



# SOUTH CHINA RESOURCES, INC.

Unit 1203, 12/F Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City  
Metro Manila, Philippines

August 14, 2006

## **PHILIPPINE STOCK EXCHANGE**

Disclosure Department  
PSE Centre, Exchange Road  
Ortigas Center, Pasig City

Attention: **JURISITA M. QUINTOS**  
Senior Vice President – Operations Group

Gentlemen:

Resending the 2<sup>nd</sup> Quarter Report (on SEC Form 17-Q) for year 2006 of South China Resources, Inc. as per PSE recommendation.

Corrections are in page 12 of this report.

We hope that you may find the above in order.

Thank you.

Truly yours,

**DAVID R. BALADAD**

VP-Operations/ Corporate Information Officer

SEC Number : ASO92-06441

File Number : \_\_\_\_\_

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**SOUTH CHINA RESOURCES, INC.**

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**(Company's Full Name)**

Unit 1203, 12/F Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City

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**(Company's Address)**

(632) 812-2383 / 892-2049

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**(Telephone Number)**

December 31

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**Fiscal Year Ending (Month & Day)**

17 - Q

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**Form Type**

Not Applicable

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**Amendment Designation (if applicable)**

June 30, 2006

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**Period Ended Date**

Not Applicable

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**(Secondary License Type and File Number)**

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, 2006
2. SEC Identification Number ASO92-06441 3. BIR Tax Identification No. 001-945-016
4. Exact name of issuer as specified in its charter SOUTH CHINA RESOURCES, INC.
5. **Not Applicable** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. Unit 1203, 12/F Pacific Star Bldg., Sen. Gil Puyat Ave. cor.  
Makati Ave., Makati City 1200  
Address of principal office Postal Code
8. (632) 812-2383 / 892-2049  
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 Sec. 4 and 8 of the RSA
- | Title of Each Class  | Number of Shares of Common Stock<br>Outstanding and Amount of Debt Outstanding |
|----------------------|--|
| <u>Common Shares</u> | <u>906,559,568</u>   |
11. Are any or all of these securities listed on a Stock Exchange?
- Yes [ ☒ ] No [ ☐ ]
- If yes, state the name of such stock exchange and the class/es of securities listed therein:
- | Name of Stock Exchange           | Class of Securities listed |
|----------------------------------|----------------------------|
| <u>Philippine Stock Exchange</u> | <u>U</u>                   |

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 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 issuer 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 1 – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

#### **Financial Report**

- a) The accompanying interim financial statements are prepared in accordance with the generally accepted accounting principles.
- b) There were no changes made in the accounting policies and methods of computation as compared with the last annual financial statements.
- c) Quarterly financial statements are prepared for the interim operations for the updated information of the stockholders and basis for the decision making of the management.
- d) For this interim period, the Company has no unusual transactions or had encountered events that affect materially its assets, liabilities, equity, net income or cash flows.
- e) The Company did not report in its financial statements any estimates of amount of a given transactions for this interim period and in prior interim periods.
- f) There were no issuances, repurchases, and repayments of debt and equity securities for this interim period.
- g) There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
- h) The Company has no contingent assets or liabilities since the last annual balance sheet date.

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

#### **Financial Position**

(In comparison with prior year Restated Interim Financial Statement)

The Company's current ratio as of June 30, 2006 was ₱0.141 for every peso liability – an increase from last year's current ratio of ₱0.071. The increase was caused by the advances from the officers, partial collection of subscriptions receivable, additions to prepayments consisting of annual dues and listing fees and reclassification of some Noncurrent Assets-Available for Sale investments to Current Assets amounting to

₱0.972. Such reclassification was made because of the Company's intention to hold them only for a year. Current ratio for the year 2005 decreased by ₱0.482 compared to 2004 due to the reclassification of Marketable Securities from Current Assets to Noncurrent Assets Available for Sale (AFS) investments amounting to ₱0.579 million

The Company's total assets which stood at ₱755 million in 2006, was lower than last year by about ₱28 million due to the decrease in investments in associates which resulted also to the decrease in total assets of ₱43million in 2005 compared to 2004.

Cash and cash equivalents increased in 2006 compared to prior year by ₱0.807 million due to the increase in advances from the Company's officers and partial collection of subscriptions receivable. For the year 2005, the decrease is ₱2.474 million compared to 2004.

