



# SOUTH CHINA RESOURCES, INC.

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

May 15, 2008

## **PHILIPPINE STOCK EXCHANGE**

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

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

Gentlemen:

Please find herewith the 1<sup>st</sup> Quarter Report (on SEC Form 17-Q) for year 2008 of South China Resources, Inc.

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 : \_\_\_\_\_

---

**SOUTH CHINA RESOURCES, INC.**

---

**(Company's Full Name)**

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

---

**(Company's Address)**

(632) 812-2383 / 892-2049

---

**(Telephone Number)**

December 31

---

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

17 - Q

---

**Form Type**

Not Applicable

---

**Amendment Designation (if applicable)**

March 31, 2008

---

**Period Ended Date**

Not Applicable

---

**(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 March 31, 2008
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 |
|----------------------|--|
| <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  
Philippine Stock Exchange

Class of Securities listed  
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** - prepared in accordance with the Philippine Financial Reporting Standards (PFRS)

**Highlights of selected accounts with 5% material changes**

### March 2008 vs. March 2007 (In Million Pesos)

	2008 March	2007 March Restated	Change Increase / (Decrease)	% Change
<b>Balance Sheet</b>				
Cash and cash equivalents	492.130	8.300	483.830	5,829.41
Accounts receivable	0.082	0.092	(0.011)	(11.69)
Prepayments and other current assets	0.936	0.611	0.324	53.04
Investment in properties	-	486.980	(486.980)	(100.00)
Deposit for future investment	30.00	34.844	(4.844)	(13.90)
Deferred exploration costs	39.193	77.606	(38.413)	(49.50)
Property and equipment – net	10.689	0.203	10.486	5,160.18
Refundable deposits	0.005	0.142	(0.137)	(96.82)
Issued Shares	588.860	587.800	1.060	0.18
Subscribed Shares	317.700	318.760	(1.060)	0.33
Subscriptions receivable	(238.275)	(239.070)	0.795	0.33
Unrealized gains on AFS investments	2.568	1.432	1.136	79.30
Deficit	(299.861)	(283.142)	21.694	(7.66)
<b>Total Assets</b>	<b>615.402</b>	<b>648.680</b>	<b>(33.278)</b>	<b>(5.13)</b>
Total Current Assets	493.147	9.053	484.094	5,347.08
Total Current Liabilities (Accounts payable and accrued expenses)	0.229	18.908	(18.679)	(98.79)
<b>Current Ratio</b>	<b>2,149.090</b>	<b>0.479</b>	<b>2,148.612</b>	<b>448,736.12</b>
<b>Income Statement</b>				
Revenues	116.298	(0.070)	116.368	167,183.43
Expenses	(86.535)	(5.502)	(81.032)	1,472.73
<b>Net Income/(Loss)</b>	<b>29.764</b>	<b>(5.572)</b>	<b>35.336</b>	<b>634.19</b>
Available-for-sale (AFS) investments-current	-	0.050	(0.050)	(100.00)
Available-for-sale (AFS) investment-noncurrent	<u>7.621</u>	<u>6.435</u>	<u>1.186</u>	<u>18.42</u>
<b>Sub-total</b>	<u>7.621</u>	<u>6.485</u>	<u>1.136</u>	<u>17.51</u>

The Company's current ratio as of March 31, 2008 was ₱2,149.090 for every peso liability – an increase of ₱2,148.612 from last year's current ratio of ₱0.479. The 448,736.12% increase was due to collection on the sale of noncurrent asset classified as held for sale (formerly classified in 2007 as investment in properties), partial collection of subscriptions receivable, and additions of prepayments consisting of listing fees, annual dues and input tax.

The Company's total assets amounted to ₱615.402 million as of March 31, 2008 as compared to ₱648.680 million as of March 31, 2007, lower than last year by ₱33.278 million or 5.13%. This is due to the provision of a valuation allowance on expired Geophysical Survey and Exploration Contracts (GSEC).

