

# SOUTH CHINA RESOURCES, INC.

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

August 15, 2011

**The Disclosure Department**

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 2<sup>nd</sup> Quarter Report (on SEC Form 17-Q) for year 2011 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, 2011
  
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
<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 <u>Philippine Stock Exchange</u>	Class of Securities listed <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

### CONSOLIDATED RESULTS OF OPERATIONS

#### Financial Highlights

(in PHP)

#### FOR THE QUARTER ENDED: JUNE 30, 2011 VS. JUNE 30, 2010

	<b>April 01,2011 to June 30,2011</b>	<b>April 01,2010 to June 30,2010</b>	<b>INCREASE/ (DECREASE)</b>	<b>% CHANGE</b>
Revenues	10,386,471	14,630,897	(4,244,426)	(29.01)%
Expenses	(8,853,618)	(2,947,604)	5,906,014	200.37%
Income From Operations	1,532,853	11,683,293	(10,150,440)	(86.88)%
Equity in Net Earnings (Losses)				
of associates	(313,590)	1,129,350	(1,442,940)	(127.77)%
Foreign Exchange Gain (Loss)	(881)	5,908	(6,789)	(114.91)%
Income Tax	20,317	34,375	(14,058)	(40.90)%
NET INCOME/ (LOSS) FOR				
the Quarter after Tax	1,198,065	12,784,176	(11,586,111)	(90.63)%
Other Comprehensive Income				
or (Loss)	(1,409,075)	611,570	(2,020,645)	(330.40)%
TOTAL COMPREHENSIVE INCOME				
OR (LOSS) FOR THE QUARTER	(211,010)	13,395,746	(13,606,756)	(101.58)%

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

	<b>April 01,2010 to June 30,2010</b>	<b>April 01,2009 to June 30,2009</b>	<b>INCREASE/ (DECREASE)</b>	<b>% CHANGE</b>
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	(2,668,695)	16,098,817	603.25%

## **REVENUES:**

### **2011 VS 2010**

There's a drop down of 29.01% in revenue growth for the 2nd quarter of 2011 as against the 2<sup>nd</sup> quarter of 2010 due to the decrease in the amount invested in time deposits amounting to PhP824M as of 2<sup>nd</sup>Q 2011 as against PhP 1.37B of 2<sup>nd</sup>Q2010, which decrease is accounted for in the increase in equity investments with AGP International, SOC Land, a wholly owned subsidiary, AGI, among others, as will be discussed below There has been also a decrease in the interest income earned from placements and amount owed by Puyat Steel Corporation.

Interest Income Earned From:	As of Apr. 01 - Jun 30	
<i>in millions</i>	<u>2011</u>	<u>2010</u>
Time Deposits	9.36	12.89
Amount Owed by Affiliates	0.92	1.72
Total	<b>10.28</b>	<b>14.61</b>

### **2010 VS 2009**

There is an outstanding increase in revenue growth for the 2nd quarter of 2010 as against the 2<sup>nd</sup> 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.

## **EXPENSES:**

### **2011 VS 2009**

A huge leap in the expenses of the group was brought about by the preoperating cost of the subsidiary, SOC Land Development Corp. (SOC Land) amounting to PhP 4.95M added to the expenses of the parent amounting to 3.91M totaling PhP8.85M for the 2<sup>nd</sup> quarter 2011 as against the PhP2.945M for 2<sup>nd</sup>Q 2010. Consultancy Fees and salaries totaling to PhP2.76M of the subsidiary make up for the 31% of the total expenses incurred for the current quarter.

The group posted an income from operations 86.88% percent lesser than the previous quarter in comparison brought about by the decrease in revenue coupled with a corresponding increase in total 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.

**EQUITY FROM NET EARNINGS OF ASSOCIATES:****2011 VS 2010**

The company recognized PhP0.314M net loss from Premiere Bank for the 2ndQ2011 as compared to the 2ndQ2010 recognized net income of PhP 1.129M. The equity interest rate changed from 4.81% to 4.79%

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

Net Loss of Premiere (April 01 – June 30, 2010)	PHP	6,546,764.09
Equity ownership in Premiere	X	4.79%

PHP	313,510
-----	---------

**2010 VS 2009**

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
-----	--------------

**OTHER COMPREHENSIVE INCOME / (LOSS):****2011 VS 2010**

The 330.40% decline in recognized comprehensive income for the 2nd quarter 2011 and 2nd quarter 2010 is brought about by the decrease in market value of shares owned by the company.

2011			2010		
	Market Price			Market Price	
	6/30/2011	3/31/2011		6/30/2010	3/31/2010
Petron	13.5	14.36	Petron	6.6	6.1
AGI	10.94	11.92	Aboitiz	19.75	13.5

SOURCE: PSE

#### 2010 VS 2009

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.

#### **NET INCOME / (LOSS) FOR THE QUARTER:**

#### 2011 VS 2010

As discussed above, the 29.01% decrease in revenue of the group and the 200.37% increase in the total expenses pull down the net income up to 86.88%. The wholly owned subsidiary has no revenue yet as of the 2ndQ of 2011 since its inception last November 25, 2011 but the expenses it incurred has contributed substantially to the negative bottomline figure.

#### 2010 VS 2009

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 2<sup>nd</sup> 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.

**CONSOLIDATED RESULTS OF OPERATIONS**  
**Financial Highlights**  
**(in PHP)**

**FOR THE PERIOD ENDED: JUNE 30, 2011 VS. JUNE 30, 2010**

	<b>January 01,2011 to June 30,2011</b>	<b>January 1 2010 to June 30,2010</b>	<b>INCREASE/ (DECREASE)</b>	<b>% CHANGE</b>
Revenues	16,704,402	25,716,574	(9,012,172)	(35.04)%
Expenses	(15,193,520)	(5,178,100)	10,015,420	193.42%
Income From Operations	1,510,882	20,538,473	(19,027,591)	(92.64)%
Equity in Net Earnings (Losses)				
of associates	(210,251)	1,409,050	(1,619,301)	(114.92)%
Foreign Exchange Gain (Loss)	(675)	(246)	429	174.67%
Income Tax	44,415	68,750	(24,335)	(35.40)%
NET INCOME/ (LOSS) FOR				
the Period	1,255,541	21,878,528	(20,622,987)	(94.26)%
Other Comprehensive Income				
(Loss)	(6,041,350)	1,556,231	(7,597,581)	(488.20)%
TOTAL COMPREHENSIVE INCOME				
(LOSS) FOR THE PERIOD	(4,785,809)	23,434,759	(28,220,568)	(120.42)%

