



SOUTH CHINA RESOURCES, INC.

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

August 13, 2010

PHILIPPINE STOCK EXCHANGE

3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Ave.
Makati City, Philippines 1226

Attention: **Ms. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

Please find herewith the 2nd Quarter Report (on SEC Form 17-Q) for year 2010 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

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, 2010
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
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 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

RESULTS OF OPERATIONS

Financial Highlights

(in PHP)

FOR THE QUARTER ENDED: JUNE 30, 2010 VS. JUNE 30, 2009

	April 01,2010 to June 30,2010	April 01,2009 to June 30,2009	INCREASE/ (DECREASE)	% CHANGE
Revenues	14,630,897	4,143,279	10,487,618	253.12%
Expenses	(2,947,604)	(2,310,379)	637,225	27.58%
Income From Operations	11,683,293	1,832,900	9,850,393	537.42%
Equity in Net Earnings (Losses)				
of associates	1,129,350	(4,160,945)	5,290,295	127.14%
Foreign Exchange Gain (Loss)	5,908	(600)	6,508	1084.28%
NET INCOME/ (LOSS) FOR				
the Quarter	12,818,551	(2,328,645)	15,147,196	650.47%
Other Comprehensive Income				
or (Loss)	611,570	(340,050)	951,620	279.85%
TOTAL COMPREHENSIVE INCOME				
OR (LOSS) FOR THE QUARTER	13,430,121.43	(2,668,695.28)	16,098,817	603.25%

FOR THE QUARTER ENDED: JUNE 30, 2009 VS. JUNE 30, 2008

	March 31 2009 to June 30,2009	March 31 2008 to June 30,2008	INCREASE/ (DECREASE)	% CHANGE
Revenues	4,143,279	5,306,234	(1,162,955)	(21.92) %
Expenses	(2,310,379)	(3,324,996)	(1,014,617)	(30.51) %
Income From Operations	1,832,900	1,981,238	(148,338)	(7.49) %
Equity in Net Earnings (Losses)				
of associates	(4,160,945)	(6,692,106)	2,531,161	37.82%
Foreign Exchange Gain (Loss)	(600)	18,372	(18,972)	(103.27) %
NET INCOME/ (LOSS) FOR				
the Quarter	(2,328,645)	(4,692,496)	2,363,851	50.38%
Other Comprehensive Income				
or (Loss)	(340,050)	921,000	(1,261,050)	(136.92) %
TOTAL COMPREHENSIVE INCOME				
OR (LOSS) FOR THE QUARTER	(2,668,695.28)	(3,771,496.00)	1,102,800.72	29.24%

REVENUES:

2010 VS 2009: 253.12% increase from PHP 4.14 Million to PHP 14.63 Million

There is an outstanding increase in revenue growth for the 2nd quarter of 2010 as against the 2nd quarter of 2009 due to the interest income generated from additional investments in time deposits and other money market placements. Placements were made to BDO, Chinabank and Premiere Bank for an aggregate amount of PHP 1.370 billion as of the end of the 2nd quarter 2010. There is a minimal decrease with respect to interest rates having an average rate of 4.25% per annum for the previous years as compared to current quarter average interest rate per annum of 4.125% for placements.

2009 VS 2008: 21.92% decrease from PHP 5.31 Million to PHP 4.14 Million

21.92% decrease from ₱5.306 MM to ₱4.143 MM. Total Revenues generated for the second quarter of 2009 (April 1 – June 30, 2009) was ₱4.143 MM as against the ₱5.306 MM revenues generated during the second quarter of 2008 (April 1 – June 30, 2008). There was a 22% decrease in net interest income derived from investments in Puyat Steel Corporation (PSC).

EXPENSES:

2010 VS 2009: 27.58% increase from PHP 2.31 Million to PHP 2.95 Million

The minimal increase of 27.58% is due to slight movement in rental and utilities, communication expenses and depreciation.

Due to relatively insignificant increase in expenses but a very remarkable increase in Revenue, the company posted a 537.42% increase in its income from operation.

2009 VS 2008: 30.51% decrease from PHP 3.32 Million to PHP 2.31 Million

– 31% decrease from ₱3.324 MM to ₱2.310 MM. Total Expenses during the second quarter of 2009 was lower than the expense level during the second quarter of 2008.

Given the above, income from operations was slightly lower by 7.49% from ₱1.981 MM to ₱1.832 MM.

EQUITY FROM NET EARNINGS OF ASSOCIATES:

2010 VS 2009: 127.14% increase from a Loss of PHP4.16 MM to Income of PHP 1.13MM

On December 18, 2009, the Company sold to Two Cassandra-CCI Conglomerates, Inc. the Company's Investment in 3,240,000 shares of the capital stock of Bell Telecommunication Philippines, Inc. at a selling price of P1, 227,825,489.00.

The 127.14% positive change in equity from net earnings of associates is due to the net income generated from the operations of Premiere Development Bank as of the 2nd quarter of 2010 as opposed to the total shares in net loss of associates for the 2nd quarter of previous year which is inclusive of loss by BellTel Co.

The computation for current quarter equity in net earnings of associate:

Net Income of Premiere (April 01 – June 30, 2010)	PHP	23,479,210.72
Equity ownership in Premiere	X	4.81%

	PHP	1,129,350.04

2009 VS 2008: 37.82% Increase from a loss of PHP 4.161 MM to a loss of PHP 4.16 MM

37.82% improvement from (P6.692 MM) to (P4.160 MM). For the second quarter of 2009, the Company recognized equity share in net losses of associates of P4.160 MM computed as follows:

Net loss of Belltel for the 2nd quarter of 2009	(18,151,016.00)
Add back: Depreciation of revalued equipment	5,935,182.98
	(12,215,833.02)
Equity ownership in BellTel	x 32.40%
Equity share in net loss of Belltel	(3,957,929.90)
Add: 4.81% equity share in net losses of Premiere Bank	(203,015.46)*
Total Equity Share in net losses of associates	<u>(4,160,945.36)</u>

* Net loss of Premiere Bank for the 2nd quarter of 2009	(4,220,695.63)
Equity ownership in Premiere Bank	x 4.81%
Equity share in net loss of Premiere Bank	<u>(203,015.46)</u>

OTHER COMPREHENSIVE INCOME / (LOSS):

2010 VS 2009: 279.85% increase from a loss of PHP 0.340 MM to income of PHP 0.612 MM

As per Philippine Accounting Standard 1: Presentation of Financial Statements, the preparation of Income Statements (now denominated as Statement of Comprehensive Income) should include the presentation of comprehensive Income or loss by the company. Comprehensive Income or loss pertains to the market increment or decrement in value of financial instruments held by the company as well as the share in changes in value of instruments held by associates.