Cash and cash equivalents were ₱492.130 million as of March 31, 2008 which is ₱483.830 million or 5,829.41% higher than the ₱8.300 million as of March 31, 2007. The increase was due to the collection on sale of noncurrent asset classified as held for sale, partial collection of subscriptions receivable, and interest income.

Available-for-sale (AFS) investment noncurrent amounted to ₱7.621 million as of March 31, 2008 which is ₱1.136 million or 17.51% higher than the aggregate carrying amount of ₱6.485 million as of March 31, 2007 wherein current and noncurrent portion amounted to ₱0.050 million (which was reclassified to noncurrent on September 30, 2007) and ₱6.435 million, respectively. The increase was due to recovery in market value of shares.

Accounts receivable of ₱0.082 million as of March 31, 2008 decreased by a minimal amount of ₱0.011 million or 11.69% as compared prior year balance of ₱0.092 million due to liquidation of advances to employees.

Prepayments and other currents assets of ₱0.936 million as of March 31, 2008 increased by ₱0.324 or 53.04% as compared to prior year's amount of ₱0.611 million due to payment of annual listing fees and annual dues.

The Company's investment in property account decreased by ₱486.980 million as a result of its reclassification to noncurrent asset classified as held for sale, which is in accordance with PFRS 5 *Noncurrent Assets Held for Sale*.

The deposit for future investment of ₱34.844 million in Premiere Development Bank (PDB) was converted to investment in associates on September 30, 2007. As of March 31, 2008, the Company's equity is 4.81%.

The Board of Directors has authorized the Company to enter into a related party transaction with Puyat Steel Corporation (PSC) to invest the amount of ₱30 million for the acquisition of raw materials to be processed into finished steel products. The Company will receive a guaranteed return on investment of at least 8% per annum, up to a maximum return of 12% per annum.

Deferred exploration costs of P39.193 million as of March 31, 2008 decreased by P38.413 million or 49.50% as compared to the P77.606 million in 2007 because the Company has provided 100% valuation allowance as of March 31, 2008.

Property and equipment amounted to ₱10.689 million as of March 31, 2008 which was ₱10.486 million or 5,160.18% higher than the ₱0.203 million as of March 31, 2007. The increase was due to acquisition of new equipments.

Refundable deposit decreased by ₱0.137 million or 96.82% due to collection of rental deposit.

Accounts payable and accrued expenses amounted to ₱0.229 million as of March 31, 2008, lower than ₱18.679 million or 98.79% as compared to the ₱18.908 million

balances as of March 31, 2007. The increase was due to the partial payment of accrued expenses and advances from officers.

Unrealized gains on AFS investments of ₱2.568 million as of March 31, 2008 increased by ₱1.136 million or 79.30% as compared to previous year's ₱1.432 million due to recovery on the market value of shares of stocks.

Issued shares increased by ₱1.060 million due to the issuance stock certificates to fully paid shares of some stockholders thereby decreasing the subscribed shares by the same amount.

Subscriptions receivable in 2008 decreased by ₱0.795 million compared to 2007 due to the payment of the 75% balance by some stockholders.

Net revenues earned for the first quarter of 2008 amounting to ₱116.298 million was ₱116.368 million or 167,183.43% higher than last year's net loss of ₱0.070 million. On the other hand, the total expenses incurred for the first quarter of 2008 which amounted to ₱86.535 million was ₱81.032 million or 1,472.73% higher than last year's amount of ₱5.502 million. The resulting increase for both the revenues and expenses was mainly due to the net gain on the sale of noncurrent asset classified as held for sale, payment of capital gains tax on the said transaction and the provisions of valuation allowance on expired GSECs.

Net income for the quarter ended March 31, 2008 amounted to ₱29.764 million resulting to a restated deficit of ₱299.861 million as of March 31, 2008.

The net income for the first quarter of 2008 is a net increase of ₱35.336 million or 634.19% as compared to 2007 net loss of ₱5.572 million due to net gain on sale of noncurrent asset classified as held for sale (formerly classified in 2007 as investment in properties) and increase in interest income earned.

The Company has NO earnings yet from commercial production. Therefore, there were NO dividends declared for the period ended March 31, 2008.