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

	<b>January 01,2010 to June 30,2010</b>	<b>January 1 2009 to June 30,2009</b>	<b>INCREASE/ (DECREASE)</b>	<b>% CHANGE</b>
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) %
Income Tax	68,750	-	68,750	
NET INCOME/ (LOSS) FOR				
the Period	21,878,528	(6,705,550)	28,584,078	426.27%
Other Comprehensive Income				
(Loss)	1,556,231	463,200	1,093,031	235.97%
TOTAL COMPREHENSIVE INCOME				
(LOSS) FOR THE PERIOD	23,434,759	(6,242,350)	29,677,109	475.42%

## **REVENUES:**

### **2011 VS 2010**

The group earned PhP14.41M interest income from time deposits as of quarter ended June 2011 as compared to the PhP22.23M as of quarter ended June 2010. The partial retirement of money market placements to give way to the various equity investments made during the period for the purchase of land worth PhP312M as well as to finance the preoperating costs of SOC Land had caused the decline in interest income earned though the bank provided higher interest rates for the current year 2011 as compared to the previous period.

Puyat Steel also made a PhP30M partial payment last April 2011 for their advances from the company leaving PhP45M outstanding as of June 30, 2011. The company earns 11% annual interest VAT inclusive from Puyat Steel for the period January to June 2010 and is then reduced to 8% starting March 2011 brought about by the decreasing trend in interest rate.

SOC Land, a wholly owned subsidiary incorporated in late 2010, is still in the process of obtaining the requisite permits for the development of the Company's 2.4 hectare Buli Property into a medium rise condominium project, has no revenue yet as of the period ended June 30, 2011.

### **2010 VS 2009**

There is an outstanding increase in revenue growth for the 2nd quarter ended 2010 as against the 2<sup>nd</sup> 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.

## **EXPENSES:**

### **2011 VS 2010**

The 193.42% increase in expenses of the group was brought about by the PhP10.02M total increase in which PhP8.62M is for the account of its wholly owned subsidiary. SOC Land incurred PhP2.67M, PhP1.86M, PhP 1.72M for personnel cost, consultancy fees and advertising cost respectively. The parent company incurred PhP 3.9M for general and administrative expenses.

Due to the relatively significant increase in expenses and a decrease in Revenue, the company posted a 92.64% decrease in its income from operation as of June 30, 2011 as against the period ended June 30, 2010.

### **2010 VS 2009**

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.

**EQUITY FROM NET EARNINGS OF ASSOCIATES:**

## 2011 VS 2010

The 114.92% decrease in recognized equity from associates was caused by the negative outcome of Premiere Bank's operation as of period ended June 30, 2011.

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

**Net Loss** of Premiere for the period ended June 30, 2011    PHP    4,389,376.42

Equity ownership in Premiere	X	4.79%
------------------------------	---	-------

PHP	210,251
-----	---------

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 1<sup>st</sup> quarter of 2010 as opposed to the total shares in net loss of associates for the 1<sup>st</sup> quarter of previous year which is inclusive of loss by BellTel Co.

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

<b>Net Income</b> of Premiere as of 2nd Quarter 2010	PHP	29,294,181.46
--	-----	---------------

Equity ownership in Premiere	X	4.81%
------------------------------	---	-------

PHP 1,409,050.13

**OTHER COMPREHENSIVE INCOME / (LOSS):**

## 2011 VS 2010

The 488.20% shrink in recognized comprehensive income for the period ended 2nd quarter 2011 and 2nd quarter 2010 is brought about by the decrease in market value of shares owned by the company.

2011			2010		
	Market Price			Market Price	
	1/1/2011	6/30/2011		1/1/2010	6/30/2010
Petron	18.82	13.50	Petron	5.30	6.60
Aboitiz	37.10	42.00	Aboitiz	9.00	19.75

*SOURCE:PSE*

#### 2010 VS 2009

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.

#### **NET INCOME / (LOSS) FOR THE PERIOD:**

#### 2011 VS 2010

The PhP20M decrease in net income of the group for the period being compared, which income mainly came from interest earned on placements, was brought about by the considerable increase in equity investments which equally resulted to the decrease in funds invested in the money market and the increased start up opex of its wholly owned subsidiary. The decrease in income earned from placements amounted to PhP 7.82M, the decrease in interest earned from amount owed by to affiliates amounted to PhP 1.22M, while the increase in start up opex of the wholly owned subsidiary amounted to expenses of PhP10.01M.

#### 2010 VS 2009

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 1<sup>st</sup> semester of 2010 (b) Interest earned from placements totaling PHP 22.23 MM (c) Interest earned from amount owed by 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.

**CONSOLIDATED FINANCIAL POSITION**  
**Financial Highlights**  
**(in PHP)**

**FOR THE PERIOD ENDED JUNE 30, 2011 VS. JUNE 30,2010**

	<b><u>As of June 30,2011</u></b>	<b><u>As of June 30,2010</u></b>	<b><u>INCREASE/ (DECREASE)</u></b>	<b>% Change</b>
Current Assets	947,654,036	1,524,605,625	(576,951,589)	(37.84)%
Noncurrent Assets	661,832,705	66,752,202	595,080,503	891.48%
<b>TOTAL ASSETS</b>	<b>1,609,486,741</b>	<b>1,591,357,827</b>	<b>18,128,914</b>	<b>1.14%</b>
Current Liabilities	5,360,989	93,294	5,267,695	5646.31%
Retained Earnings (Deficit)	843,201,952	846,575,369	(3,373,417)	(0.40)%
Equity	760,923,800	744,689,164	16,234,636	0.02
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,609,486,741</b>	<b>1,591,357,827</b>	<b>18,128,914</b>	<b>1.14%</b>

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

	<b><u>As of June 30,2010</u></b>	<b><u>As of June 30,2009</u></b>	<b><u>INCREASE/ (DECREASE)</u></b>	<b>% Change</b>
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)%
<b>TOTAL ASSETS</b>	<b>1,591,357,827</b>	<b>691,014,689</b>	<b>900,343,138</b>	<b>130.29%</b>
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%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,591,357,827</b>	<b>691,014,689</b>	<b>900,343,138</b>	<b>130.29%</b>

**CURRENT ASSETS**

**2011 VS 2010**

The decrease in current assets of the company was due to the following equity investments/purchase/payment of: the following:

(1) Buli Property last July 28, 2010 amounting to PhP 312M. The same property is now being developed by its wholly owned subsidiary, SOCLand, into a medium rise residential building.

