



# SOUTH CHINA RESOURCES, INC.

3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City  
Metro Manila, Philippines

November 14, 2007

## **PHILIPPINE STOCK EXCHANGE**

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

Attention: Atty. **PETE M. MALABANAN**  
Head, Disclosure Department

Gentlemen:

Resending the corrected 3<sup>rd</sup> Quarter Report 2007 (SEC Form 17-Q) as per PSE advice.

We hope that you may find the above in order.

Thank you.

Yours faithfully,

**DAVID R. BALADAD**  
Corporate Information Officer/  
VP – Operations

SEC Number : ASO92-06441

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

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**SOUTH CHINA RESOURCES, INC.**

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**(Company's Full Name)**

3/F Low Rise 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)**

September 30, 2007

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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 September 30, 2007
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. **3/F Low Rise 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. **12/F Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City**  
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 |
|----------------------|--|
| <b>Common Shares</b> | <b>906,559,568</b>   |
11. Are any or all of these 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:
- | Name of Stock Exchange                  | Class of Securities listed |
|---|----------------------------|
| <b><u>Philippine Stock Exchange</u></b> | <b><u>U</u></b>            |

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 Philippine Financial Reporting Standards (PFRS).
- 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** - based on the outcome of the adoption of PFRS and Philippine Financial Reporting Interpretations Committee (IFRIC).

The Company's current ratio as of September 30, 2007 was ₱0.376 for every peso liability – a minimal increase of ₱0.027 from last year's current ratio of ₱0.349. The increase was caused by full payment of a partner's farm-in share exploration projects, partial collection of subscriptions receivable, additions to prepayments consisting of listing fees, annual dues and input tax, and recognition of unrealized foreign exchange

gains on dollar denominated advances from officers. Current ratio as of the third quarter of 2006 was an increase of ₱0.246 as compared to 2005 due to additional advances from officers, partial payment of a partner's farm-in share in exploration projects, partial collection of subscriptions receivable, and additions to prepayments consisting of listing fees.

The Company's total assets which stood at ₱724.154 million in 2007, was lower than last year by about ₱17.657 million. This is mainly due to the decrease in investments in associates and deferred exploration costs amounting to ₱13.715 million and ₱4.726 million, respectively in 2007 as compared to 2006. For 2006, the decrease was ₱30.916 million as compared to 2005 mainly due to decrease in investment in associates.

Cash and cash equivalents increased in 2007 compared to prior year by ₱0.011 million due to partial collection of subscriptions receivable. For the year 2006, the increase is ₱4.358 million compared to 2005 due to payment of a partner's farm-in share in exploration projects, partial collection of subscriptions receivable and advances from the Company's officers.

Available-for-sale investments in 2007 and 2006 increased by ₱0.556 million and ₱0.028 million, respectively, due to the recovery of unrealized losses on market value of AFS investments as compared to 2006 and 2005. As of September 30, 2007, the aggregate carrying amount is ₱7.624 million, wherein current and noncurrent portion amounted to ₱0.042 million and ₱7.582 million, respectively.

Accounts receivable increased in 2007 by a minimal amount of ₱0.028 million as compared prior to year due to additional advances and also an increase of ₱0.018 million in 2006 compared to 2005 due to advances made.

Prepayments and other currents assets increased in 2007 compared to prior year by ₱0.173 and also an increase of ₱0.192 million in 2006 compared to 2005 due to payment of due to payment of annual listing fees and annual dues.

Investments in associates in 2007 decreased by ₱13.715 million compared to last year due to share in net losses of associates. For 2006, the decrease was ₱34.278 million as compared to 2005 due to share in net losses of associates.

On December 29, 2006, the Company sold its investment in PDB for a total consideration of ₱34.844 million, resulting in a gain of ₱5.956 million. The sale was to give way to the new foreign investor pending its application for the increase in capital stock. On the same date, the Company's BOD approved the resolution to deposit the same amount to PDB as future subscription to its shares. The deposit was classified as "Deposit for future investment" under noncurrent assets in the balance sheet. On September 30, 2007, this Deposit was reclassified to Investment in Associates after the approval of PDB's Amended Articles of Incorporation and Certificate of Increase in Capital Stock. The Company's equity is now only 5%, a decrease of 4.73% from the previous year's 9.73% equity share.

Other assets refer to rental of deposit and other noncurrent assets subject to amortization. For the year 2006 the decrease is ₱0.126 million compared to 2005.

Accounts payable and accrued expenses for the period decreased by ₱3.481 million in 2007 compared to 2006 due to partial payment of accrued expenses and recognition of unrealized foreign exchange gains on dollar denominated advances from officers. For 2006 the increase was ₱4.515 million as compared to 2005 due to advances from officers.

