decrease (increase) in:		
Receivables – net	**224,722,219**	(41,270,082)
Inventories – net	**(21,717,089)**	2,046,652
Prepaid expenses and other current assets	**(17,524,117)**	5,056,820
Increase (decrease) in:		
Accounts payable and accrued expenses	**567,082,561**	63,096,135
Liabilities under trust receipts	**14,819,214**	(4,577,654)
Due to affiliates	**(87,549,702)**	(936,663)
Net cash provided by operating activities	**717,807,547**	44,234,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	**-**	(175,085,051)
Interest received	**7,094,208**	7,828,000
Increase in other noncurrent assets	**(1,268,736,571)**	(8,509,094)
Net cash used in investing activities	**(1,261,642,363)**	(175,766,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(58,005,644)**	(19,104,862)
Proceeds from (payments of) borrowings - net	**524,097,434**	(19,667,955)
Increase (decrease) in other noncurrent liabilities	**374,888**	(1,655,411)
Decrease in minority interest	**(78,364,696)**	(25,328,243)
Net cash provided by (used in) financing activities	**388,101,982**	(65,756,471)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(155,732,834)**	(197,287,820)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**283,042,048**	524,851,340
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱127,309,214**	₱327,563,520

1. Corporate Information

Metro Alliance Holdings & Equities Corp. (the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as "the Group") are involved in the manufacture of chemicals, importation and distribution of polypropylene resin, contract logistics and pharmacy management. On a consolidated basis, the Group had 332 employees as of June 30, 2004 and December 31, 2003.

The registered office address of the Parent Company is 22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

2. Summary of Significant Accounting Policies

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements, except for the adoption of Statement of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS) mentioned below, are the same as those followed in the most recent audited financial statements.

The Company prepared its consolidated first quarter financial statements for the year 2004 and 2003 following the new presentation rules under SFAS No. 30/IAS No. 34 on "Interim Financial Reporting".

As mentioned in the preceding paragraph, the Company adopted the following SFAS/IAS effective January 1, 2004:

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for current and deferred income taxes;

- SFAS 17/IAS 17, *Leases*, prescribes the accounting policies and disclosures to apply to finance and operating leases.

3. Segment Information

The Group conducts the majority of its business activities in three major business segments: (a) chemical manufacturing, and importation and distribution of polypropylene; (b) distribution and contract logistics; and (c) pharmacy management and others. The operations of these business segments are conducted in the Philippines. The operating business segments are the basis upon which the Group reports its primary segment information.

Information with regard to the Group's significant business segments are shown below:
In Php '000s

	Chemicals		Distribution and Contract Logistics	
	June 2004	June 2003	**June 2004**	June 2003
Sales				
External Sales	**533,799**	648,162	**32,331**	28,829
Results				
Segment result	**38,527**	14,036	**950**	(12)
Other Information				
Segment assets	**1,315,989**	1,394,054	**11,957**	13,739
Investment in associates	**-**	-	**-**	-
Segment liabilities	**104,620**	127,936	**5,342**	3,000
Capital expenditures	**-**	167,719	**-**	-
Depreciation	**13,832**	23,748	**1,363**	1,275
Noncash items other than depreciation	**-**	-	**-**	476

	Pharmacy Management and Others		Consolidated	
	June 2004	June 2003	**June 2004**	June 2003
Sales				
External Sales	**-**	-	**566,130**	676,991
Results				
Segment result	**-**	-	**39,477**	14,024
Other Information				
Segment assets	**5**	146	**1,327,951**	1,407,939
Investment in associates	**-**	-	**-**	-
Segment liabilities	**7,594**	7,845	**117,556**	138,781
Capital expenditures	**-**	-	**-**	167,719
Depreciation	**-**	-	**15,195**	25,023
Noncash items other than depreciation	**-**	-	**-**	476

4. **Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
Cash on hand and in banks	**₱29,574,214**	₱31,670,060
Short-term investments	**97,735,000**	251,371,988
	₱127,309,214	₱283,042,048

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

5. **Receivables**

Receivables as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
Trade	**₱232,690,831**	₱210,741,745
Notes	**86,762,066**	400,798,895
Interest	**15,550,433**	37,894,570
Others (Note 11)	**56,259,060**	47,220,654
	391,262,390	696,655,864
Less allowance for doubtful accounts	**1,060,570**	12,591,460
	₱390,201,820	₱684,064,404

Notes receivable represent 180-day to 360-day promissory notes which bear interest of 11% in 2004 and 2003.