**March 2007 vs. March 2006 (In Million Pesos)**

	<b>2007</b> March Restated	<b>2006</b> March Restated	Increase / (Decrease)	% Change
<b>Balance Sheet</b>				
Cash and cash equivalents	8.300	1.203	7.097	590.09
Prepayments and other current assets	0.611	0.549	0.063	11.44
Available-for-sale (AFS) investments	6.435	8.631	(2.195)	(25.44)
Investments in associates and others	33.416	139.439	(106.023)	(76.04)
Deposit for future investment	34.844	-	34.844	(100.000)
Deferred exploration costs - net	77.606	87.258	(9.652)	(11.06)
Property and equipment - net	0.203	0.111	0.092	82.42
Issued Shares	587.800	586.640	1.160	0.20
Subscribed Shares	318.760	319.920	(1.160)	0.36
Subscriptions receivable	(239.070)	(239.940)	0.870	(0.36)
Unrealized gains on AFS investments	1.432	2.773	(1.341)	(48.36)
Deficit	(283.142)	(208.215)	(74.927)	35.99
<b>Total Assets</b>	<b>648.680</b>	<b>724.401</b>	<b>(75.721)</b>	<b>(10.45)</b>
Total Current Assets	9.053	1.839	7.214	392.21
Total Current Liabilities (Accounts payable and accrued expenses)	18.908	18.993	(0.085)	(0.45)
<b>Current Ratio</b>	<b>0.479</b>	<b>0.097</b>	<b>0.382</b>	<b>394.42</b>
<b>Net Loss</b>	<b>(5.572)</b>	<b>(8.780)</b>	<b>3.208</b>	<b>(36.54)</b>
Available-for-sale (AFS) investments - current	0.050	-	0.050	100.00
Available-for-sale (AFS) investments-noncurrent	<u>6.435</u>	<u>8.631</u>	<u>(2.195)</u>	<u>(25.44)</u>
<b>Sub-total</b>	<u><b>6.485</b></u>	<u><b>8.631</b></u>	<u><b>(2.145)</b></u>	<u><b>(24.86)</b></u>

The Company's current ratio as of March 31, 2007 was ₱0.479 for every peso liability – an increase of ₱0.382 from last year's current ratio of ₱0.097. The 394.42% increase was caused by additional advances from officers, payment of a partner's farm-in share in exploration projects, partial collection of subscriptions receivable, additions to prepayments consisting of listing fees, annual dues and input tax, and reclassification of some Noncurrent Assets - Available for Sale (AFS) investments to Current Assets amounting to ₱0.050 million. Such reclassification was made because of the Company's intention to hold them only for a year.

The Company's total restated assets which stood at ₱648.680 million as of March 31, 2007 as compared to ₱724.401 million as of March 31, 2006, lower than last year by ₱75.721 million or 10.45%. The decrease was due to the decrease in investments in associates.

Cash and cash equivalents were ₱8.300 million as of March 31, 2007 - ₱7.097 million or 590.09% higher than the ₱1.203 million as of March 31, 2006. The increase was due to advances from the Company's officers, payment of a partner's farm-in share in exploration projects, and partial collection subscriptions receivable.

Prepayments and other currents assets of ₱0.611 million as of March 31, 2007 increased by ₱0.063 or 11.44% as compared to prior year's amount of ₱0.549 million due to payment of annual listing fees and annual dues.

Available-for-sale (AFS) investments amounted to ₱6.435 million as of March 31, 2007 which is ₱2.145 million or 24.86% lower than the ₱8.631 million in 2006. The decrease was due to sales of some listed and unlisted shares. As of March 31, 2007, the aggregate carrying value is composed of current and noncurrent portion amounting to ₱0.050 million and ₱6.435 million, respectively.

The Financial Statements as of 2006 have been restated to reflect the recognition of share in prior period adjustment of an associate. This correction decreased the Company's investment in associates by ₱ 86.961 million.