Upon the adoption of PAS 39, *Financial Instruments – Recognition and Measurement*, the 2004 classification of Current Marketable Securities, Marketable Equity Securities, and Investment in Shares of Stocks having an aggregate total of ₱5.662 million was changed to "Available for sale" beginning January 1, 2005. As of June 30, 2006, the aggregate carrying amount of the remaining Noncurrent portion is ₱7.091 million or an increase of ₱0.346 million due to recovery of unrealized losses on the market value of AFS investments.

Accounts receivable decreased in 2006 by ₱0.042 million as compared prior year due to liquidation/collection of advances to employees and an increase of ₱0.049 million in 2005 compared to 2004 due to advances subject for liquidation.

Prepayments and other currents assets increased in 2006 compared to prior year by ₱0.189 million due to payment of annual listing fees and also an increase of ₱0.055 million in 2005 compared to 2004 due to payment of annual dues and amortization of unexpired portion.

Investments in associates decreased by ₱34.115 million in 2006 compared to last year due to share in net losses of associates and a decrease of ₱46.058 million in 2005 compared to 2004.

Other assets refer to rental of deposit and other noncurrent assets subject to amortization. For the year 2006 the decrease is ₱0.118 million compared to 2005 and ₱0.858 million due to the amortized portion of the noncurrent assets.

Accounts payable and accrued expenses for the period increased by ₱6.710 million in 2006 compared to 2005 and an increase of ₱6.752 million in 2005 compared to 2004 due to advances from officers.

Increase in deferred exploration cost is due to remittance of share in NE Palawan and Sulu block project. The increase of ₱4.044 million for the year 2006 compared to the first semester of 2005 includes capitalization of general and administrative expenses validated

by the Department of Energy in December 2005 for the exploration cost of NE Palawan amounting to ₱3.468 million and an increase of ₱3.320 million in 2005 compared to 2004.

Subscriptions receivable decreased by ₱0.308 million due to payment of 75% balance of some stockholders.

Issued shares increased by ₱0.410 million due to issuance of fully paid shares to some stockholders thereby decreasing the subscribed shares by the same amount.

Net loss for the period amounted to ₱18.186 million which resulted to a total deficit of P177.165 million as of June 30, 2006.

The net loss incurred for the period is a net increase of ₱0.143 million compared to 2005 and also an increase ₱2.166 million compared to 2004 due to increase in net losses of investee companies.

The Company has no earnings yet from commercial production. Therefore, there were no dividends declared for the period ended June 30, 2006.

There are no material trends, events or uncertainties that are reasonably expected to occur in the next interim period that will have a material favorable or unfavorable impact on the results of the Company's liquidity or sales.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or accumulation of an obligation.

The material changes for this year in comparison with the prior year-end based on the line items in the Comparative Balance Sheets as of June 30, 2006 and 2005 are as follows: a) available-for-sale (AFS) investments increased by 5.13% due to the increase in the market value of traded shares of stocks; b) investments in associates was decreased by 16.69% due to net loss of the investee companies; c) current liabilities increased by 0.48x due to advances from officers; d) unrealized gain/(losses) in marketable equity securities/AFS investments increased by 79.06% due to market recovery; e) share in unrealized losses on the decline in market value of noncurrent marketable securities of associate decreased by 12.43% due to adjustment of associate's unrealized losses; and, f) deficit increased by 25.67% due to net loss for the period.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

The Company's cash requirement is provided by stockholders and officers. There is no foreseen increase in funds for the next twelve months however should the need arise, the

stockholders and officers are committed in keeping the company operational by providing the needed funds until the company is able to liquify the advances received. Such advances are carried in the books as liabilities.

There is no expected purchase or sale of plant and significant equipment in the next twelve months.

The Company has no plans of changing the number of employees for the next twelve months.

For the period ended June 30, 2006, the Company is still in exploration stage and no commercial production yet, therefore, no performance indicators analysis can be made. It has no majority-owned subsidiaries.

There are no material trends, events or uncertainties that are reasonably expected to occur in the next twelve months that will have a material favorable or unfavorable impact on the results of the Company's liquidity. Should there be material changes in working capital it would be advances from the management to support the Company's operation or a sale of non-current assets.