6. **Inventories**

Inventories as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
Finished goods (at cost)	**₱98,715,179**	₱78,677,929
Work-in-process (at cost)	**1,077,000**	4,016,881
Raw materials and other supplies (at cost)	**62,809,000**	58,189,280
	₱162,601,179	₱140,884,090

7. **Other Noncurrent Assets**

Other noncurrent assets in 2004 includes advances in Polymax Worldwide Limited (Polymax) and other initial costs relating to the planned acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) [the “BPC Project”], inclusive of the initial deposit made in 2003 amounting to ₱ 396.5 million.

8. **Loans Payable**

Loans payable as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
Secured loans from a local bank - with interest at the bank’s prevailing lending rates, payable on or before July 5, 2004	**₱550,000,000**	₱-
Secured loans from a local bank - with interest at the bank’s prevailing lending rates, payable on or before December 22, 2004	**280,000,000**	280,000,000

	2004	2003
Unsecured loans from a local bank - with annual interest rate ranging from 8.25% to 12.25%	**86,081,848**	91,900,000
	₱916,081,848	₱371,900,000

Loans from local banks amounting to ₱830 million in 2004 and ₱280 million in 2003 are secured by shares of stocks and real estate mortgage on properties owned by certain stockholders, directors and officers of the Parent Company.

In July 2004, payment term of the ₱280 million loans was extended until December 22, 2004. Renegotiation on the payment terms of the ₱550 million loan is ongoing.

The loans were used to finance the advances to Polymax in line with the acquisition of the secured debt paper of BPC form IFC.

9. **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
Trade payables	**₱64,241,565**	₱43,912,417
Payable to third parties	**441,327,878**	-
Accrued expenses and other liabilities	**109,247,568**	61,827,677
	₱614,817,011	₱105,740,094

Payable to third parties represents advances to partially fund the advances to Polymax in line with the acquisition of the secured debt papers of BPC in IFC.

10. **Long-term Debt**

The long-term debt as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
Secured three and a half-year loan from a local bank, with annual interest at 5% above the 91-day Treasury Bill rate, payable quarterly	**₱159,348,727**	₱179,433,141
Secured five-year loan, with interest at 8.5% for 92 days subject to quarterly adjustment	**100,000,000**	100,000,000
	259,348,727	279,433,141
Less current portion	**53,665,586**	55,000,000
	₱205,683,141	₱224,433,141

a. The loan amounting to ₱159 million in 2004 (₱179 million in 2003) is secured by a Deed of Chattel Mortgage over 264,536,654 shares of stock of MVC owned by the parent company.

Principal payment is based on 100% of the cash dividends (with a minimum annual cash dividend of ₱0.10 per share) declared over the MVC shares of stock mortgaged with a minimum annual principal payment based on the following schedule:

Date of Payment	Amount
July 31, 2004	₱55,000,000
July 31, 2005	40,000,000
July 31, 2006	84,433,141
	₱179,433,141

The amount due in 2004 includes the unpaid amortization for 2003. The Company settled a total of ₱20 million as of June 30, 2004.

The loan agreement provides for certain restrictions, with respect to, among others, change in ownership structure, merger and disposition of assets, encumbrance of assets, incurrence of debt, maintenance of certain financial ratios, declaration and payment of cash dividend and management bonus and the sale of MVC shares mortgaged to the bank. As of June 30, 2004, the Parent Company is not in compliance with the financial ratio requirements of the loan agreement. Management believes that the financial ratio requirements of the loan agreement will be addressed when the proposed increase in authorized capital stock, as approved by the stockholders and by the eventual increase in paid up capital upon completion of the BPC project.

b. MVC's loan amounting to ₱100 million is secured by its properties (land, machineries, equipment and furniture) with a carrying value of ₱196 million. The loan will mature in July 2008.