The movement in comprehensive income of 2nd quarter 2010 from 2nd quarter of 2009 is not so significant as to influence the total comprehensive income or loss generated. The main factor will still be the revenue earned.

The 279.85% movement in recognized comprehensive income from the 2nd quarter 2009 to the 2nd quarter 2010 is brought about by the increase in market value of Petron and Aboitiz shares.

2009 VS 2008: 136.92% decrease from income of PHP 0.921 MM to a loss of PHP 0.340 MM

This is due to the decrease in market value of available for sale investments and available for sale shares of associates.

NET INCOME / (LOSS) FOR THE QUARTER:

2010 VS 2009: 650.47% increase from a loss of PHP 2.33 MM to an income of PHP 12.82 MM

The Company incurred a net loss of PHP 2.33 million for the first quarter of 2009 as against the PHP 12.82 Million net income for the 2nd quarter 2010. This was primarily brought about by the abovementioned equity share in net income of associates for the quarter ended amounting to PHP 1.129 million as well as the interest generated from placements made with the bank.

2009 VS 2008: 50.38% positive decrease from loss of PHP 4.69 MM to loss of PHP 2.33 MM

The decrease in net loss for the 2nd quarter of 2009 was due to the following; (a) 30.51% favorable decrease in expenses and (b) 37.82% decrease in the share in equity in net losses of associates.

RESULTS OF OPERATIONS
Financial Highlights
(in PHP)

FOR THE PERIOD ENDED: JUNE 30, 2010 VS. JUNE 30, 2009

	January 01,2010 to June 30,2010	January 1 2009 to June 30,2009	INCREASE/ (DECREASE)	% CHANGE
Revenues	25,716,574	6,440,971	19,275,603	299.27%
Expenses	(5,178,100)	(4,460,100)	718,001	16.10%
Income From Operations	20,538,473	1,980,871	18,557,602	936.84%
Equity in Net Earnings (Losses)				
of associates	1,409,050	(8,691,548)	10,100,598	116.21%
Foreign Exchange Gain (Loss)	(246)	5,126	(5,372)	(104.79) %
NET INCOME/ (LOSS) FOR				
the Period	21,947,278	(6,705,550)	28,652,828	427.30%
Other Comprehensive Income				
(Loss)	1,556,231	463,200	1,093,031	235.97%
TOTAL COMPREHENSIVE INCOME				
(LOSS) FOR THE PERIOD	23,503,509.03	(6,242,350.01)	29,745,859	476.52%

FOR THE PERIOD ENDED: JUNE 30, 2009 VS. JUNE 30, 2008

	January 1 2009 to June 30,2009	January 1 2008 to June 30,2008	INCREASE/ (DECREASE)	% CHANGE
Revenues	6,440,971	121,653,768	(115,212,797)	(94.71) %
Expenses	(4,460,100)	(89,927,476)	(85,467,376)	(95.04) %
Income From Operations	1,980,871	31,726,292	(29,745,421)	(93.76) %
Equity in Net Earnings (Losses)				
of associates	(8,691,548)	(6,624,279)	(2,067,269)	(31.21) %
Foreign Exchange Gain (Loss)	5,126	(30,741)	35,867	116.68%
NET INCOME/ (LOSS) FOR				
the Period	(6,705,550)	25,071,272	(31,776,822)	(126.75) %
Other Comprehensive Income				
or (Loss)	463,200	918,000	(454,800)	(49.54) %
TOTAL COMPREHENSIVE INCOME				
OR (LOSS) FOR THE PERIOD	(6,242,350.01)	25,989,272.00	(32,231,622.01)	(124.02) %

REVENUES:

2010 VS 2009: 299.27% increase from PHP 6.44 MM to PHP 25.72 MM

There is an outstanding increase in revenue growth for the 2nd quarter ended 2010 as against the 2nd quarter ended 2009 due to interest income generated from additional investments to time deposits and other money market placements. Placements were made to BDO, Chinabank and Premiere Bank for an aggregate amount of PHP 1.370 billion as of the end of the 2nd quarter 2010. There is a minimal decrease with respect to interest rates having 4.25% average for the previous years as compared to current quarter of 4.125% for placements.

2009 VS 2008: 94.71% decrease from PHP 121.65 MM to PHP 6.44 MM

94.71% drop from ₱121.653 MM to ₱6.441 MM. Total revenues generated for the period ended June 30, 2009 was ₱6.441 MM as against the ₱121.654 MM revenues garnered during the previous period due to the following: (1) the existence of the ₱113.019 MM gain on sale of investment property in 2008; and (2) the lower net interest income from ₱8.634 MM to ₱6.440 MM derived largely from investment in PSC

EXPENSES:

2010 VS 2009: 16.10% increase from PHP 4.46 MM to PHP 5.18 MM

The minimal increase of 16.10% is due to the slight movement in rental and utilities, communication expenses and depreciation.

Due to the relatively insignificant increase in expenses coupled by a very remarkable increase in Revenue, the company posted a 936.84% increase in its income from operation as of June 30, 2010 as against period ended June 30, 2009.

2009 VS 2008: 95.04% decrease from PHP 89.93 MM to PHP 4.46 MM

95.04% drop from ₱89.927 MM to ₱4.460 MM. Total expenses during the period ended June 30, 2009 was 95% lower than the previous period level due to the following: (1) the provision of additional allowance from impairment of deferred exploration costs amounting to ₱38.413 MM during the first quarter of 2008 as well as (2) the payment of taxes and licenses of ₱45.270 MM during the first quarter of 2008 related to the sale of investment property to Alphaland Corporation.

Given the above, income from operations dropped by almost 93.76% from ₱31.276 MM to ₱1.980 MM.

EQUITY FROM NET EARNINGS OF ASSOCIATES:

2010 VS 2009: 116.21% increase from Loss of PHP8.69 MM to Income of PHP 1.41MM

The 116.17% positive change in equity from net earnings of associates is due to the net income reaped by Premiere Development Bank for the 1st quarter of 2010 as opposed to the total shares in net loss of associates for the 1st quarter of previous year which is inclusive of loss by BellTel Co.