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.

The Company has no material commitments for capital expenditures within the next twelve months.

## **Results and Plans of Operation**

### **SC-41 Offshore Sulu Sea Sandakan Basin**

The Filipino contingent of the consortium has been in negotiations for the entry of a farminee into the block. The farminee is expected to assume certain work obligations to gain entry and acquire interest. The finalization of the farm-in is expected to be completed soon.

South China's participating interest in the block has been increased to 5.3260% after the withdrawal and redistribution of Petroenergy Resources' interest.

### **SC-60 (GSEC-99 Offshore NE Palawan)**

The South China, Shell Philippines Exploration B.V. (SPEX) and Kuwait Foreign Petroleum Exploration Company ksc. (KUFPEC) joint operations will move forward with the committed work program filed with the DOE. The group will carry out the acquisition and processing of at least 1000 line-kms of 2D contingent on availability of a



seismic vessel. The activity is expected to start sometime early second half of 2006. South China is carried on this activity.

**Offshore Cuyo Platform (former GSEC-96), NW Palawan Block (former GSEC-83)**

South China still retains one of the biggest information libraries covering these areas. DOE's 1<sup>st</sup> Petroleum Competitive Bid Round PCR-1 resulted in only one (1) contract awarded. After the evaluation phase of the bid round, the DOE opened up the country for application.

Despite of a contract application pending over the NW Palawan area by the Swan Block consortium (of which the Company is a co-venturer), the DOE awarded the area to the Philippine National Oil Company-Exploration Corporation (PNOC-EC) as SC-57 and SC-58. Philodrill, deemed operator of the Swan block, has informed its partners that it will seek to resolve the situation.


The DOE declared a moratorium on applications for new contract areas prior to its launching of PCR-2 (Philippine Energy Contracting Round No. 2) in August 31, 2005 and ended November 29, 2005. No new applications for exploration contracts have been accepted by the DOE outside PCR-2. To date, the DOE has yet to announce and officially award the service contracts to the winning bids and lift the application moratorium

The Company continues to actively seek strategic partners for the joint exploration of Offshore Cuyo in preparation for the lifting of the moratorium.

## 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 thereunto duly authorized.

SOUTH CHINA RESOURCES, INC.  
Issuer



Att. JAI ME M. BLANCO, Jr.  
Corporate Secretary

Date : August 14, 2006



IMELDA D. OLALIA  
Accounting Manager

Date : August 14, 2006

**SOUTH CHINA RESOURCES, INC**  
**BALANCE SHEETS**

	<b>2006 JUNE</b>	<b>2005 DECEMBER Audited</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	1,309,165	1,149,250
Accounts receivable	77,774	62,060
Available-for-sale (AFS) investments	972,173	
Prepayments and other current assets	544,168	325,149
<b>Total Current Assets</b>	<b>2,903,280</b>	<b>1,536,459</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments	7,090,565	8,745,155
Investment in properties	486,980,479	486,980,479
Investments in associates - net	170,272,519	185,682,478
Deferred Exploration Costs - net of valuation allowance of P12,618,353 in 2001 and in 2000	87,289,817	87,208,046
Property and Equipment - net	174,933	126,551
Other assets	141,554	141,554
<b>Total Noncurrent Assets</b>	<b>751,949,867</b>	<b>768,884,263</b>
<b>TOTAL ASSETS</b>	<b>754,853,147</b>	<b>770,420,722</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	20,571,314	17,577,444
<b>Noncurrent liabilities</b>		
* Subscriptions payable	171,720,000	171,720,000
<b>Total Liabilities</b>	<b>192,291,314</b>	<b>189,297,444</b>
<b>Stockholders' Equity</b>		
Capital Stock - P1 par value		
Authorized - 1 billion shares		
Issued	587,049,569	586,639,569
Subscribed	319,510,000	319,920,000
** Subscriptions receivable	(239,632,500)	(239,940,000)
Additional paid in capital	72,272,140	72,272,140
Unrealized gains (losses) on marketable equity securities/ AFS investments	2,205,923	2,888,340
Share in unrealized losses on marketable equity securities/ AFS investments of an associate	(1,678,590)	(1,678,590)
Deficit	(177,164,709)	(158,978,181)
<b>Total Stockholders' Equity</b>	<b>562,561,833</b>	<b>581,123,278</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>754,853,147</b>	<b>770,420,722</b>

\*Subscription payable represents 53% unpaid subscribed capital stock of Bell Telecom(P171.72M)

\*\*Subscription receivable 75% unpaid balance of the stockholders for their subscribed shares of the Company's capital stock.