11. Related Party Transactions

Significant transactions with related parties include the following:

a. Management consultancy agreement with a stockholder whereby the Parent Company pays an amount mutually agreed upon based on the nature and scope of services rendered. The agreement is for an initial period of five years and is deemed automatically renewed for the same period thereafter, unless terminated by either party by giving six months prior written notice. Management fees charged to operations amounted to ₱3 million for the six months ended June 30, 2004 and ₱6 million for the year ended December 31, 2003.

b. Long-term interest-bearing loans from a subsidiary's stockholder. The loans bear interest of 6% and are payable in monthly amortization up to 2005.

c. Interest-bearing advances from a subsidiary, related to the planned acquisition of a petrochemical plant and for the Group's working capital requirements, amounts to ₱20 million in 2004 and ₱100 million in 2003. The ₱20 million loan is secured by a postdated check signed by a duly authorized officer/director of the Parent Company while the ₱100 million loan is secured by shares of stocks of the Parent Company. Outstanding advances amounts to ₱120 million in 2004 and ₱100 million in 2003.

d. Advances from affiliates, related to the planned acquisition of a petrochemical plant, amounts to ₱267 million in 2004 and ₱76.1 million in 2003.

12. **Events After the Balance Sheet Date**

As mentioned in Note 8 to the Interim Consolidated Financial Statements, in July 2004, payment term of the ₱280 million loans was extended until December 22, 2004. Renegotiation on the payment terms of the ₱550 million loan is ongoing.

13. **Other Matters**

The interim operation is under normal business condition and is unaffected by any seasonal or cyclical nature.

There were no material changes in estimates of amounts reported or changes in estimates of amounts reported in prior financial years.

There were no material issuances, repurchases and repayments of debt and equity securities.

There were no dividend payments during the quarter and prior year first quarter.

In relation to the acquisition of the 83% equity share of BPC through Tybalt Investment Limited, the completion of the Share Purchase Agreement (SPA) on the BPC Project (after the closing conditions are fully complied with) will trigger direct or contingent financial obligation such as taxes, licenses and other liabilities that may be assumed as provided for in the SPA that is material to the Company. Except for the BPC Project mentioned above, there are no additional known events that will trigger direct or contingent financial obligation that is material to the Company, including the default of acceleration of an obligation, except for Notes 11, 13 and 14 of the 2003 Audited Consolidated Financial Statements that remain outstanding as of June 30, 2004.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period. Completed transactions in connection with our investment in the BPC Project were fully recorded in the financial statements. Other events or transactions such as direct or contingent financial obligation in relation to the acquisition of the 83% equity share of BPC through Tybalt Investment Limited will be recognized in the financial statements upon completion of the requirements of the Share Purchase Agreement or after the closing conditions are fully complied with. Negotiations on the BPC Project with the parties concerned are still ongoing.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

TRADE RECEIVABLES AGING SUMMARY
in Php '000s

Principal/Customer	Credit Terms	Total	Amount				
			Current	1-30	31-60	61-90	Over 90
CPDSI							
Petrochemical Corp of Asia-Pacific	90 days	724	-	-	-	724	-
Others	Various	277	-	-	-	-	277
		1,001	-	-	-	724	277
GACL							
Philip Morris Philippines	30 days	2,433	-	2,258	65	16	94
3M Philippines	30	1,681	-	1,426	130	121	4
Interphil Laboratories, Inc.	30	430	-	217	213	-	
Zuellig Pharma Corporation	15	159	-	159	-	-	
Others	Various	92	-	60	32	-	
		4,795	-	4,120	440	137	98
		5,796	-	4,120	440	861	375

	Collection Period	Total	1 month	2-3 Mos	4-5 Mos	7 Mos-1Yr
MVC						
Luzon	30-60 days	160,246	99,661	32,978	15,094	12,513
Visayas	30-60 days	23,114	14,467	4,469	1,246	2,932
Mindanao	30-60 days	50,685	26,964	5,436	6,227	12,058
		234,045	141,092	42,883	22,567	27,503
Less allowance for doubtful accounts		10,892	-	-	-	10,982
		223,153	141,092	42,883	22,567	16,611