For 2007, deferred exploration cost decreased by a net amount of ₱4.726 million as compared to 2006 due to the payment of partner's farm-in share in exploration project. For 2006, the net decrease was ₱1.068 million as compared to 2005. This is composed of a ₱5.094 million decrease due to partial payment of partner's farm-in share in exploration project and an increase of ₱4.026 million (includes capitalization of general and administrative expenses validated by the Department of Energy in December 2005 amounting to ₱3.468 million and remittance of share in Northeast Palawan and Sulu block projects for ₱0.558 million of which ₱0.340 million were paid in 2006 ₱0.218 million in December 2005, respectively).

Subscriptions receivable in 2007 decreased by ₱0.720 million compared to 2006 and also a decrease of ₱0.825 million for 2006 compared to 2005 due to the payment of the 75% balance by some stockholders.

Issued shares increased by ₱0.960 million and ₱1.100 million in 2007 and 2006, respectively due to the issuance of stock certificates to fully paid shares of some stockholders thereby decreasing the subscribed shares by the same amount.

Net loss for the third quarter amounted to ₱5.725 million which resulted to total net loss of ₱17.055 million for the period January 1 to September 30, 2007.

The net loss incurred for the period ended September 30, 2007 is a net decrease of ₱10.313 million compared to 2006 due to increase in net interest income on saving accounts, decrease in net losses of investee companies and general and administrative expenses. For 2006, the increase was ₱0.183 million compared to 2005 due to increase in net losses of investee companies.

The restatement due to the recognition of prior period adjustments of investee companies increased the deficit by ₱5.301 million and ₱5.185 million as of September 30, 2006 and 2005, respectively. The total restated deficit as of September 30, 2007 amounted to ₱207.665 million.

The Company has no earnings yet from commercial production. Therefore, there were no dividends declared for the period ended September 30, 2007.

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 line items in the Comparative Balance Sheets as of September 30, 2007 and 2006 are as follows: a) 100% decrease in current AFS investments due to sale of some listed shares and reclassification of the remaining shares to noncurrent AFS; b) increase in accounts receivable by 39.49% due to advances subject for liquidation; c) increase in prepayments by 35.94% due to payment of annual listing fees, dues and input tax; d) increase in noncurrent AFS by 24.91% due to recovery in market price and transfer of the remaining current AFS; e) decrease in investments in associates by 8.63% due to net loss of the investee company; f) decrease in deferred exploration costs by 5.74% due to payment of partner's farm-in share in exploration project; g) increase in property and equipment by 10.36% due to purchase of new office equipments; h) decrease in accounts payable and accrued expenses by 16.92% due to payment of accruals and recognition of unrealized foreign exchange gains on advances from officers; i) increase in unrealized gains on AFS investments by 112.18% due to market recovery; j) 100% decrease in share in unrealized losses on AFS investment of an associate due to its acquisition of the Company's subscribed capital stock; and, k) increase in deficit by 8.36% 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 the management. There is no foreseen increase in funds for the next twelve months however should the need arises, the management will satisfy such cash requirements.

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 September 30, 2007, the Company is still in exploration stage, and therefore, no commercial production yet for the performance indicators analysis. 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.

The Company's Board of Directors at its special meeting held on September 13, 2007, has approved the sale to Alphaland Corporation its investment in a property situated in Makati City for a gross selling price of ₱600.000 million. As of September 30, 2007, the approved sale is not yet consummated.

## **Results and Plans of Operation**

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

UK company Salamander Energy acquired 35% participating interest (pending Department of Energy approval) in the block from Tap Oil Limited ("Tap"), operator of the block. Tap completed the Alpine 3D Seismic Survey on 10 July 2007. A total of 750 square kilometers of full-fold prime 3D data was acquired.

The survey was completed within budget and without Lost Time Injury (LTI) or environmental incident. The survey was undertaken with Service Contract Year 9 extended to May 10, 2008 and the subsequent SC Year 10 extended to May 10, 2009.

Processing of the 3D data and fast track interpretation has been undertaken immediately after completion of the acquisition program. The size and location of 3D seismic survey is geared towards enhancing the prospectivity of the SC41 license by enabling multiple drilling targets to be matured. Based on mapping of 2D seismic, multiple prospects of 50 – 150 mmbbls size are expected to be delineated from the new data, along trend from the Wildebeest -1 exploration well, which discovered 40% API oil in 2000. Further exploration drilling in SC41 is anticipated in mid 2008. South China retains 1.090% participating interest in the block and is carried for all activities up to the completion of an exploration well.

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

Interpretation of the August 2006 2D Seismic Data continues to be undertaken by the block operator, Shell Philippines Exploration B.V. (SPEX).