The computation for current quarter equity in net earnings of associate:

Net Income of Premiere as of 2nd Quarter 2010	PHP	29,294,181.46
Equity ownership in Premiere	X	4.81%

	PHP	1,409,050.13

2009 VS 2008: 31.21% Increase from loss of PHP 6.62 MM to loss of PHP 8.69 MM

For the period ended June 30, 2009, the Company recognized equity share in net losses of associates of ₱8.692 MM as follows:

Net loss of BellTel for the first half of 2009	(36,554,075)
Add back: Depreciation of revalued eqpt.	11,870,365
	<u>(24,683,710)</u>
x equity ownership in BellTel	32.40%
	<u>(7,997,522)</u>
Add: 4.81% equity share in net loss of PDB	(694,026)
Total equity share in net losses of associates	(8,691,548)
• Net loss of PDB for the first half of 2009	<u>(14,428,818)</u>
x equity ownership in PDB	4.81%
	<u>(694,026)</u>

OTHER COMPREHENSIVE INCOME / (LOSS):

2010 VS 2009: 235.97% increase from PHP 0.463 MM to PHP 1.56 MM

The 235.97% movement in recognized comprehensive income as of 2nd quarter 2010 as against the period ended 2nd quarter 2009 is brought about by the increase in market value of Petron and Aboitiz shares.

2009 VS 2008: 49.54% decrease from PHP 0.918 MM to PHP 0.463 MM

This is due to the decrease in market value of available for sale investments as well as the value of available for sale shares of associates.

NET INCOME / (LOSS) FOR THE PERIOD:

2010 VS 2009: 427.30% increase from loss of PHP 6.71 MM to income of PHP 21.95 MM

The Net Income of PHP 21.95 MM is composed of the following: (a) PHP 5.178 MM expenses which comprises about 20% of the total revenues earned for the 1st semester of 2010

(b) Interest earned from placements totaling PHP 22.23 MM (c) Interest earned from amount owed to related parties totaling PHP 3.44 MM (d) interest from savings account and (e) share in net income of Associates worth PHP 1.409 MM.

2009 VS 2008: 126.75% decrease from income of PHP 25.07 MM to loss of PHP 6.71 MM

Net income/ (loss) for the period – 126.75% drop from net income of ₱25.071 MM to net loss of ₱6.705 MM. The Company incurred a net loss of ₱6.706 MM for the period ended June 30, 2009 as against the ₱25.071 MM net income during 2008. This was brought about by the following: (1) the abovementioned lower level of operating income in 2009 vs. 2008 as well as (2) the higher level of equity in net loss of associates in 2009 vs. 2008.

FINANCIAL POSITION
Financial Highlights
(in PHP)

FOR THE PERIOD ENDED JUNE 30, 2010 VS. JUNE 30,2009

			As of June 30,2010	As of June 30,2009	INCREASE/ (DECREASE)	% Change
Current Assets			1,524,605,625	175,656,699	1,348,948,926	767.95%
Noncurrent Assets			66,752,202	515,357,990	(448,605,788)	(87.05)%
TOTAL ASSETS			1,591,357,827	691,014,689	900,343,138	130.29%
Current Liabilities			93,294	45,051	48,243	107.09%
Noncurrent Liabilities			-	171,720,000	(171,720,000)	(100.00)%
Total Liabilities			93,294	171,765,051	(171,671,757)	(99.95)%
Retained Earnings (Deficit)			846,575,369	(223,473,531)	1,070,048,900	478.83%
Equity			744,689,164	742,723,169	1,965,995	0.26%
TOTAL LIABILITIES & EQUITY			1,591,357,827	691,014,689	900,343,138	130.29%

FOR THE PERIOD ENDED JUNE 30, 2009 VS. JUNE 30,2008

			As of June 30,2009	As of June 30,2008	INCREASE/ (DECREASE)	% Change
Current Assets			175,656,699	418,227,120	(242,570,421)	(58.00)%
Noncurrent Assets			515,357,990	193,266,624	322,091,366	166.66%
TOTAL ASSETS			691,014,689	611,493,744	79,520,945	13.00%
Current Liabilities			45,051	81,882	(36,831)	(44.98)%
Noncurrent Liabilities			171,720,000	171,720,000	-	0.00
Total Liabilities			171,765,051	171,801,882	(36,831)	(0.02)%
Retained Earnings (Deficit)			(223,473,531)	(304,549,695)	81,076,164	26.62%
Equity			742,723,169	744,241,557	(1,518,388)	(0.20)%
TOTAL LIABILITIES & EQUITY			691,014,689	611,493,744	79,520,945	13.00%

CURRENT ASSETS

2010 VS 2009: 767.95% increase from PHP175.66 MM to PHP1.53 billion

Due to the sale of equity shares of BellTel, the current asset of the company surge up to 767.95% since the whole proceeds was invested in time deposits. There is a slight movement in accounts receivable and prepayments thereby contributing insignificantly in the positive change of current assets.

2009 VS 2008: 58% decrease from PHP 418.23 MM to PHP 175.66 MM

58% decrease from ₱418.223 MM to ₱175.652 MM largely due to the 76.99% decrease in cash and cash equivalents.

NONCURRENT ASSETS

2010 VS 2009 87.05% decrease from PHP515.36 MM to PHP66.75 MM

On December 18, 2009 a deed of absolute sale was executed by and between South China Resources Inc. in favor of Two Cassandra-CCI Conglomerates, Inc. for the rights and interest of the former to 3,240,000 shares of stocks in Bell Telecommunication Philippines, Inc. for and in consideration of PHP 1,227,825,489.00.

The investment in associate account was decreased by PHP 324 million for the cost of the shares of BelTell and the corresponding share in net loss up to the date of the consummation of the sale. Other factors affecting the decrease in non current asset is the share in net income and other comprehensive income of Premiere Development Bank at 4.81% ownership as of the 2nd quarter of 2010 as previously discussed.

2009 VS 2008: 166.66% increased from PHP 193.27 MM to PHP 515.36 MM

166.66% increase from ₱193.271 MM to ₱515.362 MM. The level of noncurrent assets almost tripled due to the 14.07x increase in investments in and advances to associates.

CURRENT LIABILITIES

2010 VS 2009: 107.09% increase from PHP45,051 to PHP93,294

This is due to VAT payable amounting to PHP 29,367 and tax withheld for compensation and suppliers amounting to PHP 62,515.

2009 VS 2008: 44.98% decrease from PHP 81,882 to PHP 45,051

44.98% drop from ₱81,882 to ₱45,051 due to payment of accounts payable and accrued expenses.

NONCURRENT LIABILITIES

2010 VS 2009: decrease of 100%

As of 2009 the company has no more outstanding noncurrent liabilities pertaining to the unpaid subscription amounting to PHP171.720 Million payable in favor of Bell Telecommunication as it was fully paid prior to the sale of the shares to Two Cassandra.

2009 VS 2008: – no change

Noncurrent liability consisting of Subscriptions payable of PHP 171.720 million remained unchanged during the year. This amount pertains to unpaid subscribed capital stock of BellTel Phils.