The restated investments in associates amounted to ₱33.416 million as of March 31, 2007 was ₱106.023 million or 76.04% lower than the March 31, 2007 amount of ₱139.439 million. The decrease was due to share in net losses and recognition of prior period adjustment of an associate, and the acquisition of capital stock by Premiere Development Bank (PDB) amounting to ₱34.844 million.

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.

Deferred exploration cost amounted to ₱77.606 million as of March 31, 2007 which was ₱9.652 million or 11.06% lower than the ₱87.258 million as of March 31, 2006. The net decrease was due to the payment of partner's farm-in share in exploration project.

Property and equipment amounted to ₱0.203 million as of March 31, 2007 which was ₱0.092 million or 82.42% higher than the ₱0.111 million as of March 31, 2006. The net increase was due to acquisition of new equipments and depreciation of existing ones.

Issued shares increased by ₱1.160 million due to the issuance stock certificates to fully paid shares of some stockholders thereby decreasing the subscribed shares by the same amount.

Subscriptions receivable in 2007 decreased by ₱0.870 million compared to 2007 due to the payment of the 75% balance by some stockholders.

Net loss for the quarter amounted to ₱5.572 million. In 2006 the restatement of the Company's Financial Statements due to the recognition of prior period adjustments of an investee company increased the deficit by ₱86.961 million. The total restated deficit as of March 31, 2007 amounted to ₱283.142 million.

The net loss incurred for the first quarter of 2007 is a net decrease of ₱3.208 million or 36.54% compared to 2006 net loss of ₱8.780 million due to decrease in net losses of investee company.

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.

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 March 31, 2008, 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.

## **Results and Plans of Operation**

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

The entry of Tap Oil Ltd as operator of SC-41 last January 2007 was further augmented with the entry of UK based company Salamander Energy in mid-2007. Salamander acquired 35% participating interest in the block from Tap Oil. Tap completed the Alpine 3D seismic survey in July 2007, covering an area of 750 square kilometers.

The 3D program is currently running through as data processing commenced immediately after acquisition and fast track interpretation is currently being undertaken. The 3D seismic program has been geared towards enhancing the prospectivity of SC-41. SC-41 is on Contract Year 9 which has been extended to May 10, 2008. It is anticipated a drilling decision will be reached by this time. South China retains 1.090% 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)**

SC-60 is one of the Company's as well as the country's most promising areas in terms of potential for large accumulations for petroleum. Our joint agreement with SPEX (Shell Philippines Exploration B.V.) and KUFPEC (Kuwait Foreign Petroleum Co. ksc) to enter into Service Contract No. 60 last January 27, 2006 has paved the way for further exploration covering an area of one million eight hundred thousand hectares where large hydrocarbon accumulations is deemed to exist. In the seven year exploration period of SC-60, the group shall conduct seismic and exploration work, including drilling at an expected minimum cost of \$24MM. The seven year period is divided into several sub-phases wherein the group must exercise its option to move to the succeeding phase or terminate the contract. The SC also includes a 25 year production term in the event of commercial discovery and operations.

A 1000 line km 2D seismic program was then immediately undertaken after the contract signing. A significant 500 sq-km 3D program was shot without any untoward incident in mid-2007 focusing on areas high graded by the previous 2D survey. The 3D seismic data is currently undergoing scrutiny and preliminary evaluation looks promising. In order to accommodate the extra time needed to complete the 3D program, the Department of Energy extended the first sub-phase of the SC to July 10, 2008 where a drilling decision has to be reached. South China retains 15% interest in the block and will be carried for all activities including the drilling of one deep water exploration well.

#### **Offshore Mindoro-Cuyo Area 4, NW Palawan Block (former GSEC-83)**

In the quest to continue exploration in areas where the company has an edge in terms of data and technical conceptualization, South China participated in the Department of Energy's Philippine Energy Contracting Round No. 3 (PECR-3). PECR-3 commenced on December 22, 2006. On May 30, 2007, the last day of the bid round, South China together with operator UK company Pitkin Petroleum Ltd. submitted a bid for Area-4, a block that covers the offshore Mindoro-Cuyo with an area of 1.164 million hectares. The block has yet to be awarded to the group as no formal awards have been made by the DOE at this time. It will be recalled that South China was in this block previously with Murphy Oil of Louisiana.