The SPEX/KUFPEC (Kuwait Foreign Petroleum Company)/South China joint venture group completed a 500 sq kilometer 3D survey last August 10, 2007 without incident. The first sub-phase of the Service Contract was likewise extended by the Department of Energy to July 10, 2008 to accommodate the survey. Interpretation of the 3D survey is currently ongoing.

South China retains 15% participating interest on the block and is carried up to the first well of the service contract.

#### **Area 4, Offshore Cuyo Platform (former GSEC-96), NW Palawan (former GSEC-83)**

South China, together with UK-based Pitkin Petroleum Limited, submitted a tender for an application for a Petroleum Service Contract for Area 4 under the PECR-3 (Philippine Energy Contracting Round No. 3) of the Department of Energy.

The submitted application for Area 4 was selected by the DOE for further negotiations last August 30, 2007. Area 4 covers an area of 1.164 million hectares in offshore Cuyo/East Palawan area.

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). Philodrill, deemed operator of the Swan block, continues to negotiate with PNOC-EC to jointly explore the Swan Block in conjunction with their SC-57/58 blocks.

## 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



**Atty. JAIME M. BLANCO, Jr.**  
Corporate Secretary

Date : November 12, 2007



**IMELDA D. OLALIA**  
Accounting Manager

Date : November 12, 2007

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

|   | <b>2007<br/>SEPTEMBER</b> | <b>2006<br/>DECEMBER<br/>Audited</b> |
|---|---------------------------|--------------------------------------|
| <b>ASSETS</b>   |                           |                                      |
| <b>Current Assets</b>   |                           |                                      |
| Cash  | 5,678,773                 | 5,090,607                            |
| Available-for-sale (AFS) investments - current  |                           | 42,000                               |
| Accounts receivable   | 97,644                    | 66,664                               |
| Prepayments and other current assets  | 654,349                   | 423,656                              |
| <b>Total Current Assets</b>   | <b>6,430,766</b>          | <b>5,622,927</b>                     |
| <b>Noncurrent Assets</b>  |                           |                                      |
| Available-for-sale (AFS) investments - noncurrent                                     | 7,624,415                 | 5,746,328                            |
| Investment in properties  | 486,980,479               | 486,980,479                          |
| Investments in associates - net   | 145,195,230               | 124,795,088                          |
| Deposit for future investment   |                           | 34,843,800                           |
| Deferred exploration costs - net of allowance for<br>impairment losses of P12,618,353 | 77,606,250                | 82,331,858                           |
| Property and equipment - net  | 175,570                   | 189,875                              |
| Other assets  | 141,554                   | 141,554                              |
| <b>Total Noncurrent Assets</b>  | <b>717,723,498</b>        | <b>735,028,982</b>                   |
| <b>TOTAL ASSETS</b>   | <b>724,154,264</b>        | <b>740,651,909</b>                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                           |                                      |
| <b>Current liabilities</b>  |                           |                                      |
| Accounts payable and accrued expenses   | 17,090,761                | 19,089,294                           |
| <b>Noncurrent liabilities</b>   |                           |                                      |
| * Subscriptions payable   | 171,720,000               | 171,720,000                          |
| <b>Total Liabilities</b>  | <b>188,810,761</b>        | <b>190,809,294</b>                   |
| <b>Stockholders' Equity</b>   |                           |                                      |
| Share Capital - P1 par value  |                           |                                      |
| Authorized - 1 billion shares   |                           |                                      |
| Issued  | 588,699,569               | 587,739,569                          |
| Subscribed  | 317,860,000               | 318,820,000                          |
| ** Subscriptions receivable   | (238,395,000)             | (239,115,000)                        |
| Additional paid in capital  | 72,272,140                | 72,272,140                           |
| Unrealized gains (losses) on marketable equity securities/<br>AFS investments         | 2,571,602                 | 735,515                              |
| Deficit   | (207,664,808)             | (190,609,609)                        |
| <b>Total Stockholders' Equity</b>   | <b>535,343,503</b>        | <b>549,842,615</b>                   |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                     | <b>724,154,264</b>        | <b>740,651,909</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 years)