EQUITY

2010 VS 2009: 0.26% increase from PHP742.72 MM to PHP 744.69 MM

The 0.26% is due to the following: a) issuance of 210,000 additional shares. (b) PHP 1.410 MM increase in other comprehensive income earned within the first semester of 2010.

2009 VS 2008 0.20% decrease from PHP744.24 MM to PHP 742.72 MM

0.20% increase due to recognized share in equity losses of associates.

KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the period ended June 30, 2010, period ended June 30, 2009 and period ended June 30, 2008.

KEY FINANCIAL RATIOS	as of June 30,2010	as of June 30,2009	as of June 30,2008
Revenue Growth/ (Decline)	299.27%	(94.71)%	625658.80%
Net Income Growth/ (Decline)	427.30%	(126.75)%	321.27%
EBITDA	Php 21,812,263.98	Php 1,980,871.00	Php 31,276,292.00
Return on Equity	2.95%	NA	5.70%
Return on Assets	1.38%	NA	4.09%
Current Ratio (in x)	16341.95 x	3899.06 x	5107.68 x
Debt-to-equity ratio (in x)	0.0001 x	0.33 x	0.28x

Period Ended: As of June 30, 2010 versus June 30,2009

There is a remarkable increase in revenue growth for the period ending June 30, 2010 as against the 2nd quarter ending 2009 due to interest income generated from additional investments to time deposits and other market placements.

A great leap of 299.27% in revenue growth, minimal increase of 16.10% in expenses and 116.21% increase in equity in net earnings of associates contributed to the exceptional 427.30% increase in net income as of June 30, 2010 as against the period ending June 30,2009.

There was an improvement in the liquidity of the company as evidenced by the 16,341.95x current ratio pertaining to 1st semester of 2010 due to the increase in current assets with the greater portion thereof identified with cash and cash equivalents.

There is around 2.95% and 1.38% both for return on equity and return on assets respectively for the period ended June 30, 2010 as compared to period ended June 30, 2009 due to positive net income generated by the company for the 1st semester of 2010.

A debt to equity ratio of 0.0001x proves the great stability of the company as it shows that only around 0.01% of the total equity represents the borrowed capital as against invested.

Period Ended: As of June 30, 2009 versus June 30,2008

Profitability-wise, there was a 94% decline in revenues and a 73% drop in bottom line figures for the first half of 2009 as compared to the positive growth levels during the previous period in comparison.

The Company has a high liquidity ratio for the first half of 2009 as evidenced by the current ratio pegging at 3,898x. The Company's current ratio as of June 30, 2008 was ₱5, 107.68 for every peso liability. The 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 manner by which the Company calculates the foregoing indicators is as follows:

Key Financial Ratios	Formula
Revenue growth	(Total Revenues (current period) - Total Revenues (prior period))/Total Revenues (prior period)
Net income growth	Net Income (current period)/ Net income (prior period)
EBITDA	Income from operations plus depreciation and amortization
Return on equity (ROE)	Net income/ Equity
Return on assets (ROA)	Net income/ Total Assets
Current ratio	Current Assets/ Current Liabilities
Debt-to-equity ratio	Total Liabilities/ Equity

QUARTER ENDED: JUNE 30, 2010 VS JUNE 30, 2009

Highlights of selected accounts with 5% material changes (In Million Pesos)

	as of June 30,2010	as of June 30,2009	Change Increase/ (Decrease)	% Change
ASSETS				
Current Assets				
Cash and cash equivalents	1,423.31	95.95	1,327.36	1383.39%
Accounts Receivable	100.79	78.23	22.56	28.84%
Prepayments and other current assets	0.50	1.48	(0.98)	(66.28)%
Investment in and Advances to Associates	35.11	483.70	(448.60)	(92.74)%
Deferred Exploration Cost	16.23	14.89	1.34	9.00%
Property and equipment - net	7.09	9.51	(2.42)	(25.48)%
Accounts payable and accrued expenses	0.093	0.045	0.05	107.09%
*Subscription Payable	-	171.72	(171.72)	(100.00)%
Unrealized valuation gains on available for sale investments	3.55	2.20	1.34	60.96%
Share in unrealized gains (Loss) on AFS investments	-	-	-	
of an associate	(0.058)	(0.126)	0.07	(53.80)%
Retained Earnings (Deficit)	846.58	(223.47)	1,070.05	478.82%
TOTAL ASSETS	1,591.36	691.01	900.35	130.29%
Total Current Assets	1,524.61	175.66	1,348.95	767.95%
Total Current liability	0.093	0.045	0.048	107.09%
Current Ratio	16,341.91	3,899.06	12,442.85	319.12%
Income Statement				
REVENUES (for the period ended)	25.72	6.44	19.28	299.27%
COST AND EXPENSES (for the period ended)	(5.18)	(4.46)	(0.72)	16.10%
Equity in net earnings (losses) of Associates	1.41	(8.69)	10.10	116.21%
Foreign Exchange Gain (Losses)	(0.01)	0.01	(0.01)	(207.45)%
Net Income (Loss) for the quarter ended	12.82	(2.33)	15.15	650.41%
Net Income (Loss) for the period ended	21.95	(6.71)	28.65	427.27%
Available for Sale Investment - non current	8.33	7.26	1.07	14.79%

QUARTER ENDED: JUNE 30, 2009 VS JUNE 30,2008

Highlights of selected accounts with 5% material changes (In Million Pesos)

				as of June 30,2009	as of June 30,2008	Change Increase/ (Decrease)	% Change
ASSETS							
Current Assets							
Cash and cash equivalents				95.95	417.03	(321.08)	(76.99)%
Accounts Receivable				78.23	0.15	78.08	53652.65%
Prepayments and other current assets				1.48	1.06	0.43	40.28%
Investment in and Advances to Associates				483.70	34.36	449.34	1307.67%
Deposit for Future Investment				-	100.00	(100.00)	(100.00)%
Deferred Exploration Cost				14.89	39.19	(24.30)	(62.01)%
Property and equipment - net				9.51	11.17	(1.66)	(14.87)%
Accounts payable and accrued expenses				0.045	0.082	(0.04)	(44.98)%
Unrealized valuation gains on available for sale investments				2.20	3.49	(1.29)	(36.86)%
Share in unrealized gains (Loss) on AFS investments				-	-	-	
	of an associate			(0.126)	0.188	(0.31)	(167.15)%
Retained Earnings (Deficit)				(223.47)	(304.55)	(81.08)	(26.62)%
TOTAL ASSETS							
				691.01	611.49	79.52	13.00%
Total Current Assets				175.66	418.23	(242.57)	(58.00)%
Total Current liability				0.045	0.082	(0.037)	(44.98)%
Current Ratio				3,899.06	5,107.68	(1,208.62)	(23.66)%
Income Statement							
REVENUES (for the period ended)				6.44	121.65	(115.21)	(94.71)%
COST AND EXPENSES (for the period ended)				(4.46)	(89.93)	85.47	(95.04)%
Equity in net earnings (losses) of Associates				(8.69)	(6.62)	2.07	31.22%
Foreign Exchange Gain (Losses)				0.006	(0.031)	0.04	118.63%
Net Income (Loss) for the quarter ended				(2.33)	(4.69)	(7.02)	(149.64)%
Net Income (Loss) for the period ended				(6.71)	25.07	(31.78)	(126.75)%
Available for Sale Investment - non current							
				7.26	8.54	(1.29)	(15.06)%