Philodrill, operator of the Swan Block covering the former GSEC-83 area has yet to inform the Company the results of its negotiations with PNOC-EC (Philippine National Oil Company-Exploration Corporation) which now operates the service contracts (SC-57/58) covering the block.

## 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 : May 14, 2008



IMELDA D. OLALIA

Accounting Manager

Date : May 14, 2008

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

	<b>2008 MARCH Unaudited</b>	<b>2007 DECEMBER Audited</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	492,130,197	50,912,570
Accounts receivable	81,596	78,722
Prepayments and other current assets	935,692	645,193
	<b>493,147,485</b>	<b>51,636,485</b>
Noncurrent asset classified as held for sale	-	486,980,479
<b>Total Current Assets</b>	<b>493,147,485</b>	<b>538,616,964</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments	7,620,815	7,623,815
Investments in and advances to associates - net	34,746,822	34,678,994
Deposit for future investment	30,000,000	-
Deferred Exploration Costs - net of valuation allowance of P51,031,563	39,193,040	77,606,250
Property and equipment - net	10,688,940	162,490
Refundable deposits	4,500	141,554
<b>Total Noncurrent Assets</b>	<b>122,254,117</b>	<b>120,213,103</b>
<b>TOTAL ASSETS</b>	<b>615,401,602</b>	<b>658,830,067</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	229,468	13,501,201
Deposit from contract to sell investment property	-	60,000,000
<b>Total Current Liabilities</b>	<b>229,468</b>	<b>73,501,201</b>
<b>Noncurrent liabilities</b>		
* Subscriptions payable	<b>171,720,000</b>	<b>171,720,000</b>
<b>Total Liabilities</b>	<b>171,949,468</b>	<b>245,221,201</b>
<b>EQUITY</b>		
Common Stock - P1 par value		
Authorized - 1 billion shares		
Issued	588,859,569	588,749,569
Subscribed	317,700,000	317,810,000
** Subscriptions receivable	(238,275,000)	(238,357,500)
Additional paid in capital	72,272,140	72,272,140
Unrealized gains on AFS investments - net	2,568,002	2,571,002
Share in unrealized gains on AFS investment of an associate	188,346	188,346
Deficit	(299,860,923)	(329,624,691)
<b>Total Equity</b>	<b>443,452,134</b>	<b>413,608,866</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>615,401,602</b>	<b>658,830,067</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**  
**UNAUDITED BALANCE SHEETS**

AS OF MARCH 31

	2008	Previous Report Restated	
		2007	2006
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	492,130,197	8,299,823	1,202,712
Available-for-sale (AFS) Investments - current	-	49,800	-
Accounts receivable	81,596	92,393	87,978
Prepayments and other current assets	935,692	611,414	548,647
<b>Total Current Assets</b>	<b>493,147,485</b>	<b>9,053,430</b>	<b>1,839,337</b>
<b>Noncurrent Assets</b>			
Available-for-sale (AFS) investments	7,620,815	6,435,265	8,630,558
Investment in properties	-	486,980,479	486,980,479
Investments in and advances to associates - net	34,746,822	33,415,999	139,439,413
Deposit for future investment	30,000,000	34,843,800	-
Deferred Exploration Costs - net of valuation allowance of P51,031,563	39,193,040	77,606,250	87,258,415
Property and equipment - net	10,688,940	203,205	111,397
Refundable deposits	4,500	141,554	141,554
<b>Total Noncurrent Assets</b>	<b>122,254,117</b>	<b>639,626,552</b>	<b>722,561,816</b>
<b>TOTAL ASSETS</b>	<b>615,401,602</b>	<b>648,679,982</b>	<b>724,401,153</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	229,468	18,908,029	18,992,686
<b>Noncurrent liabilities</b>			
* Subscriptions payable	171,720,000	171,720,000	171,720,000
<b>Total Liabilities</b>	<b>171,949,468</b>	<b>190,628,029</b>	<b>190,712,686</b>
<b>EQUITY</b>			
Common Stock - P1 par value			
Authorized - 1 billion shares			
Issued	588,859,569	587,799,569	586,639,569
Subscribed	317,700,000	318,760,000	319,920,000
** Subscriptions receivable	(238,275,000)	(239,070,000)	(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	2,568,002	1,432,252	2,773,743
Share in unrealized losses on marketable equity securities/ AFS investments of an associate	188,346	-	238,220
Deficit	(299,860,923)	(283,142,008)	(208,215,205)
<b>Total Equity</b>	<b>443,452,134</b>	<b>458,051,953</b>	<b>533,688,467</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>615,401,602</b>	<b>648,679,982</b>	<b>724,401,153</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**
**UNAUDITED STATEMENT OF INCOME AND RETAINED EARNINGS/(DEFICIT**
**FOR THE QUARTER ENDED MARCH 31, 2008**