**SOUTH CHINA RESOURCES, INC**  
**BALANCE SHEETS**  
(In comparison with prior year)

	<b>2006 JUNE</b>	<b>2005 JUNE Previous Report Restated</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	1,309,165	502,420
Accounts receivable	77,774	119,435
Available-for-sale (AFS) investments	972,173	
Prepayments and other current assets	544,168	355,241
<b>Total Current Assets</b>	<b>2,903,280</b>	<b>977,096</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments	7,090,565	6,744,500
Investment in properties	486,980,479	486,980,479
Investments in associates - net	170,272,519	204,387,614
Deferred Exploration Costs - net of valuation allowance of P12,618,353 in 2001 and in 2000	87,289,817	83,245,960
Property and Equipment - net	174,933	221,364
Other assets	141,554	259,625
<b>Total Noncurrent Assets</b>	<b>751,949,867</b>	<b>781,839,542</b>
<b>TOTAL ASSETS</b>	<b>754,853,147</b>	<b>782,816,638</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	20,571,314	13,861,304
<b>Noncurrent liabilities</b>		
* Subscriptions payable	171,720,000	171,720,000
<b>Total Liabilities</b>	<b>192,291,314</b>	<b>185,581,304</b>
<b>Stockholders' Equity</b>		
Capital Stock - P1 par value		
Authorized - 1 billion shares		
Issued	587,049,569	586,639,569
Subscribed	319,510,000	319,920,000
** Subscriptions receivable	(239,632,500)	(239,940,000)
Additional paid in capital	72,272,140	72,272,140
Unrealized gains (losses) on marketable equity securities/ AFS investments	2,205,923	1,231,935
Share in unrealized losses on marketable equity securities/ AFS investments of an associate	(1,678,590)	(1,916,810)
Deficit	(177,164,709)	(140,971,500)
<b>Total Stockholders' Equity</b>	<b>562,561,833</b>	<b>597,235,334</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>754,853,147</b>	<b>782,816,638</b>

\*Subscription payable represents 53% unpaid subscribed capital stock of Bell Telecom(P171.72M)

\*\*Subscription receivable 75% unpaid balance of the stockholders for their subscribed shares of the Company's capital stock.

**SOUTH CHINA RESOURCES, INC**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE PERIOD ENDED JUNE 30, 2006**  
(With comparison of prior year figures)

	2006	2005 Previous Report Restated
<b>INCOME</b>		
Unrealized foreign exchange loss	(22,073)	(15,799)
Net interest income	4,908	2,875
Dividend and miscellaneous income	-	350
Recovery(decline) in market value of marketable securities	-	(344,250)
	<b>(17,165)</b>	<b>(356,824)</b>
<b>EXPENSES</b>		
Equity in net earnings (losses) of investee company	(15,409,959)	(14,464,730)
General and administrative expenses	(2,759,404)	(3,221,738)
	<b>(18,169,363)</b>	<b>(17,686,468)</b>
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>(18,186,528)</b>	<b>(18,043,292)</b>
<b>ADD: RETAINED EARNINGS, BALANCE BEGINNING OF YEAR as previously reported</b>		<u>(119,771,502)</u>
Effect of change in accounting policy for investments in associates		189,606
Share in effect of adoption of new accounting standards by associates		(2,141,949)
Share in prior period adjustment by an associate		(1,204,363)
		<u>(3,156,706)</u>
<b>RETAINED EARNINGS, BALANCE BEGINNING OF YEAR AS RESTATED</b>	<b>(158,978,181)</b>	<b>(122,928,208)</b>
<b>RETAINED EARNINGS(DEFICIT), BALANCE END</b>	<b>(177,164,709)</b>	<b>(140,971,500)</b>
<b>*EARNINGS (LOSS) PER SHARE</b>	<b><u>-0.19543</u></b>	<b><u>-0.15550</u></b>