|   | 2007<br>SEPTEMBER  | 2006<br>SEPTEMBER<br>Previous Report<br>Restated | 2005<br>SEPTEMBER<br>Previous Report<br>Restated |
|---|--------------------|--|--|
| <b>ASSETS</b>   |                    |  |  |
| <b>Current Assets</b>   |                    |  |  |
| Cash  | 5,678,773          | 5,667,485  | 1,309,153  |
| Available-for-sale (AFS) investments - current  |                    | 964,990  |  |
| Accounts receivable   | 97,644             | 70,001   | 51,884   |
| Prepayments and other current assets  | 654,349            | 481,352  | 289,401  |
| <b>Total Current Assets</b>   | <b>6,430,766</b>   | <b>7,183,828</b>                                 | <b>1,650,438</b>                                 |
| <b>Noncurrent Assets</b>  |                    |  |  |
| Available-for-sale (AFS) investments - noncurrent   | 7,624,415          | 6,103,790  | 7,041,138  |
| Investment in properties  | 486,980,479        | 486,980,479                                      | 486,980,479                                      |
| Investments in associates - net   | 145,195,230        | 158,910,214                                      | 193,187,889                                      |
| Deferred exploration costs - net of allowance for impairment losses of P12,618,353          | 77,606,250         | 82,331,858                                       | 83,399,955                                       |
| Property and equipment - ne   | 175,570            | 159,091  | 199,671  |
| Other assets  | 141,554            | 141,554  | 267,280  |
| <b>Total Noncurrent Assets</b>  | <b>717,223,498</b> | <b>734,626,986</b>                               | <b>771,076,412</b>                               |
| <b>TOTAL ASSETS</b>   | <b>724,154,264</b> | <b>741,810,814</b>                               | <b>772,726,850</b>                               |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                    |  |  |
| <b>Current liabilities</b>  |                    |  |  |
| Accounts payable and accrued expenses   | 17,090,761         | 20,571,339                                       | 16,056,300                                       |
| <b>Noncurrent liabilities</b>   |                    |  |  |
| * Subscriptions payable   | 171,720,000        | 171,720,000                                      | 171,720,000                                      |
| <b>Total Liabilities</b>  | <b>188,810,761</b> | <b>192,291,339</b>                               | <b>187,776,300</b>                               |
| <b>Stockholders' Equity</b>   |                    |  |  |
| Share Capital - P1 par value  |                    |  |  |
| Authorized - 1 billion shares   |                    |  |  |
| Issued  | 588,699,569        | 587,739,569                                      | 586,639,569                                      |
| Subscribed  | 317,860,000        | 318,820,000                                      | 319,920,000                                      |
| ** Subscriptions receivable   | (238,395,000)      | (239,115,000)                                    | (239,940,000)                                    |
| Additional paid in capital  | 72,272,140         | 72,272,140                                       | 72,272,140                                       |
| Unrealized gains (losses) on marketable equity securities/ AFS investments                  | 2,571,602          | 1,211,965  | 1,356,448  |
| Share in unrealized losses on marketable equity securities/ AFS investments of an associate | -                  | 238,220  | -  |
| Deficit   | (207,664,808)      | (191,647,419)                                    | (155,297,607)                                    |
| <b>Total Stockholders' Equity</b>   | <b>535,343,503</b> | <b>549,519,475</b>                               | <b>584,950,550</b>                               |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>724,154,264</b> | <b>741,810,814</b>                               | <b>772,726,850</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 SEPTEMBER 30**

|  | <b>2007</b>          | <b>2006<br/>Previous Report<br/>Restated</b> | <b>2005<br/>Previous Report<br/>Restated</b> |
|--|----------------------|--|--|
| <b>INCOME</b>  |                      |  |  |
| Net interest income  | 26,386               | 10,769                                       | 4,948  |
| Dividend and miscellaneous income  | 350                  | -  | 350  |
| Recovery(decline) in market value of marketable securities                         | -                    | -  | (172,125)                                    |
|  | <b>26,736</b>        | <b>10,769</b>                                | <b>(166,827)</b>                             |
| <b>EXPENSES</b>  |                      |  |  |
| Equity in net earnings (losses) of investee company                                | (14,443,659)         | (23,387,584)                                 | (22,396,536)                                 |
| General and administrative expenses  | (3,606,999)          | (3,884,894)                                  | (4,604,892)                                  |
|  | <b>(18,050,658)</b>  | <b>(27,272,478)</b>                          | <b>(27,001,428)</b>                          |
| <b>UNREALIZED FOREIGN EXCHANGE GAIN / (LOSS)</b>                                   | <b>968,723</b>       | <b>(106,039)</b>                             | <b>(16,414)</b>                              |
| <b>NET INCOME(LOSS) FOR THE PERIOD</b>   | <b>(17,055,199)</b>  | <b>(27,367,748)</b>                          | <b>(27,184,669)</b>                          |
| <b>ADD:RETAINED EARNINGS, BALANCE BEGINNING OF YEAR<br/>as previously reported</b> | <b>(190,609,609)</b> | <b>(158,978,181)</b>                         | <b>(122,928,208)</b>                         |
| Share in prior period adjustment by an associate                                   |                      | (5,301,490)                                  | (5,184,730)                                  |
| <b>RETAINED EARNINGS, BALANCE BEGINNING OF YEAR<br/>AS RESTATED</b>                | <b>-</b>             | <b>(164,279,671)</b>                         | <b>(128,112,938)</b>                         |
| <b>RETAINED EARNINGS(DEFICIT), BALANCE END</b>                                     | <b>(207,664,808)</b> | <b>(191,647,419)</b>                         | <b>(155,297,607)</b>                         |
| <b>* EARNINGS (LOSS) PER SHARE</b>   | <b>(0.01881)</b>     | <b>(0.03019)</b>                             | <b>(0.02999)</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 SEPTEMBER 30**