(With comparison of prior year figures)

	2008	<u>Previous Report Restated</u>	
		2007	2006
<b>INCOME</b>			
Unrealized foreign exchange loss	(49,114)	(80,303)	(38,848)
Net interest income	3,328,014	10,348	2,329
Dividend and miscellaneous income	-	350.00	-
Gain on sale of investment property	113,019,521		
	<b>116,298,421</b>	<b>(69,605)</b>	<b>(36,519)</b>
<b>EXPENSES</b>			
Valuation allowance	(38,413,210)		
Equity in net earnings (losses) of investee company	67,827.00	(4,418,512)	(7,702,799)
General and administrative expenses	(48,189,270)	(1,083,705)	(1,040,630)
	<b>(86,534,653)</b>	<b>(5,502,217)</b>	<b>(8,743,429)</b>
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>29,763,768</b>	<b>(5,571,822)</b>	<b>(8,779,948)</b>
<b>ADD:RETAINED EARNINGS, BALANCE BEGINNING OF YEAF as previously reported</b>	(329,624,691)	(190,609,609)	(164,279,671)
Share in prior period adjustment by an associate		(86,960,577)	(35,155,586)
<b>RETAINED EARNINGS, BALANCE BEGINNING OF YEAF AS RESTATED</b>	<b>(329,624,691)</b>	<b>(277,570,186)</b>	<b>(199,435,257)</b>
<b>RETAINED EARNINGS(DEFICIT), BALANCE ENI</b>	<b>(299,860,923)</b>	<b>(283,142,008)</b>	<b>(208,215,205)</b>
<b>*EARNINGS (LOSS) PER SHARE</b>	<b>0.03283</b>	<b>-0.00615</b>	<b>-0.00968</b>

*Computed as	=	<u>Net income(loss) for the period</u>	<u>29,763,768</u>	<u>(5,571,822)</u>	<u>(8,779,948)</u>
		Weighted average number of shares	906,559,569	906,559,569	906,559,569

**SOUTH CHINA RESOURCES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE QUARTER ENDED MARCH 31, 2008**  
(in comparison with prior years)