\*Computed as 
$$= \frac{\text{Net income(loss) for the period}}{\text{Weighted average number of shares (906,559,569)}}$$

**SOUTH CHINA RESOURCES, INC**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE QUARTER ENDED JUNE 30, 2006**  
(With comparison of prior year figures)

	2006	2005 Previous Report Restated
<b>INCOME</b>		
Unrealized foreign exchange loss	16,775	2,157
Net interest income	2,579	1,270
Dividend and miscellaneous income	-	-
Recovery(decline) in market value of marketable securities	-	(688,500)
	<b>19,354</b>	<b>(685,073)</b>
<b>EXPENSES</b>		
Equity in net earnings (losses) of investee company	(7,707,160)	(7,339,756)
General and administrative expenses	(1,718,774)	(1,512,175)
	<b>(9,425,934)</b>	<b>(8,851,931)</b>
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>(9,406,580)</b>	<b>(9,537,004)</b>
<b>ADD:RETAINED EARNINGS, BALANCE BEGINNING OF YEAR as previously reported</b>		<u>(128,277,790)</u>
Effect of change in accounting policy for investments in associates		189,606
Share in effect of adoption of new accounting standards by associates		(2,141,949)
Share in prior period adjustment by an associate		(1,204,363)
		<u>(3,156,706)</u>
<b>RETAINED EARNINGS, BALANCE BEGINNING OF YEAR AS RESTATED</b>	<b>(167,758,129)</b>	<b>(131,434,496)</b>
<b>RETAINED EARNINGS(DEFICIT), BALANCE END</b>	<b>(177,164,709)</b>	<b>(140,971,500)</b>
<b>*EARNINGS (LOSS) PER SHARE</b>	<b><u>-0.19543</u></b>	<b><u>-0.15550</u></b>

\*Computed as 
$$= \frac{\text{Net income(loss) for the period}}{\text{Weighted average number of shares (906,559,569)}}$$

**SOUTH CHINA RESOURCES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE QUARTER ENDED JUNE 30, 2006**  
(in comparison with prior year)

	Capital Stock		Subscriptions	Additional	Unrealized Gains	Share in Unrealized		
	Issued	Subscribed	Receivable	Paid-in Capital	(Losses) on Marketable Equity Securities/AFS Investments	(Losses) on Marketable Equity Securities/AFS Investments of an Associate	Deficit	Total
Balance at March 31, 2006	586,639,569	319,920,000	(239,940,000)	72,272,140	2,773,743	(1,678,590)	(167,758,129)	572,228,733
Net Loss for the 2nd quarter 2006							(9,406,580)	(9,406,580)
Collection of Subscriptions Receivable and issuance of fully paid stocks	410,000	(410,000)	307,500					307,500
Net unrealized losses on AFS investments					(567,820)			(567,820)
<b>Balances at June 30, 2006</b>	<b>587,049,569</b>	<b>319,510,000</b>	<b>(239,632,500)</b>	<b>72,272,140</b>	<b>2,205,923</b>	<b>(1,678,590)</b>	<b>(177,164,709)</b>	<b>562,561,833</b>

**SOUTH CHINA RESOURCES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED JUNE 30, 2006**  
(in comparison with prior year)