|  | <b>2007</b>          | <b>2006<br/>Previous Report<br/>Restated</b> | <b>2005<br/>Previous Report<br/>Restated</b> |
|--|----------------------|--|--|
| <b>INCOME</b>  |                      |  |  |
| Net interest income  | 7,295                | 5,861  | 2,073  |
| Dividend and miscellaneous income  | -                    | -  | -  |
| Recovery(decline) in market value of marketable securities                 | -                    | -  | 172,125                                      |
|  | <b>7,295</b>         | <b>5,861</b>                                 | <b>174,198</b>                               |
| <b>EXPENSES</b>  |                      |  |  |
| Equity in net earnings (losses) of investee company                        | (4,899,377)          | (7,977,625)                                  | (7,931,806)                                  |
| General and administrative expenses  | (1,125,071)          | (1,125,490)                                  | (1,383,154)                                  |
|  | <b>(6,024,448)</b>   | <b>(9,103,115)</b>                           | <b>(9,314,960)</b>                           |
| <b>UNREALIZED FOREIGN EXCHANGE GAIN / (LOSS)</b>                           | <b>292,607</b>       | <b>(83,966)</b>                              | <b>(615)</b>                                 |
| <b>NET INCOME(LOSS) FOR THE QUARTER</b>                                    | <b>(5,724,546)</b>   | <b>(9,181,220)</b>                           | <b>(9,141,377)</b>                           |
| <b>NET LOSS FOR THE PERIOD JANUARY TO JUNE</b>                             | <b>(11,330,653)</b>  | <b>(18,186,528)</b>                          | <b>(18,043,292)</b>                          |
| <b>ADD:RETAINED EARNINGS, BALANCE BEGINNING<br/>as previously reported</b> | <b>(190,609,609)</b> | <b>(158,978,181)</b>                         | <b>(122,928,208)</b>                         |
| Share in prior period adjustment by an associate                           |                      | (5,301,490)                                  | (5,184,730)                                  |
| <b>RETAINED EARNINGS, BALANCE BEGINNING<br/>AS RESTATED</b>                | <b>-</b>             | <b>(164,279,671)</b>                         | <b>(128,112,938)</b>                         |
| <b>RETAINED EARNINGS(DEFICIT), BALANCE END</b>                             | <b>(207,664,808)</b> | <b>(191,647,419)</b>                         | <b>(155,297,607)</b>                         |
| <b>* EARNINGS (LOSS) PER SHARE</b>   | <b>(0.00631)</b>     | <b>(0.01013)</b>                             | <b>(0.01008)</b>                             |