(2) AGP International's 26,086,957 Series A Preferred Shares amounting US\$6M or PhP264M AGP International is a British Virgin Islands business company formed in November 2010 by Icaza, Gonzalez-Ruiz & Aleman (BVI) Trust Limited with registered office at the Vanterpool Plaza, 2nd Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

(3) Cash Call Request from SC60 Joint Venture amounting to US\$456,500 or PhP20M;

(4) AGI 450,000 shares worth PhP4.9M

#### 2010 VS 2009

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.

#### **NONCURRENT ASSETS**

##### 2011 VS 2010

South China completed, last July 28, 2010, the purchase of the 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 P312,298,000.00.

On December 21, 2010, South China subscribed to, and subsequently fully paid for, 26,086,957 Series A Preferred shares of AGP International at a purchase price of US\$0.23 per share or a total amount of USD\$6,000,000.00.

##### 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 2<sup>nd</sup> quarter of 2010 as previously discussed.

#### **CURRENT LIABILITIES**

##### 2011 VS 2010

Current Liabilities for the period ended June 2011 composes mainly of various customer reservations made for the 1 bedroom, 2 bedrooms or studio type rooms for SOC Land's Anuva project amounting to PhP 5.16M while the remaining amount pertains to accrued expenses.

Divestment of non-core businesses in recent years resulted in substantial liquidity for South China. This prompted the company's search for new business opportunities. In December 2010, the company decided to go into property development and established its property arm SOC Land Development Corporation (SOC Land). The new venture is geared at not only enhancing the company's shareholder value, but filling the need of Filipinos for better housing products which are affordable quality homes that will elevate their lifestyle while keeping within their means.

Anuva is a carefully master-planned community set in a strategically-located 2.4 hectare property just a kilometer off the Sucat Interchange which is also owned by the group.

#### 2010 VS 2009

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

#### **EQUITY**

#### 2011 VS 2010

The 2.18% is due to the following: a) collection of shares subscription receivable amounting to PhP 8.01M (b) PHP 8.9M increase in other comprehensive income earned within the first semester of 2011.

#### 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.

#### **KEY PERFORMANCE INDICATORS**

The following are the major financial ratios of the Company for the period ended June 30, 2011, period ended June 30, 2010 and period ended June 30, 2009.

#### **Revenue Growth**

$$\frac{\text{Total Revenues Current Period} - \text{Total Revenues (Prior Period)}}{\text{Total Revenues (Prior Period)}}$$

	For the period ended June 30						
	<i>(In Millions)</i>				<i>Increase (Decrease)</i>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue	16.704	25.717	6.44	121.65	(9.01)	19.28	(115.21)

	For the period ended June 30		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue Growth	-35.05%	299.33%	-94.71%

The 35.05% decrease in revenue growth by the group was mainly due to the decrease in interest income earned from placements brought about by termination of such to finance the company's purchase of land, the site of the Anuva—a medium rise residential building project of its wholly

owned subsidiary, as well as the acquisition of purchase of shares of stocks or equity investments in the company's mentioned above.

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

### **Net Income Growth**

*Total Net Income (Current Period) – Total Net Income (Prior Period)*  
*Total Net Income (Prior Period)*

	For the period ended June 30						
	(In Millions)				Increase (Decrease)		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Income	1.26	21.88	(6.71)	25.07	(20.62)	28.59	(31.78)

	For the period ended June 30		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Income Growth	-94.26%	-426.26%	-126.75%

The company's bottomline figure was greatly affected by the preoperating costs of its newly established wholly owned subsidiary, SOC Land as well as the decrease in investments in Time Deposits though the banks' current interest rates for placements exhibited a favorable change from an average of 4.125% from previous period up to 4.625% currently.

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 426.27% increase in net income as of June 30, 2010 as against the period ending June 30,2009.

### **Earning Before Interest, Taxes, Depreciation & Amortization (EBITDA)**

*An approximate measure of a company's operating cash flow based on data from the company's income statement. Income from Operations plus interest, taxes and Depreciation.*

	For the period ended June 30		
<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue	16.70	25.72	6.44
Expenses	15.19	5.18	4.46
Income From Operations	1.51	20.54	1.98
Depreciation	1.67	1.27	1.27
<b>EBITDA</b>	<b>3.18</b>	<b>21.81</b>	<b>3.25</b>

**Return on Equity (ROE)***Net Income/ Average Shareholders' Equity*

As of June 30			
<i>In Millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Income (Loss)	1.26	21.88	(6.71)
Equity	749.28	741.20	740.65
As of January 01			
<i>In Millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Equity	764.49	742.98	742.19
Ave. Equity	756.88	742.09	741.42
<b>ROE</b>	<b>0.17%</b>	<b>2.95%</b>	<b>N/A</b>

**Return on Assets (ROA)***Net Income/ Average Total Assets*

As of June 30			
<i>In Millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Income (Loss)	1.26	21.88	(6.71)
Total Assets	1609.49	1591.36	691.02
As of January 01			
<i>In Millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Assets	1607.25	1568.46	742.19
Ave. Total Assets	1608.37	1579.91	697.73
<b>ROA</b>	<b>0.08%</b>	<b>1.38%</b>	<b>N/A</b>

There was a corresponding decrease in the ROE and ROA of the group as of period ended June 30, 2011 due to the decrease in the net income earned for the period but the company exhibited an increase in total assets and equity.

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 1<sup>st</sup> semester of 2010.

**Current Ratio***Current Asset/ Current Liabilities*

As of June 30			
<i>In Millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current Assets	947.65	1524.61	175.66
Current Liabilities	5.36	0.09	0.05
<b>Current Ratio</b>	<b>176.77</b>	<b>16393.61</b>	<b>3903.49</b>

Though the company exhibited a decrease in current ratio as compared with the previous period June 30, 2010, the decrease was attributed mainly to its various equity investments as discussed above, which are considered non-current assets, and therefore, resulted to a corresponding decrease in current assets. It should not be construed as a negative change because it was the purchase of noncurrent assets such as Land and AGP shares of stocks that contributed to the decrease in current assets of the group. Henceforth, it can still be concluded that the company was able to retain its healthy liquidity ratio as of to date.