Cash & Cash Equivalents

2010 VS 2009: 1383.39% increase from PHP 95.95 MM to PHP 1.42 billion.

The huge increase in cash and cash equivalents is due to the investment of the proceeds of the sale of BellTel to time deposits. The interest income of PHP 22.23 MM from time deposits also contributed to the increase.

2009 VS 2008 76.99% decrease from PHP 417.03 MM to PHP 95.95 MM

Cash and cash equivalents were ₱417.03 million as of June 30, 2008 which is ₱410.333 million or 6,129.72% higher than the ₱6.694 million as of June 30, 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.

Accounts Receivable

2010 VS 2009: 28.84% increase from PHP 78.23 MM to PHP 100.79 MM

Due to additional advances made to related party Puyat Steel.

2009 VS 2008: 53652.65% increase from PHP 145,537 to PHP 78.226 MM.

There was a huge increase in accounts receivable as of June 30, 2009 due to additional advances made by Puyat Steel amounting to PHP 75 million plus the accrued interest due thereof.

The Board of Directors through Board resolution date January 24, 2008 authorized the Company to enter into a related party agreement with PSC to invest an amount of up to PHP 130 million for the acquisition of raw materials to be processed into finished steel products. The funding facility extended to PSC is secured by way of assignment to the Company of finished goods inventories and all receivables and proceeds of postdated checks upon maturity arising from the sale of the finished goods. The facility is renewable on a yearly basis where the Company received a guaranteed ROI of at least 8% per annum.

The receivables from South China Petroleum International represented pre-operating costs logged under accounts receivable of South China Resources Inc. This company is non operational since 2003 and serves as a wholly-owned subsidiary to undertake the proposed spin-off of the company's oil exploration assets and activities.

Prepayments & Other Current Assets

2010 VS 2009: 66.28% decrease from PHP1.48 MM to PHP0.50 MM

Due to the 100% decrease in input tax already set-off against output tax pursuant to existing BIR regulations on the matter.

2009 VS 2008 40.28% increase from PHP 1.06MM to PHP1.48 MM

Due to increases in input taxes, prepayments and office supplies inventory.

Investment in and advances to associates

2010 VS 2009: 92.74% decrease from PHP 483.70 MM to Php 35.11 MM

On December 18, 2009 a deed of sale was executed by and between South China Resources Inc. in favor of Two Cassandra-CCI Conglomerates, Inc. for the rights and interest of the former to 3,240,000 shares of stocks in Bell Telecommunication Philippines, Inc. for and in consideration of PHP 1,227,825,489.00.

The investment in associate account was decreased by PHP 324 million for the cost of the shares of BelTell and the corresponding share in net losses up to the date of the consummation of the sale. Other factors affecting the change in investment in associates is the share in net income and other comprehensive income of Premiere Development Bank at 4.81% as previously discussed.

2009 VS 2008: 1307.67% increase from PHP 34.36 MM to PHP 483.70 MM

Largely brought about by the following: (a) investments in and advances to BellTel amounting to PHP 362.807 million as well as (b) the Investments in associates account of PHP 120.90 Million as of the end of the 2nd quarter of 2009.

Deferred Exploration Cost

2010 VS 2009: 9% increase from PHP 14.89 MM to PHP 16.23 MM.

Due to the additional amount invested for gas and oil exploration purposes.

2009 VS 2008: 62.01% decrease from PHP 39.19 MM to PHP 14.89 MM

On top of the existing PHP 12.618 Million allowance for impairment losses on deferred exploration costs, the Company provided an additional allowance amounting to PHP 38.333 Million on March 31, 2008 and an additional PHP 24.512 MM allowance set up in 2008 for a total of PHP 62.845 Million bringing the total allowance of PHP 75.646 Million as of 2nd quarter of 2009. Given the foregoing, the deferred exploration costs account had an ending balance PHP 14.891 MM as of the 2nd quarter of 2009.

Property and Equipment

2010 VS 2009: 25.48% decrease from PHP 9.51 MM to PHP 7.09 MM

Solely due to the provision for depreciation of these equipment.

2009VS 2008: 14.87% decrease from PHP 11.17 MM to PHP 9.51 MM

The slight 14.87% drop was due to the provision for depreciation.

Accounts Payable and Accrued Expenses

2010 VS 2009: 107.09% increase from PHP 45,051 to PHP 93,294

This is due to VAT payable, tax withheld on compensation and suppliers as previously discussed.

2009 VS 2008: 44.98% decrease from PHP 81,882 to PHP 45,051

Due to payment of accounts payable.

Subscription Payable

2010 VS 2009: 100% decrease

As of 2009 the company has no more outstanding non current liabilities pertaining to the unpaid subscription amounting to PHP171.720 Million payable in favor of Bell Telecommunication as it was already fully paid for prior to the sale of the shares to Two Cassandra as previously discussed.

2009 VS 2008 – remained unchanged.

Retained Earnings

2010 VS 2009: 478.82% increase from a deficit of PHP 223.47 MM to a net earnings of PHP846.58MM

This is brought about by positive change in the revenue earned by the company as well as the positive earnings posted by associates.

2009 VS 2008: 26.62% decrease from deficit of PHP 304.55 MM to deficit of PHP223.47 MM

Deficit as of the 2nd quarter of 2009 was at P 223.47 Million which was an improvement over the previous level due to the generation of a positive bottom line figure by year end 2008 of PHP 112 million causing the reduction of deficits at the beginning of 2009.

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 the need should arises, the management will satisfy such cash requirements.

Other than the property acquisition approved by the Board of Directors in the special meeting held on 26 May 2010, 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, 2010, 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.

Other than the property acquisition approved by the Board of Directors in the special meeting held on 26 May 2010 , the Company has no material commitments for capital expenditures within the next twelve months.

The Company has NO earnings yet from commercial production. Therefore, there were NO dividends declared for the period ended June 30, 2010.

For the period ended June 30, 2010, the Company is still in exploration stage, and therefore, NO commercial production yet for the performance indicators analysis. It has no majority-owned subsidiaries.