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

**SOUTH CHINA RESOURCES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2007**  
(in comparison with prior years)

|  | Capital Stock      |                    |                             | Additional<br>Paid-in<br>Capital | Unrealized<br>Gains/(Losses)<br>on MV of AFS<br>Investments<br>-net | Share in<br>Unrealized<br>Gains on AFS<br>Investments of<br>an Associate | Deficit              | Total              |
|--|--------------------|--------------------|-----------------------------|----------------------------------|---|--|----------------------|--------------------|
|  | Issued             | Subscribed         | Subscriptions<br>Receivable |                                  |   |  |                      |                    |
| <b>Balances at January 1, 2005, as previously stated</b> | <b>586,639,569</b> | <b>319,920,000</b> | <b>(239,940,000)</b>        | <b>72,272,140</b>                | <b>(195,237)</b>  | <b>(1,916,810)</b>   | <b>(122,928,208)</b> | <b>613,851,454</b> |
| Share in prior period adjustment of associate            |                    |                    |                             |                                  |   | 1,916,810  | (5,184,730)          | (3,267,920)        |
| Balances at January 1, 2005, as restated                 | 586,639,569        | 319,920,000        | (239,940,000)               | 72,272,140                       | (195,237)   | -  | (128,112,938)        | 610,583,534        |
| Net loss for the 1st quarter 2005                        |                    |                    |                             |                                  |   |  | (8,627,338)          | (8,627,338)        |
| Net unrealized loss on AFS investments                   |                    |                    |                             |                                  | 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 loss on AFS investments                   |                    |                    |                             |                                  | (128,534)   |  |                      | (128,534)          |
| Net loss for the 3rd quarter 2005                        |                    |                    |                             |                                  |   |  | (9,141,377)          | (9,141,377)        |
| Net unrealized loss on AFS investments                   |                    |                    |                             |                                  | 124,513   |  |                      | 124,513            |
| <b>Balances at September 30, 2005, as restated</b>       | <b>586,639,569</b> | <b>319,920,000</b> | <b>(239,940,000)</b>        | <b>72,272,140</b>                | <b>1,356,448</b>  | <b>-</b>   | <b>(155,297,607)</b> | <b>584,950,550</b> |
| <b>Balances at January 1, 2006, as previously stated</b> | <b>586,639,569</b> | <b>319,920,000</b> | <b>(239,940,000)</b>        | <b>72,272,140</b>                | <b>2,888,340</b>  | <b>(1,678,590)</b>   | <b>(158,978,181)</b> | <b>581,123,278</b> |
| Share in prior period adjustment of associate            |                    |                    |                             |                                  |   | 1,916,810  | (5,301,490)          | (3,384,680)        |
| Balances at January 1, 2006, as previously stated        | 586,639,569        | 319,920,000        | (239,940,000)               | 72,272,140                       | 2,888,340   | 238,220  | (164,279,671)        | 577,738,598        |
| Net loss for the 1st quarter 2006                        |                    |                    |                             |                                  |   |  | (8,779,948)          | (8,779,948)        |
| Net unrealized loss on AFS investments                   |                    |                    |                             |                                  | (114,597)   |  |                      | (114,597)          |
| Net loss for the 2nd quarter 2006                        |                    |                    |                             |                                  |   |  | (9,406,580)          | (9,406,580)        |
| Collection of subscriptions receivable                   |                    |                    | 307,500                     |                                  |   |  |                      | 307,500            |
| Shares of stock issued from subscribed                   | 410,000            | (410,000)          |                             |                                  |   |  |                      | -                  |
| Net unrealized loss on AFS investments                   |                    |                    |                             |                                  | (567,820)   |  |                      | (567,820)          |
| Net loss for the 3rd quarter 2006                        |                    |                    |                             |                                  |   |  | (9,181,220)          | (9,181,220)        |
| Collection of subscriptions receivable                   |                    |                    | 517,500                     |                                  |   |  |                      | 517,500            |
| Shares of stock issued from subscribed                   | 690,000            | (690,000)          |                             |                                  |   |  |                      | -                  |
| Net unrealized loss on AFS investments                   |                    |                    |                             |                                  | (993,958)   |  |                      | (993,958)          |
| <b>Balances at September 30, 2006, as restated</b>       | <b>587,739,569</b> | <b>318,820,000</b> | <b>(239,115,000)</b>        | <b>72,272,140</b>                | <b>1,211,965</b>  | <b>238,220</b>   | <b>(191,647,419)</b> | <b>549,519,475</b> |
| <b>Balances at January 1, 2007</b>                       | <b>587,739,569</b> | <b>318,820,000</b> | <b>(239,115,000)</b>        | <b>72,272,140</b>                | <b>735,515</b>  | <b>-</b>   | <b>(190,609,609)</b> | <b>549,842,615</b> |
| Net loss for the 1st quarter 2007                        |                    |                    |                             |                                  |   |  | (5,571,822)          | (5,571,822)        |
| Unrealized gains on AFS investments                      |                    |                    |                             |                                  | 696,737   |  |                      | 696,737            |
| Collection of subscriptions receivable                   |                    |                    | 45,000                      |                                  |   |  |                      | 45,000             |
| Shares of stock issued from subscribed                   | 60,000             | (60,000)           |                             |                                  |   |  |                      | -                  |
| Net loss for the 2nd quarter 2007                        |                    |                    |                             |                                  |   |  | (5,758,831)          | (5,758,831)        |
| Unrealized gains on AFS investments                      |                    |                    |                             |                                  | 803,675   |  |                      | 803,675            |
| Collection of subscriptions receivable                   |                    |                    | 487,500                     |                                  |   |  |                      | 487,500            |
| Shares of stock issued from subscribed                   | 650,000            | (650,000)          |                             |                                  |   |  |                      | -                  |
| Net loss for the 3rd quarter 2007                        |                    |                    |                             |                                  |   |  | (5,724,546)          | (5,724,546)        |
| Unrealized gains on AFS investments                      |                    |                    |                             |                                  | 335,675   |  |                      | 335,675            |
| Collection of subscriptions receivable                   |                    |                    | 187,500                     |                                  |   |  |                      | 187,500            |
| Shares of stock issued from subscribed                   | 250,000            | (250,000)          |                             |                                  |   |  |                      | -                  |
| <b>Balances at September 30, 2007</b>                    | <b>588,699,569</b> | <b>317,860,000</b> | <b>(238,395,000)</b>        | <b>72,272,140</b>                | <b>2,571,602</b>  | <b>-</b>   | <b>(207,664,808)</b> | <b>535,343,503</b> |