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

### **Debt to Equity Ratio**

*Current Asset/ Current Liabilities*

	As of June 30		
<i>In Millions</i>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Total Liabilities	5.36	0.09	171.77
Equity	749.28	741.20	740.65
<b>Debt to Equity Ratio</b>	<b>0.01</b>	<b>0.00013</b>	<b>0.23</b>

The slight movement in debt to equity ratio of the group from the period June 30, 2011 versus June 30, 2010 was caused by the reservations collected from customers for the Anuva project.

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 vis-à-vis the invested capital.

**PERIOD ENDED: JUNE 30, 2011 VS JUNE 30, 2010****Highlights of selected accounts with 5% material changes (In Million Pesos)**

	as of June 30,2011	as of June 30,2010	Change Increase/ (Decrease)	% Change
<i>Consolidated</i>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	859.21	1,423.31	(564.10)	(39.63)%
Accounts Receivable	60.59	100.79	(40.20)	(39.89)%
Construction Work in Progress	26.06	-	26.06	100.00%
Prepayments and other current assets	1.79	0.50	1.29	258.92%
Land	312.30		312.30	100.00%
Property and equipment - net	5.71	7.09	(1.38)	(19.48)%
Investment in Associates	31.63	35.11	(3.48)	(9.92)%
Available for Sale Investments	286.09	8.33	277.76	3334.88%
Deferred Exploration Cost	21.69	16.23	5.46	33.65%
Other Noncurrent Assets	4.42	-	4.42	100.00%
Liabilities	5.36	0.09	5.27	5664.52%
Unrealized valuation gains on AFS investments	11.63	3.55	8.09	228.00%
Share in unrealized gains (Loss) on AFS investments of an associate	0.01	(0.06)	0.07	122.41%
Total Current Assets	947.65	1,524.61	(576.95)	(37.84)%
Total Current liability	5.36	0.09	5.27	5664.52%
<b>Current Ratio</b>	176.77	16,393.61	(16,216.84)	(98.92)%
<b>Income Statement</b>				
REVENUES (for the period ended)	16.70	25.72	(9.01)	(35.05)%
COST AND EXPENSES (for the period ended)	15.19	5.18	10.02	193.43%
Equity in net earnings (losses) of Associates	(0.21)	1.41	(1.62)	(114.90)%
Net Income (Loss) for the quarter ended	1.20	12.78	(11.59)	90.63%
Net Income (Loss) for the period ended	1.26	21.91	(20.66)	94.27%

**PERIOD 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
<b>ASSETS</b>				
<b>Current Assets</b>				
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	0.09	0.05	0.05	107.09%
*Subscription Payable	-	171.72	(171.72)	(100.00)%
Unrealized valuation gains on AFS	3.55	2.20	1.34	60.96%
Share in unrealized gains (Loss) on AFS investments	-	-	-	
of an associate	(0.06)	(0.13)	0.07	(53.80)%
Retained Earnings (Deficit)	846.58	(223.47)	1,070.05	478.82%
<b>TOTAL ASSETS</b>	<b>1,591.36</b>	<b>691.01</b>	<b>900.35</b>	<b>130.29%</b>
Total Current Assets	1,524.61	175.66	1,348.95	767.95%
Total Current liability	0.09	0.05	0.05	107.09%
<b>Current Ratio</b>	<b>16,341.91</b>	<b>3,899.06</b>	<b>12,442.85</b>	<b>319.12%</b>
<b>Income Statement</b>				
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%

## **DISCUSSION FOR ACCOUNTS WITH 5% MATERIAL CHANGES**

### **Cash & cash Equivalents**

#### **2011 VS 2010**

The decrease in cash and cash equivalents of the company was due to the acquisition/purchase/payment of the following equity investments and/or capital assets:

- (1) Buli Property last July 28, 2010 amounting to PhP 312M;
- (2) AGP International's 26,086,957 Series A Preferred Shares amounting US\$6M or PhP250324M;
- (3) Cash Call Request from SC60 Joint Venture amounting to US\$456,500 or PhP20M;
- (4) AGI 450,000 shares worth PhP4.9M

#### **2010 VS 2009**

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

### **Accounts Receivable**

#### **2011 VS 2010**

Puyat Steel made the partial payment for their amount owed to the group last April 19, 2011 amounting to PhP 30M. Other change pertains to liquidations of advances by employees. International Pipe Industries (IPI) also advanced an amount from the company last March 08, 2011 and fully paid the principal plus the interest on May 02, 2011. IPI again borrowed from the company last June 13, 2011 amounting to PhP10M. The company charged an annual interest rate of 8% inclusive of applicable VAT.

South China Resources Inc., pursuant to an unnumbered resolution of the Board of Directors of the Company in its special meeting on May 24, 2011, has entered into a related party agreement with International Pipe Industries Corporation to provide a standby fund facility in the amount of Fifty Million Pesos (PhP50,000,000.00) for the acquisition of raw materials to be processed into finished steel products.

#### **2010 VS 2009**

Due to additional advances made to related party Puyat Steel Corporation.

### **Construction Work in Progress**

This refers to SOC Land's payments for Anuva building design, permits and licenses and master planning. As of the period ended June 30, 2011 payments for building design amounted to PhP8.78M, permits and licenses PhP2.73M and master planning PhP2.27M. The remaining amount pertains to indirect cost and other plan related costs.

## **Prepayments & Other Current Assets**

### **2011 VS 2010**

The increase was due to the increase in Input Tax accumulated by the wholly owned subsidiary which were not utilized or set-off against it's out put tax liabilities as it has no reported revenues yet as discussed above.

### **2010 VS 2009**

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

## **Investment in and advances to associates**

### **2011 VS 2010**

The 114.92% decrease in recognized equity from associates was caused by the negative outcome of Premiere Bank's operation as of and for the period ended June 30,2011.

### **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.

## **Available for sale Investments**

On December 21, 2010, South China subscribed to, and subsequently fully paid for, 26,086,957 Series A Preferred shares of AGP International at a purchase price of US\$0.23 per share or a total amount of USD\$6,000,000.00.