Results and Plans of Operation 2Nd QTR 2010

SC-41 Offshore Sulu Sea Sandakan Basin

SC-41 will run its tenth contract year to May 10, 2010 unless extended by the DOE. For Contract Year #10 (CY 10), the operator, Tap Oil Ltd., completed the reprocessing of the Alpine 3D seismic data and consequent inversion studies for the re-interpretation and prospect modeling. This enables the group to delineate prospects for further exploration and farm-out.

The joint group has been given by the Department of Energy until August 20, 2010 to decide whether or not to extend the Service Contract to another year by committing to drill a well on the same date. If a well is committed by the group then South China will pay its pro-rata share of the well costs. South China has 1.090% paying participating interest in this block.

SC-60 (GSEC-99 Offshore NE Palawan)

South China, Shell Philippines Exploration B.V. and Kuwait Foreign Petroleum Co. ksc. entered the second sub-phase of SC-60 in July 8, 2008. The objective is to continue and further the exploration of the block with a commitment to drill one well during the sub-phase.

The first well will be called the Silangan-1 well and will be the first deep water drilled in the area. This well will be drilled under the second sub-phase of the service contract. South China is carried for this first well which is expected to be drilled in the early part of the third quarter of 2010. The second sub-phase has been extended to February 10, 2011.

After the second sub-phase, the Joint group may at its option continue with the work program and enter a third sub-phase and commit to drill another well until February 2012. A fourth sub-phase with a commitment to drill will continue the term of the SC until February 2013.

A positive outcome on the Silangan well drilling will result in an accelerated exploration program which should entail a new 3D seismic program and/or additional wells. South China will then be paying its pro-rata share of all exploration costs after the first well. South China retains 15% interest in the block.

SC-71 (formerly Area 4 Offshore Mindoro-Cuyo)

On April 1, 2009, South China, Pitkin Petroleum, and the Department of Energy signed Service Contract No. 71 (SC-71). SC-71 covers the Cuyo/Mindoro/East Palawan region. The operator, Pitkin, is currently conducting geological and geophysical assessment of the block. The joint venture embarked on a comprehensive seismic reprocessing of over 3000 line kms of 2D seismic data over the area for the first sub-phase of work which has been extended to April 1, 2011 as per advice by Pitkin.

South China has 15% participating interest in SC-71 and is carried in the first sub-phase.

PROPERTY ACQUISITION


As disclosed, the Board of Directors at a special meeting held on 26 May 2010, authorized the purchase of a 24,022.90 sq.m. parcel of land located at the East Service Road of South Superhighway, Brgy. Buli, Muntinlupa City, Metro Manila at a purchase price of P312,297,700.00.

In the Company's history, it had made good in investments in real estate property, primarily the property investment in Pilipinas Plaza which the Company sold for a profit in January of 2007. It is in this manner that the Company employed the proven business model of acquiring property investments along major and strategic thoroughfares.

SIGNATURES

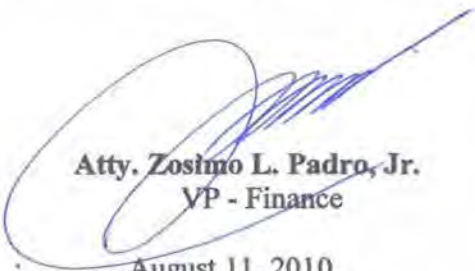
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTH CHINA RESOURCES, INC.
Issuer



Atty. JAIME M. BLANCO, Jr.
Corporate Secretary

Date : August 11, 2010



Atty. Zosimo L. Padro, Jr.
VP - Finance

Date : August 11, 2010

SOUTH CHINA RESOURCES, INC
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010 (UNAUDITED)
(with comparative figures as of December 31, 2009)
(in PHP)

	2010 30-Jun Unaudited	2009 31-Dec Audited
ASSETS		
Current Assets		
Cash and cash equivalents	1,423,314,592	1,434,171,589
Accounts receivable	100,792,207	70,182,601
Prepayments and other current assets	498,826	1,347,984
Total Current Assets	1,524,605,625	1,505,702,174
Noncurrent Assets		
Investments in and Advances to Associates	35,107,667	33,698,598
Available-for-sale (AFS) investments - net	8,328,706	6,772,456
Deferred exploration costs - net of allowance for impairment losses of P75,464,430 as of June 30, 2010	16,230,887	14,961,956
Property and equipment - net	7,084,943	8,286,154
Total Noncurrent Assets	66,752,202	63,719,164
TOTAL ASSETS	1,591,357,827	1,569,421,338
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	93,294	1,817,852
Total Current Liabilities	93,294	1,817,852
EQUITY		
Common Stock - P1 par value		
Authorized - 1 billion shares		
Issued	589,719,569	589,509,569
Subscribed	316,840,000	317,050,000
* Subscriptions receivable	(237,630,000)	(237,787,500)
Additional paid in capital	72,272,140	72,272,140
Unrealized valuation gains on AFS investments	3,545,893	1,989,643
Share in unrealized gains/(loss) on AFS investment of an associate	(58,438)	(58,457)
Retained Earnings	846,575,369	824,628,091
Total Equity	1,591,264,533	1,567,603,486
TOTAL LIABILITIES AND EQUITY	1,591,357,827	1,569,421,338

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

SOUTH CHINA RESOURCES, INC
COMPARATIVE STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010, 2009, and 2008 (UNAUDITED)
(In PHP)

	AS OF JUNE		
	2010	2009	2008
ASSETS			
Current Assets			
Cash and cash equivalents	1,423,314,592	95,948,361	417,026,794
Accounts receivable	100,792,207	78,226,944	145,537
Prepayments and other current assets	498,826	1,481,394	1,054,789
Total Current Assets	1,524,605,625	175,656,699	418,227,120
Noncurrent Assets			
Investments in and advances to associates - net	35,107,667	483,703,323	34,362,466
Available-for-sale (AFS) investments - noncurrent	8,328,706	7,255,756	8,541,815
Deposit for future investment			100,000,000
Deferred exploration costs - net of allowance for impairment losses of P75,464,430 in 2010, 2009 and P12,618,353 for 2008	16,230,887	14,891,080	39,193,040
Property and equipment - net	7,084,943	9,507,830	11,169,303
Total Noncurrent Assets	66,752,202	515,357,990	193,266,624
TOTAL ASSETS	1,591,357,827	691,014,689	611,493,744
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued expenses	93,294	45,051	81,882
Noncurrent liabilities			
* Subscriptions payable	-	171,720,000	171,720,000
Total Liabilities	93,294	171,765,051	171,801,882
EQUITY			
Capital Stock - P1 par value			
Authorized - 1 billion shares			
Issued	589,719,569	588,979,569	588,869,569
Subscribed	316,840,000	317,580,000	317,690,000
** Subscriptions receivable	(237,630,000)	(238,185,000)	(238,267,500)
Additional paid in capital	72,272,140	72,272,140	72,272,140
Unrealized gains on AFS investments - net	3,545,893	2,202,943	3,489,002
Share in unrealized gains/(losses) on marketable equity securities/ AFS investments of an associate	(58,438)	(126,483)	188,346
Retained Earnings/(Deficit)	846,575,369	(223,473,531)	(304,549,695)
Total Equity	1,591,264,533	519,249,638	439,691,862
TOTAL LIABILITIES AND EQUITY	1,591,357,827	691,014,689	611,493,744