	Common Stock			Additional Paid-in Capital	Unrealized Gains/(Losses) on AFS Investments -net	Share in Unrealized Gains on AFS Investments of an Associate	Deficit	Total
	Issued	Subscribed	Subscriptions Receivable					
<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	(40,457,076)	(38,540,266)
<b>Balances at January 1, 2006 as restated</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>238,220.00</b>	<b>(199,435,257)</b>	<b>542,583,012</b>
Net loss for the 1st quarter 2006							(8,779,948)	(8,779,948)
Net unrealized loss on AFS investments					(114,597)			(114,597)
<b>Balances at March 31, 2006, as restated</b>	<b>586,639,569</b>	<b>319,920,000</b>	<b>(239,940,000)</b>	<b>72,272,140</b>	<b>2,773,743</b>	<b>238,220.00</b>	<b>(208,215,205)</b>	<b>533,688,467</b>
<b>Balances at January 1, 2007, as previously stated</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>
Share in prior period adjustment of associate							(86,960,577)	(86,960,577)
<b>Balances at January 1, 2007 as restated</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>(277,570,186)</b>	<b>462,882,038</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)						-
<b>Balances at March 31, 2007, as restated</b>	<b>587,799,569</b>	<b>318,760,000</b>	<b>(239,070,000)</b>	<b>72,272,140</b>	<b>1,432,252</b>	<b>-</b>	<b>(283,142,008)</b>	<b>458,051,953</b>
<b>Balances at January 1, 2008</b>	<b>588,749,569</b>	<b>317,810,000</b>	<b>(238,357,500)</b>	<b>72,272,140</b>	<b>2,571,002</b>	<b>188,346</b>	<b>(329,624,691)</b>	<b>413,608,866</b>
Net income for the 1st quarter 2008							29,763,768	29,763,768
Unrealized gains/(loss) on AFS investments					(3,000)			(3,000)
Collection of subscriptions receivable			82,500					82,500
Shares of stock issued from subscribed	110,000	(110,000)						-
<b>Balances at March 31, 2008</b>	<b>588,859,569</b>	<b>317,700,000</b>	<b>(238,275,000)</b>	<b>72,272,140</b>	<b>2,568,002</b>	<b>188,346</b>	<b>(299,860,923)</b>	<b>443,452,134</b>

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

**FOR THE QUARTER ENDED MARCH 31**

		<u>Previous Report Restated</u>	
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income(loss) from operation	29,763,768	(5,571,822)	(8,779,948)
Adjustments for:			
Equity in net earnings(losses) of associates	(67,827)	4,418,512	7,702,799
Depreciation and amortization	13,082	13,660	19,440
Dividend income	-	(350)	-
Interest Income	(3,328,014)	(10,348)	(2,329)
Gain on sale of investment property	(113,019,521)	-	-
Valuation allowance	38,413,210		
Unrealized foreign exchange loss	49,114	80,303	38,848
Operating loss before working capital changes	(48,176,188)	(1,070,045)	(1,021,190)
Decrease (increase) in:			
Accounts receivable	(2,874)	(25,729)	(25,918)
Prepayments and other current assets	(290,499)	(187,757)	(223,498)
Increase (decrease) in:			
Accounts payable and accrued expenses	(13,271,733)	(181,265)	1,415,242
Net cash flows from (used in) operating activities	(61,741,294)	(1,464,796)	144,636
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in deferred exploration costs	-	4,725,607	(50,369)
Proceeds from sale of investment property	540,000,000		
Proceeds from the refund of rental deposit	137,054		
Dividend received	-	350	-
Interest received	3,328,014	10,348	2,329
Decrease (increase) in other assets	-	-	-
Acquisitions of property and equipment	(10,539,533)	(26,990)	(4,286)
Net cash flows from (used in) investing activities	532,925,535	4,709,315	(52,326)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Collection of subscriptions receivable	82,500	45,000	
Deposit for future investment	(30,000,000)	45,000	
<b>NET INCREASE IN CASH</b>	<b>441,266,741</b>	<b>3,289,519</b>	<b>92,310</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(49,114)</b>	<b>(80,303)</b>	<b>(38,848)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>50,912,570</b>	<b>5,090,607</b>	<b>1,149,250</b>
<b>CASH AT END OF THE PERIOD</b>	<b>492,130,197</b>	<b>8,299,823</b>	<b>1,202,712</b>

<b>South China Resources, Inc.</b> Aging of Accounts Receivable As of March 31, 2008									
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	4,209.40				4,209.40				
3) A/R Others	844,294.14		9,603.63		700.00	9,603.63	57,478.46	766,908.42	
Subtotal	848,503.54		9,603.63		700.00	9,603.63	57,478.46	766,908.42	
Less: Allow. For Doubtful Acct.	(766,908.42)							(766,908.42)	
Net Non-Trade receivable	81,595.12		9,603.63		700.00	9,603.63	57,478.46	-	
Net Receivables (a+b)	81,595.12								
<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