## **Deferred Exploration Cost**

### **2011 VS 2010**

Due to the cash call requested by Shell for SC60 amounting to US\$456,500.

### **2010 VS 2009**

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

## **Property and Equipment**

### **2011 VS 2010**

Solely due to the provision for depreciation of these equipment.

#### 2010 VS 2009

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

#### **Accounts Payable and Accrued Expenses**

#### 2011 VS 2010

Current Liabilities for the period ended June 2011 composes mainly of customer reservations made for 1 bedroom, 2 bedrooms or studio type rooms for SOC Land's Anuva project amounting to PHP 5.16M while the remaining amount pertains to accrued expenses.

#### 2010 VS 2009

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

#### **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.

#### **Retained Earnings**

#### 2011 VS 2010

The company's bottomline figure was greatly affected by the pre-operating costs of its newly established wholly owned subsidiary, SOC Land as well as the decrease in investments in Time Deposits while at the same time increasing equity investments/acquisition of shares of stocks of companies mentioned above, though the banks' current interest rates for placements exhibited a favorable change from an average of 4.125% per annum from previous period up to 4.625% per annum, currently.

#### 2010 VS 2009

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

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.

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 by the period ended June 30,2010.

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.

For the period ended June 30, 2011, the Company is still in exploration stage, and therefore, NO commercial production yet for the performance indicators analysis. It has a majority owned subsidiary, SOC Land Development Corporation which was duly registered at SEC last November 25, 2010.

## **Results and Plans of Operation**

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

SC-60 joint venture comprised by South China, together with SPEX (Shell Philippines Exploration B.V.) and KUFPEC (Kuwait Foreign Petroleum Co. ksc) entered the second sub-phase of SC - 60 in July 2008.

Under the second sub-phase, the SC-60 JV on July 20, 2010 spudded the Silangan-1 well, the first deep water drilled in the area using the drillship Atwood Falcon. The well was plugged and abandoned without encountering significant hydrocarbons. South China was carried on this first well.

The SC-60 JV in the second half of November 2010 launched a CSEM (Controlled Source Electro-Magnetics) survey. The survey was undertaken by Electromagnetic Geoservices ASA (EMGS) using the vessel "BOA Galatea". EMGS employed their proprietary EM Technology to support the SC-60 Joint Operations in its search for offshore hydrocarbons. To give enough time to process the data obtained from the survey, a request to the DOE to extend the decision period to enter the third sub-phase by a year was made.

The DOE in its letter dated January 26, 2011 approved the request to defer commitment to enter the third sub-phased to February 10, 2012. The operator is still processing and interpreting the

data obtained from the survey. The outcome will determine whether or not the SC-60 JV is to enter the third sub-phase and commit to drill another well by February 2013.

South China retains 15% interest in the block and is a paying partner after the first well.

### ***Other Energy and Mineral Resources***

The Company continues to focus on conventional energy resources as it explores entry into opportunities in other oil exploration areas as well as potential conventional and non-conventional energy resources. A new Petroleum Contracting Round (Philippine Energy Contracting Round 4, PECR4) was recently launched this June 30, 2011 by the Department of Energy. The company is expected to actively participate in this bid round as it offers new opportunities to discover oil.

The global situation in recent years presents opportunities for the Company to seek entry into mineral exploration and exploitation sector. It recognizes that the demand added by China and India into the current global mineral resource market and into the foreseeable future will have a significant impact in the metals and non-metals market.

### **(D) Other Investments**

#### ***Real Estate Property***

South China completed, last July 28, 2010, the purchase of the 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 P312,298,000.00.

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.

#### ***SOC Land Development Corporation***

On November 25, 2010 South China Resources, Inc, registered with the Securities and Exchange Commission(SEC) SOC Land Development Corporation (SOC Land) as a wholly-owned subsidiary with an authorized capital stock of One Hundred Sixty Million Pesos (PHP 160,000,000.00), a subscribed capital stock of Forty Million Pesos (PHP 40,000,000.00) and a paid-up capital of Ten Million Pesos (PHP 10,000,000.00).

On March 4, 2011, the Board of Directors approved the transfer of the Company's property situated in Barangay Buli, Muntinlupa City (the "Buli Property") to its wholly-owned subsidiary, SOC Land, in exchange for the latter's shares of stock valued at PHP312,298,000.00. The registrant's investment into property development through SOC Land is seen as an important aspect in enhancing its shareholder value.

On June 22, 2011, the SEC approved the valuation of the Buli Property as transferred to SOC Land.

The government estimates the country's housing backlog at almost 4 million. There lies the opportunity for South China to serve a basic need of Filipinos through SOC Land that is to put up

quality homes at affordable prices. SOC Land's maiden venture will be the P2 Billion Anuva MRB (mid-rise residential building) project in the Buli Property which is along the east service road of the Southern Luzon Expressway (SLEX).

Four tandem buildings (20-storey building floors adjoined with another 14-storey building floors) will rise in the 2.4 hectare property while preserving approximately eighty percent (80%) thereof in open space for the benefit of the project's future residents. The project time frame is estimated to be about five (5) years with the first building expected to be completed at the end of 2013.

***AGP International Holdings Inc.***

On December 21, 2010, South China subscribed to, and subsequently fully paid for, 26,086,957 Series A Preferred shares of AGP International at a purchase price of US\$0.23 per share or a total amount of USD\$6,000,000.00.

AGP International is a British Virgin Islands business company formed in November 2010 by Icaza, Gonzalez-Ruiz & Aleman (BVI) Trust Limited with registered office at the Vanterpool Plaza, 2nd Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands. AGP International's authorized securities, as of 21 December 2010, consist of 1,400,000,000 no par value shares divided into 1,000,000,000 Common Shares and 400,000,000 Series A Preferred Shares. As to the ownership structure, SOC has yet to receive information regarding the other investors and their respective investments.

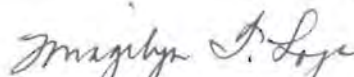
AGP International invested in 40% of the outstanding capital stock of AGP Philippines Holdings I, Inc. ("AGP Philippines"). On 22 December 2010, AGP Philippines finalized the acquisition of all of the shares of DMCI Holdings, Inc. ("DMCI-HI") in Atlantic Gulf & Pacific Company of Manila, Inc. ("AG&P"). The shares comprise of 973,089,025 shares directly owned, and 17 shares beneficially owned, by DMCI-HI representing 98.19% of the outstanding capital stock of AG&P.