* 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 DEFICITS
FOR THE QUARTERS ENDED JUNE 30, 2010, 2009, and 2008

	2010	2009	2008
REVENUES			
Interest Income	14,630,897	4,143,279	5,306,234
	<u>14,630,897</u>	<u>4,143,279</u>	<u>5,306,234</u>
COST AND EXPENSES			
General and administrative expenses	(2,947,604)	(2,310,379)	(3,324,996)
	<u>(2,947,604)</u>	<u>(2,310,379)</u>	<u>(3,324,996)</u>
Equity in net earnings / (losses) of Associates	1,129,350	(4,160,945)	(6,692,106)
Foreign Exchange Gain (Losses)	5,908	(600)	18,372
Net Income (Loss) for the quarter	<u>12,818,551</u>	<u>(2,328,645)</u>	<u>(4,692,496)</u>
Other Comprehensive Income (Losses):			
Unrealized (Loss) / Gain in Market Value of AFS	611,250	(340,050)	921,000
Share in Unrealized (Loss)/Gain on AFS of an associate	320	-	-
Total Comprehensive Income (Loss)	<u>13,430,121</u>	<u>(2,668,695)</u>	<u>(3,771,496)</u>
NET INCOME / (LOSS) FOR THE FIRST QUARTER	<u>9,128,727</u>	<u>(4,376,905)</u>	<u>29,763,768</u>
TOTAL NET INCOME / (LOSS) FOR THE SEMESTER	<u>21,947,278</u>	<u>(6,705,550)</u>	<u>25,071,272</u>
ADD: RETAINED EARNINGS/(DEFICIT), BALANCE BEGINNING as previously reported	824,628,091	(216,767,981)	(329,624,691)
Prior period adjustments			3,724
Share in prior period adjustment by an associate			
DEFICIT, BALANCE BEGINNING AS RESTATED			<u>(329,620,967)</u>
RETAINED EARNINGS (DEFICIT), BALANCE END	<u>846,575,369</u>	<u>(223,473,531)</u>	<u>(304,549,695)</u>
Basic /Diluted Income (Loss) Per Share	<u>0.01414</u>	<u>(0.00257)</u>	<u>(0.00518)</u>
* Computed as =			
Net income(loss) for the period	12,818,551	(2,328,645)	(4,692,496)
Weighted average number of shares	906,741,236	906,559,569	906,559,569

SOUTH CHINA RESOURCES, INC
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED JUNE 30, 2010, 2009, and 2008

	2010	2009	2008
REVENUES			
Net interest income	25,716,574	6,440,971	8,634,247
Gain on sale of investment property			113,019,521
	25,716,574	6,440,971	121,653,768
COST AND EXPENSES			
Valuation allowance on expired contracts			(38,413,210)
General and administrative expenses	(5,178,100)	(4,460,100)	(51,514,266)
	(5,178,100)	(4,460,100)	(89,927,476)
Equity in net earnings (losses) of Associates	1,409,050	(8,691,548)	(6,624,279)
Foreign Exchange Gain (Losses)	(246)	5,126	(30,741)
Net Income (Loss)	21,947,278	(6,705,550)	25,071,272
Other Comprehensive Income (Losses):			
Unrealized (Loss) / Gain in Market Value of AFS	1,556,250	463,200	918,000
Share in Unrealized (Loss) / Gain on AFS of an Associate	(19)		
Total Comprehensive Income / (Loss)	23,503,509	(6,242,350)	25,989,272
ADD: RETAINED EARNINGS / (DEFICIT), BALANCE BEGINNING OF YEAR - as previously reported	824,628,091	(216,767,981)	(329,624,691)
Prior period adjustments			3,724
Share in prior period adjustment by an associate			
DEFICIT, BALANCE BEGINNING OF YEAR AS RESTATED			(329,620,967)
RETAINED EARNINGS (DEFICIT), BALANCE END	846,575,369	(223,473,531)	(304,549,695)
Basic/Diluted Income (Loss) Per Share	0.02	(0.01)	0.03
* Computed as			
= Net income(loss) for the period	21,947,278	(6,705,550)	25,071,272
Weighted average number of shares	906,741,236	906,559,569	906,559,569

SOUTH CHINA RESOURCES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE QUARTERS ENDED JUNE 30, 2010, 2009, and 2008

	Capital 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					
Balances at March 31, 2008	588,869,569	317,700,000	(238,275,000)	72,272,140	2,568,002	188,348	(299,860,923)	443,452,134
Net loss for the 2nd quarter 2008							(4,692,496)	(4,692,496)
Unrealized gains/(loss) on AFS investments					921,000			921,000
Collection of subscriptions receivable			7,500					7,500
Shares of stock issued from subscribed	10,000	(10,000)						-
Prior period adjustment							3,724	3,724
Balances at June 30, 2008	588,869,569	317,690,000	(238,267,500)	72,272,140	3,489,002	188,348	(304,549,695)	439,691,862
Balances at March 31, 2009	588,879,569	317,680,000	(238,280,000)	72,272,140	2,542,993	(128,483)	(221,144,888)	521,843,333
Net gains/(loss) for the 2nd quarter 2009							(2,328,645)	(2,328,645)
Unrealized gains/(loss) on AFS investments					(340,050)			(340,050)
Collection of subscriptions receivable			75,000					75,000
Shares of stock issued from subscribed	100,000	(100,000)						-
Balances at June 30, 2009	588,979,569	317,580,000	(238,185,000)	72,272,140	2,202,943	(128,483)	(223,473,531)	519,249,638
Balances at March 31, 2010	589,719,569	316,840,000	(237,630,000)	72,272,140	2,934,643	(68,769)	833,766,818	1,577,834,411
Net gains/(loss) for the 2nd quarter 2010							12,818,551	12,818,551
Unrealized gains/(loss) on AFS investments					611,250			611,250
Unrealized gain on AFS - associates						320		320
Collection of subscriptions receivable								-
Shares of stock issued from subscribed								-
Balances at June 30, 2010	589,719,569	316,840,000	(237,630,000)	72,272,140	3,545,893	(68,438)	846,575,369	1,591,264,533