	Capital Stock		Subscriptions Receivable	Additional Paid-in Capital	Unrealized Gains (Losses) on Marketable Equity Securities/AFS Investments	Share in Unrealized (Losses) on Marketable Equity Securities/AFS Investments of an Associate	Deficit	Total
	Issued	Subscribed						
<b>Balances at January 1, 2006</b>	586,639,569	319,920,000	(239,940,000)	72,272,140	2,888,340	(1,678,590)	(158,978,181)	581,123,278
Net Loss for the 1st quarter 2006							(8,779,948)	(8,779,948)
Net unrealized losses on AFS investments					(114,597)			(114,597)
Net Loss for the 2nd quarter 2006							(9,406,580)	(9,406,580)
Collection of Subscriptions Receivable and issuance of fully paid stocks	410,000	(410,000)	307,500					307,500
Net unrealized losses on AFS investments					(567,820)			(567,820)
<b>Balances at June 30, 2006</b>	<b>587,049,569</b>	<b>319,510,000</b>	<b>(239,632,500)</b>	<b>72,272,140</b>	<b>2,205,923</b>	<b>(1,678,590)</b>	<b>(177,164,709)</b>	<b>562,561,833</b>
<b>Balances at December 31, 2004 as restated</b>	586,639,569	319,920,000	(239,940,000)	72,272,140	(195,237)	(1,916,810)	(122,928,208)	613,851,454
Net Loss for the 1st quarter 2005							(8,627,338)	(8,627,338)
Recovery/(Unrealized Loss) in Marketable Securities					1,555,706			1,555,706
Net Loss for the 2nd quarter 2005							(9,537,004)	(9,537,004)
Reversal of Negative goodwill							121,050	121,050
Net unrealized losses on AFS investments					(128,534)			(128,534)
<b>Balances at June 30, 2005</b>	<b>586,639,569</b>	<b>319,920,000</b>	<b>(239,940,000)</b>	<b>72,272,140</b>	<b>1,231,935</b>	<b>(1,916,810)</b>	<b>(140,971,500)</b>	<b>597,235,334</b>



**SOUTH CHINA RESOURCES, INC**  
**STATEMENT OF CASH FLOWS**

	<b>FOR THE PERIOD ENDED JANUARY TO JUNE</b>	
	<b>2006</b>	<b>2005 Previous Report Restated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income(loss) from operation	(18,186,528)	(18,043,292)
Adjustments for:		
Equity in net earnings(losses) of associates	15,409,959	14,464,730
Depreciation and amortization	37,878	54,610
Interest Income	(4,908)	(2,875)
Dividend and miscellaneous income		(350)
Provision for (recovery from) decline in market value of marketable securities		344,250
Unrealized foreign exchange loss	22,073	15,799
Operating loss before working capital	(2,721,526)	(3,167,128)
Decrease (increase) in:		
Accounts receivable	(15,714)	(29,982)
Prepayments and other current assets	(219,019)	(73,242)
Subscriptions Receivable	307,500	
Increase (decrease) in:		
Accounts payable and accrued expenses	2,993,870	3,147,665
Cash Generated from Operations	345,111	(122,687)
Interest received	4,908	2,875
Dividend and miscellaneous income received		350
Net cash flows from operating activities	350,019	(119,462)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to deferred exploration costs	(81,771)	(255,489)
Decrease (increase) in other assets		220,987
Acquisitions of property and equipment	(86,260)	
Net cash flows used in investing activities	(168,031)	(34,502)
<b>NET INCREASE IN CASH</b>	181,988	(153,964)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	(22,073)	(15,799)
<b>CASH AT BEGINNING OF YEAR</b>	1,149,250	672,184
<b>CASH AT END OF THE PERIOD</b>	<b>1,309,165</b>	<b>502,421</b>

South China Resources, Inc. Aging of Accounts Receivable As of June 30, 2006									
Type of Accounts Receivable	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - Above	Past due accounts & Items in Litigation
a) Trade Receivables									
1) XXX									
2) XXX									
3) XXX	n/a								
Subtotal									
Less: Allow. For Doubtful Acct.									
Net Trade receivable	-								
b) Non-Trade Receivables									
1) Interest receivable									
2) A/R employees	9,795.70	9,276.70	519.00						
3) A/R Others	834,886.44			7,950.00	6,175.00	7,548.46	46,304.56	766,908.42	
Subtotal	844,682.14	9,276.70	519.00	7,950.00	6,175.00	7,548.46	46,304.56	766,908.42	
Less: Allow. For Doubtful Acct.	(766,908.42)							(766,908.42)	
Net Non-Trade receivable	77,773.72	9,276.70	519.00	7,950.00	6,175.00	7,548.46	46,304.56	-	
Net Receivables (a+b)	<u>77,773.72</u>								
<b>Notes:</b> If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.									

#### Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
1) Interest receivable	Interest arising from money market placements on a 30 days term.	monthly
2) A/R employees	Advances to employees for emergency purpose on a 1 year term payable monthly	monthly
3) A/R others	Receivable from third party for various chargeables	Immediate
<b>Notes :</b> Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.		

Normal Operating Cycle: 1 (one) year