SOC's subscription of AGP International's Series A Preferred Shares is purely for investment purposes. By investing in AGP International, SOC believes that it will be benefited by a return of the investment of AGP Philippines from AG&P. AG & P, one of the country's oldest construction and engineering firms, is involved in steel fabrication, preassembly works, engineering design and manpower.

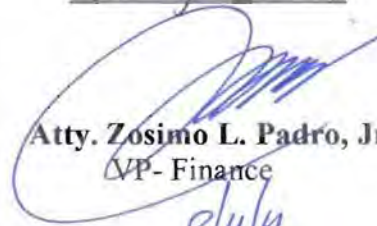
## SIGNATURES

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. Magilyn T. Loja**  
Corporate Secretary

Date : 10 August 2011

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

Date : 8/4/11

**SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As of June 30,2011 (Unaudited)**  
**With comparative figures as of December 31,2010**  
**In PHP**

	<b>2011</b>	<b>CY</b>
	<b>JUNE</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>DECEMBER</b>
		<b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	859,211,138	893,083,578
Accounts receivable	60,590,802	56,005,049
Construction Work in Progress	26,061,491	
Prepayments and other current assets	1,790,605	8,114,701
<b>Total Current Assets</b>	<b>947,654,036</b>	<b>957,203,328</b>
<b>Noncurrent Assets</b>		
Investment in Associates	31,626,732	31,836,983
Available-for-sale (AFS) investments - net	286,090,705	285,956,005
Other Property and equipment - net	5,704,751	6,098,757
Deferred exploration costs - net of allowance for impairment losses of PHP 88,713,164 as of June 30,2011	21,692,280	1,692,615
Investment Property	312,298,000	321,048,252
Other Noncurrent Assets	4,420,239	3,410,248
<b>Total Noncurrent Assets</b>	<b>661,832,705</b>	<b>650,042,860</b>
<b>TOTAL ASSETS</b>	<b>1,609,486,741</b>	<b>1,607,246,188</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	183,643	714,368
Customer Reservations	5,157,028	
Income Taxes Payable	20,317	119,358
<b>Total Current Liabilities</b>	<b>5,360,989</b>	<b>833,726</b>
<b>EQUITY</b>		
Common Stock - P1 par value		
Authorized - 1 billion shares		
Issued - 600,489,569 shares as of June 30,2011	600,489,569	597,189,569
Subscribed -306,070,000 shares as of 2ndQ 2011 and 309,370,000 shares in 2010 (net of subscription receivable of ₱229,552,500 as of 2ndQ 2011 and ₱232,027,500 in 2010)	76,517,500	77,342,500
Additional paid in capital	72,272,140	72,272,140
Unrealized valuation gains on available for sale investments	11,631,199	17,672,548
Share in unrealized gains (Loss) on AFS investments of an associate	13,393	13,393
Retained Earnings - Appropriated	500,000,000	500,000,000
Retained Earnings - Unappropriated	343,201,952	341,922,312
<b>Total Equity</b>	<b>1,604,125,752</b>	<b>1,606,412,462</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,609,486,741</b>	<b>1,607,246,188</b>

**SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY**  
**COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2011, 2010, 2009 (UNAUDITED)**  
**(IN PHP)**  
**(CONSOLIDATED)**

	AS OF JUNE		
	2011	2010	2009
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	859,211,138	1,423,314,592	95,948,361
Accounts receivable	60,590,802	100,792,207	78,226,944
Construction Work in Progress	26,061,491	-	-
Prepayments and other current assets	1,790,605	498,826	1,481,394
<b>Total Current Assets</b>	<b>947,654,036</b>	<b>1,524,605,625</b>	<b>175,656,699</b>
<b>Noncurrent Assets</b>			
Investment in Associates	31,626,732	35,107,667	483,703,323
Available-for-sale (AFS) investments - net	286,090,705	8,328,706	7,255,756
Deferred exploration costs - net of allowance for impairment	21,692,280	16,230,887	14,891,080
Property and equipment - net	5,704,751	7,084,943	9,507,830
Investment Property	312,298,000	-	-
Other Noncurrent Assets	4,420,239	-	-
<b>Total Noncurrent Assets</b>	<b>661,832,705</b>	<b>66,752,202</b>	<b>515,357,990</b>
<b>TOTAL ASSETS</b>	<b>1,609,486,741</b>	<b>1,591,357,827</b>	<b>691,014,689</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	183,643	93,294	45,051
Customer Reservations	5,157,028	-	-
Income Taxes Payable	20,317	-	-
	5,360,989	93,294	45,051
<b>Noncurrent liability</b>			
*Subscription Payable	-	-	171,720,000
<b>Total Liabilities</b>	<b>5,360,989</b>	<b>93,294</b>	<b>171,765,051</b>
<b>EQUITY</b>			
<b>Common Stock - P1 par value</b>			
Authorized - 1 billion shares			
Issued - 600,489,569 shares as of June 30, 2011	600,489,569	589,719,569	588,979,569
Subscribed - 306,070,000 shares as of 2ndQ 2011 and 309,370,000 shares in 2010 (net of subscription receivable of ₱229,552,500 as of 2ndQ 2011 and ₱232,027,500 in 2010)	76517500	79210000	79395000
Additional paid in capital	72,272,140	72,272,140	72,272,140
Unrealized valuation gains on available for sale investments	11,631,199	3,545,893	2,202,943
Share in unrealized gains (Loss) on AFS investments of an associate	13,393	(58,438)	(126,483)
Retained Earnings- Appropriated	500,000,000	-	-
Retained Earnings- Unappropriated	343,201,952	846,575,369	(223,473,531)
<b>Total Equity</b>	<b>1,604,125,752</b>	<b>1,591,264,533</b>	<b>519,249,638</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,609,486,741</b>	<b>1,591,357,827</b>	<b>691,014,689</b>