SOUTH CHINA RESOURCES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2010, 2009, and 2008

	Capital Stock			Additional Paid-in Capital	Unrealized Gains/(Losses) on AFS Investments -net	Share in Unrealized Gains/ (Losses) on AFS Investments of an Associate	Retained Earnings/ (Deficit)	Total
	Issued	Subscribed	Subscriptions Receivable					
Balances at January 1, 2008	588,749,569	317,810,000	(238,357,500)	72,272,140	2,571,002	188,348	(329,624,891)	413,608,866
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)						-
Net loss for the 2nd quarter 2008							(4,692,496)	(4,692,496)
Unrealized gains/(loss) on AFS investments					921,000			921,000
Collection of subscriptions receivable			7,500					7,500
Shares of stock issued from subscribed	10,000	(10,000)						-
Prior period adjustment							3,724	3,724
Balances at June 30, 2008	588,869,569	317,690,000	(238,267,500)	72,272,140	3,489,002	188,348	(304,549,695)	439,691,662
Balances at January 1, 2009	588,679,569	317,680,000	(238,280,000)	72,272,140	1,739,743	(126,483)	(216,767,981)	525,416,988
Net gain/(loss) for the 1st quarter 2009							(4,376,905)	(4,376,905)
Unrealized gains/(loss) on AFS investments					803,250			803,250
Collection of subscriptions receivable								-
Shares of stock issued from subscribed								-
Net gain/(loss) for the 2nd quarter 2009							(2,328,645)	(2,328,645)
Unrealized gains/(loss) on AFS investments					(340,050)			(340,050)
Collection of subscriptions receivable			75,000					75,000
Shares of stock issued from subscribed	100,000	(100,000)						-
Prior period adjustment								
Balances at June 30, 2009	588,979,569	317,580,000	(238,185,000)	72,272,140	2,202,943	(126,483)	(223,473,531)	519,249,638
Balances at January 1, 2010	589,509,569	317,050,000	(237,787,500)	72,272,140	1,989,643	(58,457)	824,628,091	1,567,603,488
Net gain/(loss) for the 1st quarter 2010							9,128,727	9,128,727
Unrealized gains/(loss) on AFS investments					945,000			945,000
Unrealized gain on AFS - associates						(301)		(301)
Collection of subscriptions receivable			157,500					157,500
Shares of stock issued from subscribed	210,000	(210,000)						-
Net gain/(loss) for the 2nd quarter 2010							12,818,551	12,818,551
Unrealized gains/(loss) on AFS investments					611,250			611,250
Unrealized gain on AFS - associates						320		320
Collection of subscriptions receivable								
Shares of stock issued from subscribed								
Balances at June 30, 2010	589,719,569	316,840,000	(237,630,000)	72,272,140	3,545,893	(58,438)	846,575,369	1,591,264,633

SOUTH CHINA RESOURCES, INC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED June 30, 2010, 2009, and 2008

	AS OF JUNE 30		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income(loss) from operation	21,947,278	(6,705,550)	25,071,272
Adjustments for:			
Equity in net (income) losses of associates	(1,409,050)	8,691,548	6,624,279
Depreciation and amortization	1,273,790	1,265,140	26,892
Dividend and miscellaneous income			-
Interest income	(25,716,574)	(6,440,971)	(8,634,247)
Gain on sale of investment property			(113,019,521)
Valuation allowance			38,413,210
Unrealized foreign exchange loss/(gain)	246	(5,126)	30,741
Operating loss before working capital changes	(3,904,310)	(3,194,959)	(51,487,374)
Decrease (increase) in:			
Accounts receivable	(609,608)	758,115	(66,815)
Prepayments and other current assets	849,158	(348,610)	(405,096)
Increase (decrease) in:			
Accounts payable and accrued expenses	(1,724,557)	(552,375)	(13,415,594)
Net cash flows from (used in) operating activities	(5,389,316)	(3,337,829)	(65,374,879)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in deferred exploration costs	(1,268,931)		-
Advances to Officers	(30,000,000)		
Proceeds from sale of investment property			540,000,000
Proceeds from the refund of rental deposit			137,054
Dividend and miscellaneous income			-
Interest income	25,716,574	6,440,971	8,634,247
Decrease (increase) in other assets			-
Acquisitions of property and equipment	(72,579)	(64,125)	(11,033,707)
Net cash flows from (used in) investing activities	(5,624,936)	6,376,846	537,737,594
CASH FLOWS FROM FINANCING ACTIVITIES			
Collection of subscriptions receivable	157,500	75,000	90,000
Advances to associates			(6,307,750)
Deposit for future investment			(100,000,000)
NET INCREASE IN CASH	(10,856,752)	3,114,017	366,144,965
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(246)	5,126	(30,741)
CASH AT BEGINNING OF YEAR	1,434,171,589	92,829,217	50,912,570
CASH AT END OF THE PERIOD	1,423,314,592	95,948,361	417,026,794

South China Resources, Inc. Aging of Accounts Receivable As of June 30, 2010								
45,000,000.00								
CURRENT					PAST DUE			Past due accounts & items in litigation
Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - Above	
Accounts Receivable								
1) Amounts owed by a related party - PSC	70,641,666.67	841,886.67		45,000,000.00	25,000,000.00			
2) Officers and employees	30,052,378.47	52,378.47	30,000,000.00					
3) Others	98,162.19	10,053.63	10,722.84	9,603.63	10,303.63	57,478.46		NONE
Subtotal	100,792,207.33	841,886.67	62,432.10	45,009,603.63	25,010,303.63	57,478.46		
Less: Allowance for impairment losses on receivables								
A/R - net	100,792,207.33	841,886.67	62,432.10	45,009,603.63	25,010,303.63	57,478.46		NONE
Net Receivables	100,792,207.33	841,886.67	62,432.10	45,009,603.63	25,010,303.63	57,478.46		NONE
<i>Notes: 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.</i>								

Accounts Receivable Description :

Type of Receivable	Nature/Description	Collection Period
		monthly payment of interest &
1) Amounts owed by a related party	Receivable from third party PUYAT STEEL CORP. (Principal & Interest)	quarterly payment of principal
2) Officers and employees	Advances to employees for emergency purpose on a 1 year term payable monthly	monthly
3) Others	Receivable from third party; amount payable by South China Petroleum Int'l.	past due yet collectible
<i>Notes : 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.</i>		

Normal Operating Cycle: 1 (one) year