**SOUTH CHINA RESOURCES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2007**  
(in comparison with prior years)

|  | <b>Capital Stock</b> |                    |                             | Additional<br>Paid-in<br>Capital | Unrealized<br>Gains/(Losses)<br>on MV of AFS<br>Investments<br>-net | Share in<br>Unrealized<br>Gains on AFS<br>Investments of<br>an Associate | Deficit              | Total              |
|--|----------------------|--------------------|-----------------------------|----------------------------------|---|--|----------------------|--------------------|
|  | Issued               | Subscribed         | Subscriptions<br>Receivable |                                  |   |  |                      |                    |
| <b>Balances at June 30, 2005, as previously stated</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> |
| Share in prior period adjustment of associate          |                      |                    |                             |                                  |   | 1,916,810  | (5,184,730)          | (3,267,920)        |
| <b>Balances at June 30, 2005 as restated</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>-</b>   | <b>(146,156,230)</b> | <b>593,967,414</b> |
| Net loss for the 3rd quarter 2005                      |                      |                    |                             |                                  |   |  | (9,141,377)          | (9,141,377)        |
| Net unrealized loss on AFS investments                 |                      |                    |                             |                                  | 124,513   |  |                      | 124,513            |
| <b>Balances at September 30, 2005, as restated</b>     | <b>586,639,569</b>   | <b>319,920,000</b> | <b>(239,940,000)</b>        | <b>72,272,140</b>                | <b>1,356,448</b>  | <b>-</b>   | <b>(155,297,607)</b> | <b>584,950,550</b> |
| <b>Balances at June 30, 2006, as previously stated</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> |
| Share in prior period adjustment of associate          |                      |                    |                             |                                  |   | 1,916,810  | (5,301,490)          | (3,384,680)        |
| <b>Balances at June 30, 2006 as restated</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>238,220</b>   | <b>(182,466,199)</b> | <b>559,177,153</b> |
| Net loss for the 2nd quarter 2006                      |                      |                    |                             |                                  |   |  | (9,181,220)          | (9,181,220)        |
| Collection of subscriptions receivable                 |                      |                    | 517,500                     |                                  |   |  |                      | 517,500            |
| Shares of stock issued from subscribed                 | 690,000              | (690,000)          |                             |                                  |   |  |                      | -                  |
| Net unrealized loss on AFS investments                 |                      |                    |                             |                                  | (993,958)   |  |                      | (993,958)          |
| <b>Balances at September 30, 2006, as restated</b>     | <b>587,739,569</b>   | <b>318,820,000</b> | <b>(239,115,000)</b>        | <b>72,272,140</b>                | <b>1,211,965</b>  | <b>238,220</b>   | <b>(191,647,419)</b> | <b>549,519,475</b> |
| <b>Balances at June 30, 2007</b>                       | <b>588,449,569</b>   | <b>318,110,000</b> | <b>(238,582,500)</b>        | <b>72,272,140</b>                | <b>2,235,927</b>  | <b>-</b>   | <b>(201,940,262)</b> | <b>540,544,874</b> |
| Net loss for the 3rd quarter 2007                      |                      |                    |                             |                                  |   |  | (5,724,546)          | (5,724,546)        |
| Unrealized gains on AFS investments                    |                      |                    |                             |                                  | 335,675   |  |                      | 335,675            |
| Collection of subscriptions receivable                 |                      |                    | 187,500                     |                                  |   |  |                      | 187,500            |
| Shares of stock issued from subscribed                 | 250,000              | (250,000)          |                             |                                  |   |  |                      | -                  |
| <b>Balances at September 30, 2007</b>                  | <b>588,699,569</b>   | <b>317,860,000</b> | <b>(238,395,000)</b>        | <b>72,272,140</b>                | <b>2,571,602</b>  | <b>-</b>   | <b>(207,664,808)</b> | <b>535,343,503</b> |