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

**SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED JUNE 30, 2011, 2010, and 2009**

	2011	2010	2009
<b>REVENUES</b>			
Net interest income	16,704,052	25,716,574	6,440,971
Dividend Income	350		
	<b>16,704,402</b>	<b>25,716,574</b>	<b>6,440,971</b>
<b>COST AND EXPENSES</b>			
Valuation allowance on expired contracts			
General and administrative expenses	11,068,683	5,178,100	4,460,100
Sales and Marketing Expenses	4,124,837		
	<b>15,193,520</b>	<b>5,178,100</b>	<b>4,460,100</b>
<b>Equity in net earnings (losses) of Associates</b>	<b>(210,251)</b>	<b>1,409,050</b>	<b>(8,691,548)</b>
<b>Foreign Exchange Gain (Losses)</b>	<b>(675)</b>	<b>(246)</b>	<b>5,126</b>
<b>Net Income (Loss) Before Tax</b>	<b>1,299,956</b>	<b>21,947,278</b>	<b>(6,705,550)</b>
<b>Provision for Income Tax</b>	<b>44,415</b>	<b>68,750</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>1,255,541</b>	<b>21,878,528</b>	<b>(6,705,550)</b>
<b>Other Comprehensive Income (Losses):</b>			
Unrealized (Loss) / Gain in Market Value of AFS	(6,041,350)	1,556,250	463,200
Share in Unrealized (Loss) / Gain on AFS of an Associate	-	(19)	-
<b>Total Comprehensive Income / (Loss)</b>	<b>(4,785,809)</b>	<b>23,434,759</b>	<b>(6,242,350)</b>
<b>Basic/Diluted Income (Loss) Per Share</b>	<b>0.0021</b>	<b>0.0371</b>	<b>N/A</b>
<b>* Computed as</b>	<b>=</b>		
Net income(loss) for the period	1,255,541	21,878,528	(6,705,550)
Weighted average number of shares	600,214,569	589,691,236	588,979,569

**SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTERS ENDED JUNE 30, 2011, 2010, and 2009**

	2011	2010	2009
<b>REVENUES</b>			
Interest Income	10,386,471	14,630,897	4,143,279
Dividend Income	-	-	-
	<b>10,386,471</b>	<b>14,630,897</b>	<b>4,143,279</b>
<b>COST AND EXPENSES</b>			
General and administrative expenses	6,661,910	2,947,604	2,310,379
Sales & Marketing Expense	2,191,708	-	-
	<b>8,853,618</b>	<b>2,947,604</b>	<b>2,310,379</b>
Equity in net earnings / (losses) of Associates	(313,590)	1,129,350	(4,160,945)
Foreign Exchange Gain (Losses)	(881)	5,908	(600)
Net Income (Loss) for the quarter before Tax	1,218,382	12,818,551	(2,328,645)
Provision for Income Tax	20,317	34,375	-
Net Income (Loss) for the quarter	<b>1,198,065</b>	<b>12,784,176</b>	<b>(2,328,645)</b>
Other Comprehensive Income (Losses):			
Unrealized (Loss) / Gain in Market Value of AFS	(1,422,450)	611,250	(13,397)
Share in Unrealized (Loss)/Gain on AFS of an associate	13,375	320	-
Total Comprehensive Income (Loss)	<b>(211,010)</b>	<b>13,395,746</b>	<b>(2,342,042)</b>
<b>NET INCOME / (LOSS) FOR THE FIRST QUARTER</b>	<b>57,476</b>	<b>9,128,727</b>	<b>(4,376,905)</b>
<b>TOTAL NET INCOME / (LOSS) FOR THE SEMESTER</b>	<b>1,255,541</b>	<b>21,912,903</b>	<b>(6,705,550)</b>
Basic /Diluted Income (Loss) Per Share for the Quarter	<b>0.00200</b>	<b>0.02168</b>	<b>(0.00395)</b>
* Computed as = $\frac{\text{Net income(loss) for the period}}{\text{Weighted average number of shares}}$	$\frac{1,198,065}{600,214,569}$	$\frac{12,784,176}{589,691,236}$	$\frac{(2,328,645)}{588,979,569}$

**SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**As of June 30, 2011, 2010 and 2009**  
**(with comparative figures)**

	<b>AS OF SIX MONTHS ENDED JUNE 30</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>1,299,957</b>	21,947,278	(6,705,550)
Adjustments for:			
Provision for impairment on deferred exploration costs	-		
Depreciation and amortization (Note 10)	<b>1,667,057</b>	1,273,790	1,265,140
Impairment in value of available-for-sale investments (Note 7)	-		
Net foreign exchange losses/(gains)	<b>675</b>	246	(5,126)
Interest income (Note 14)	<b>(16,704,052)</b>	(25,716,574)	(6,440,971)
Equity in net losses (income) of associates (Note 9)	<b>210,251</b>	(1,409,050)	8,691,548
Gain on sale of investment property	-		
Operating loss before working capital changes	<b>(13,526,111)</b>	(3,904,310)	(3,194,959)
Decrease (increase) in:			
Accounts receivable	<b>(4,547,975)</b>	(609,606)	758,115
Advances to contractors and consultants	<b>16,477,020</b>	.	
Prepayments and other current assets	<b>(1,402,672)</b>	849,158	(348,610)
Construction Work in Progress	<b>(26,061,491)</b>		
Customer Advances & Deposits	<b>5,157,028</b>		
Increase (decrease) in accounts payable and accrued expenses	<b>(530,725)</b>	(1,724,557)	(552,375)
Net cash used in operations	<b>(24,434,925)</b>	(5,389,316)	(3,337,829)
Income tax paid	<b>(119,358)</b>	-	-
Net cash flows used in operating activities	<b>(24,554,283)</b>	(5,389,316)	(3,337,829)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<b>16,666,274</b>	25,716,574	6,440,971
Advances to Officers		(30,000,000)	
Decrease (increase) in deferred exploration costs	<b>(19,999,665)</b>	(1,268,931)	
AFS investments	<b>(6,176,050)</b>		
Property and equipment	<b>(1,273,051)</b>	(72,579)	(64,125)
Increase in other noncurrent assets	<b>(1,009,991)</b>		
Net cash flows from (used in) investing activities	<b>(11,792,481)</b>	(5,624,936)	6,376,846
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Collection of subscriptions receivable	<b>2,475,000</b>	157,500	75,000
Net cash flows from (used in) iFinancing activities	<b>2,475,000</b>	157,500	75,000
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>(675)</b>	(246)	5,126
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(33,872,440)</b>	(10,856,997)	3,119,143
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>893,083,578</b>	1,434,171,589	92,829,217
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>859,211,138</b>	1,423,314,592	95,948,361

**SOUTH CHINA RESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED JUNE 30,2011**

	Common Stock		Additional Paid-In Capital	Unrealized Gains/(Loss) on AFS Investments	Share in Unrealized Gains/(Loss) on AFS Investments of Associate	Retained Earnings		TOTAL
	Issued	Subscribed - Net				Appropriated	Unappropriated	
<b>Balances at January 01,2009</b>	<b>588,879,569</b>	<b>79,420,000</b>	<b>72,272,140</b>	<b>1,739,743</b>	<b>(126,483)</b>		<b>(216,767,981)</b>	<b>525,416,988</b>
Collections of Subscription Receivable								-
Issuance of Common Stock								-
Total Comprehensive Income 1stQ 2009				803,250			(4,376,905)	(3,573,655)
								-
Collection of subscriptions receivable		75,000						75,000
Issuance of Common Stock	100,000	(100,000)						-
Total Comprehensive Income 2ndQ 2009				(340,050)			(2,328,645)	(2,668,695)
								-
<b>Balances at June 30,2009</b>	<b>588,979,569</b>	<b>79,395,000</b>	<b>72,272,140</b>	<b>2,202,943</b>	<b>(126,483)</b>	<b>-</b>	<b>(223,473,531)</b>	<b>519,249,638</b>
<b>Balances at January 01,2010</b>	<b>589,509,569</b>	<b>79,262,500</b>	<b>72,272,140</b>	<b>1,989,643</b>	<b>(58,457)</b>		<b>824,628,091</b>	<b>1,567,603,486</b>
Collections of Subscription Receivable		157,500						157,500
Issuance of Common Stock	210,000	(210,000)						-
Total Comprehensive Income 1stQ 2010				945,000	(301)		9,128,727	10,073,426
								-
Collection of subscriptions receivable								-
Issuance of Common Stock								-
Total Comprehensive Income 2ndQ 2010				611,250	320		12,818,551	13,430,121
								-
<b>Balances at June 30,2010</b>	<b>589,719,569</b>	<b>79,210,000</b>	<b>72,272,140</b>	<b>2,934,643</b>	<b>(58,759)</b>	<b>-</b>	<b>833,756,818</b>	<b>1,591,264,533</b>
<b>Balances at January 01,2011</b>	<b>597,189,569</b>	<b>77,342,500</b>	<b>72,272,140</b>	<b>17,672,548</b>	<b>13,393</b>	<b>500,000,000</b>	<b>341,922,312</b>	<b>1,606,412,462</b>
Collections of Subscription Receivable		2,475,000						2,475,000
Issuance of Common Stock	3,300,000	(3,300,000)						-
Total Comprehensive Income				(4,618,900)	(13,375)		81,575	(4,550,699)
								-
Collection of subscriptions receivable		-						-
Issuance of Common Stock	-	-						-
Total Comprehensive Income 2ndQ 2011				(1,422,450)	13,375		1,198,065	(211,010)
								-
<b>Balances at June 30,2011</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>11,631,198</b>	<b>13,393</b>	<b>500,000,000</b>	<b>343,201,952</b>	<b>1,604,125,752</b>

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

	Common Stock		Additional Paid-in Capital	Unrealized Gains/(Losses) on AFS Investments -net	Share in Unrealized Gains on AFS Investments of an Associate	Retained Earnings		Total
	Issued	Subscribed - net				Appropriated	Unappropriated	
<b>Balances at March 31, 2009</b>	<b>588,879,569</b>	<b>79,420,000</b>	<b>72,272,140</b>	<b>2,542,993</b>	<b>(126,483)</b>		<b>(221,144,886)</b>	<b>521,843,333</b>
Collection of subscriptions receivable		75,000						75,000
Shares of stock issued from subscribed	100,000	(100,000)						-
Total Comprehensive Income 2ndQ 2009				(340,050)			(2,328,645)	(2,668,695)
<b>Balances at June 30, 2009</b>	<b>588,979,569</b>	<b>79,395,000</b>	<b>72,272,140</b>	<b>2,202,943</b>	<b>(126,483)</b>			<b>519,249,638</b>
<b>Balances at March 31, 2010</b>	<b>589,719,569</b>	<b>79,210,000</b>	<b>72,272,140</b>	<b>2,934,643</b>	<b>(58,759)</b>		<b>833,756,818</b>	<b>1,577,834,411</b>
Unrealized gains/(loss) on AFS investments								-
Collection of subscriptions receivable								-
Shares of stock issued from subscribed								-
Total Comprehensive Income 2ndQ 2010				611,250	320		12,818,551	13,430,121
<b>Balances at June 30, 2010</b>	<b>589,719,569</b>	<b>79,210,000</b>	<b>72,272,140</b>	<b>3,545,893</b>	<b>(58,438)</b>			<b>1,591,264,533</b>
<b>Balances at March 31, 2011</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>13,053,648</b>	<b>18</b>	<b>500,000,000</b>	<b>342,003,887</b>	<b>1,604,336,763</b>
Collection of subscriptions receivable		-						-
Shares of stock issued from subscribed	-	-						-
Total Comprehensive Income 2ndQ 2011				(1,422,450)	13,375		1,198,065	(211,010)
<b>Balances at June 30, 2011</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>11,631,198</b>	<b>13,393</b>	<b>500,000,000</b>	<b>343,201,952</b>	<b>1,604,125,752</b>

<b>South China Resources, Inc.</b> Aging of Accounts Receivable As of June 30, 2011								
Accounts Receivable	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
1) Amounts owed by a related party - PSC	55,037,778	10,037,778			45,000,000			
2) Officers and employees	5,440,144	159,020	173,276	5,107,573	276			
3) Others	112,880			11,083	24,411	19,907	57,478	NONE
Subtotal	60,590,802	10,196,798	173,276	5,118,656	45,024,687	19,907	57,478	
Less: Allow. For Impairment losses on receivables	-	-	-	-	-	-	-	-
A/R - net	60,590,802	10,196,798	173,276	5,118,656	45,024,687	19,907	57,478	NONE
Net Receivables	<b>60,590,802</b>	<b>10,196,798</b>	<b>173,276</b>	<b>5,118,656</b>	<b>45,024,687</b>	<b>19,907</b>	<b>57,478</b>	- NONE
<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 A/R :	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	past due yet collectible
<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