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

**FOR THE PERIOD ENDED  
JANUARY TO SEPTEMBER**

|   | <b>2007</b>      | <b>2006<br/>Previous Report<br/>Restated</b> | <b>2005<br/>Previous Report<br/>Restated</b> |
|---|------------------|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                  |  |  |
| Net income(loss) from operation   | (17,055,199)     | (27,367,748)                                 | (27,184,669)                                 |
| Adjustments for:  |                  |  |  |
| Equity in net earnings(losses) of associates                                      | 14,443,659       | 23,387,584                                   | 22,396,535                                   |
| Depreciation and amortization   | 41,294           | 69,341                                       | 95,512                                       |
| Dividend and miscellaneous income   | (350)            | -  | (350)  |
| Interest Income   | (26,386)         | (10,769)                                     | (4,948)                                      |
| Provision for (recovery from) decline in market<br>value of marketable securities | -                | -  | 172,125                                      |
| Unrealized foreign exchange loss/(gain)   | 968,723          | 106,039                                      | 16,414                                       |
| Operating loss before working capital changes                                     | (1,628,259)      | (3,815,553)                                  | (4,509,381)                                  |
| Decrease (increase) in:   |                  |  |  |
| Accounts receivable   | (30,980)         | (7,941)                                      | 37,568                                       |
| Prepayments and other current assets  | (230,693)        | (156,203)                                    | (7,402)                                      |
| Increase (decrease) in:   |                  |  |  |
| Accounts payable and accrued expenses   | (1,998,533)      | 2,993,895                                    | 5,342,661                                    |
| Net cash flows from (used in) operating activities                                | (3,888,465)      | (985,802)                                    | 863,446                                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                  | (160,802)                                    |  |
| Decrease (increase) in deferred exploration costs                                 | 4,725,608        | 4,876,188                                    | (409,483)                                    |
| Dividend and miscellaneous income   | 350              | -  | 350  |
| Interest Income   | 26,386           | 10,769                                       | 4,948  |
| Decrease (increase) in other assets   | -                | -  | 213,331                                      |
| Acquisitions of property and equipment  | (26,990)         | (101,881)                                    | (19,209)                                     |
| Net cash flows from (used in) investing activities                                | 4,725,354        | 4,785,076                                    | (210,063)                                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                  |  |  |
| Collection of subscriptions receivable  | 720,000          | 825,000                                      |  |
| <b>NET INCREASE IN CASH</b>   | <b>1,556,889</b> | <b>4,624,274</b>                             | <b>653,383</b>                               |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>                                    | <b>(968,723)</b> | <b>(106,039)</b>                             | <b>(16,414)</b>                              |
| <b>CASH AT BEGINNING OF YEAR</b>  | <b>5,090,607</b> | <b>1,149,250</b>                             | <b>672,184</b>                               |
| <b>CASH AT END OF THE PERIOD</b>  | <b>5,678,773</b> | <b>5,667,485</b>                             | <b>1,309,153</b>                             |

|   |              |           |          |           |                     |           |           |                    |  |
|---|--------------|-----------|----------|-----------|---------------------|-----------|-----------|--------------------|--|
| South China Resources, Inc.<br>Aging of Accounts Receivable<br>As of September 30, 2007   |              |           |          |           |                     |           |           |                    |  |
| Type of Accounts Receivable   | Total        | 1 Month   | 2-3 Mos. | 4-6 Mos.  | 7 Mos. To<br>1 Year | 1-2 Years | 3-5 Years | 5 Years -<br>Above | Past due accounts<br>& Items in Litigation |
| a) Trade Receivables  |              |           |          |           |                     |           |           |                    |  |
| 1) XXX  |              |           |          |           |                     |           |           |                    |  |
| 2) XXX  |              |           |          |           |                     |           |           |                    |  |
| 3) XXX  | n/a          |           |          |           |                     |           |           |                    |  |
| Subtotal  |              |           |          |           |                     |           |           |                    |  |
| Less: Allow. For<br>Doubtful Acct.  |              |           |          |           |                     |           |           |                    |  |
| Net Trade receivable  | -            |           |          |           |                     |           |           |                    |  |
| b) Non-Trade Receivables  |              |           |          |           |                     |           |           |                    |  |
| 1) Interest receivable  |              |           |          |           |                     |           |           |                    |  |
| 2) A/R employees  | 26,836.00    | 10,000.00 |          | 16,836.00 |                     |           |           |                    |  |
| 3) A/R Others   | 837,716.00   |           |          | 100.00    | 13,229.00           | 57,479.00 |           | 766,908.00         |  |
| Subtotal  | 864,552.00   | 10,000.00 | -        | 16,936.00 | 13,229.00           | 57,479.00 |           | 766,908.00         |  |
| Less: Allow. For<br>Doubtful Acct.  | (766,908.00) |           |          |           |                     |           |           | (766,908.00)       |  |
| Net Non-Trade receivable  | 97,644.00    | 10,000.00 | -        | 16,936.00 | 13,229.00           | 57,479.00 |           | -                  |  |
| Net Receivables (a+b)   | 97,644.00    |           |          |           |                     |           |           |                    |  |
| <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,<br>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<br>or separate receivable captions, both for trade and non-trade accounts. |  |                   |

Normal Operating Cycle: 1 (one) year