



# SOUTH CHINA RESOURCES, INC.

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

May 14, 2008

## **PHILIPPINE STOCK EXCHANGE**

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

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

Gentlemen:

Please find herewith the 1<sup>st</sup> Quarter Report (on SEC Form 17-Q) for year 2009 of South China Resources, Inc.

We hope that you may find the above in order.

Thank you.

Yours faithfully,

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

SEC Number : ASO92-06441

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

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**SOUTH CHINA RESOURCES, INC.**

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**(Company's Full Name)**

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

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**(Company's Address)**

(632) 812-2383 / 892-2049

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**(Telephone Number)**

December 31

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

17 - Q

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**Form Type**

Not Applicable

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**Amendment Designation (if applicable)**

March 31, 2009

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**Period Ended Date**

Not Applicable

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2009
2. SEC Identification Number ASO92-06441 3. BIR Tax Identification No. 001-945-016
4. Exact name of issuer as specified in its charter SOUTH CHINA RESOURCES, INC.
5. Not Applicable 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. 3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Ave. cor.  
Makati Ave., Makati City 1200  
Address of principal office Postal Code
8. (632) 812-2383 / 892-2049  
Issuer's telephone number, including area code
9. 12/F Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City  
Former name, former address and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sec. 4 and 8 of the RSA
- | Title of Each Class  | Number of Shares of Common Stock<br>Outstanding and Amount of Debt Outstanding |
|----------------------|--------------------------------------------------------------------------------|
| <u>Common Shares</u> | <u>906,559,568</u>                                                             |

11. Are any or all of these securities listed on a Stock Exchange?

Yes [  ] No [  ]

If yes, state the name of such stock exchange and the class/es of securities listed therein:

Name of Stock Exchange  
Philippine Stock Exchange

Class of Securities listed  
U

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the issuer was required to file such reports);

Yes [ **X** ]                      No [   ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ **X** ]                      No [   ]

## **PART 1 – FINANCIAL INFORMATION**

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

#### **Financial Report**

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

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

**Financial Position & Results of Operations** - based on the outcome of the adoption of PFRS and Philippine Financial Reporting Interpretations Committee (IFRIC).

**FOR THE QUARTER ENDED MARCH 31, 2009 VS. QUARTER ENDED MARCH 31, 2008**

## RESULTS OF OPERATIONS

### Financial Highlights

(in PHP)

		MARCH 31 2009 (UNAUDITED)	MARCH 31 2008 (UNAUDITED)	INCREASE/ (DECREASE)	% CHANGE
REVENUES		2,297,692	116,347,535	(114,049,843)	-98.03%
EXPENSES		2,149,719	86,602,480	(84,452,761)	-97.52%
INCOME FROM OPERATIONS		147,973	29,745,055	(29,597,082)	-99.50%
EQUITY IN NET EARNINGS OF					
ASSOCIATES		(4,530,603)	67,827	(4,598,430)	-6779.65%
NET INCOME/ (LOSS) FOR					
THE QUARTER		(4,376,905)	29,812,882	(34,189,787)	-114.68%

*Revenues- 98% decrease from PHP 116.347 Million to PHP 2.297 Million*

Total revenues generated for the first quarter of 2009 was PHP 2.297 million as against the PHP 116.347 million revenues garnered during the first quarter of 2008. There was a noted 98% change largely due to the following transactions which occurred in 2008 : (a) the 31% drop in interest income from PHP 3.328 million last March 31 2008 as against the PHP 2.297 million level this quarter March 31 2009 brought about by the decline in short-term deposit and placement interest rates as well as (b) the existence of the gain on sale of investment property to Alpha Land Corporation of PHP 113.019 MM, the sale of which occurred during the first quarter of 2008 and was considered as an extraordinary event last year. The gain on sale of investment property was gross of final taxes paid composed of capital gains taxes of PHP 36 million and documentary stamps taxes of PHP 9 million.

*Expenses – 98% decrease from PHP 86.602 Million to PHP 2.150 Million*

Total Expenses during the first quarter of 2009 was relatively lower than the expense level during the first quarter of 2008 largely due to the following : (a) the provision of additional allowance for impairment of deferred exploration costs amounting to PHP 38.413 million during the first quarter of 2008; as well as (b) the payment of taxes and licenses of PHP 45.270 Million during the first quarter of 2008 related to the sale of investment property to Alpha Land Corporation. This was comprised mostly of the abovementioned final taxes (capital gains taxes and documentary stamp taxes) totalling PHP 45 million.

Given the above, income from operations likewise dropped by almost 100% from PHP 29.745 million to PHP 147,973.

Equity from Net Earnings of Associates- 6779% decrease from PHP67,827.00 to (PHP 4.530 ) million

For the first quarter of 2009, the Company recognized equity share in net losses of associates of PHP 4.531 million computed as follows:

Net loss of Belltel for the first quarter of 2009	(18,403,059.00)
Add back: Depreciation expense of revalued equipment	5,935,182.98
	(12,467,876.02)
Equity ownership in BellTel	x 32.40%
Equity share in net loss of Belltel	( 4,039,591.83)
Add: 4.81% equity share in net loss of Premiere Bank	( 491,010.70)*
Total Equity Share in net losses of associates	<u>( 4,530,602.53)</u>

* Net loss of Premiere Bank for the first quarter of 2009	(10,208,122.63)
Equity ownership in Premiere Bank	x 4.81%
Equity share in net loss of Premiere Bank	<u>( 491,010.70)</u>

Net Income / (Loss) – 114.68% decrease from PHP 29.763 Million to (PHP 4.376 million)

The Company incurred a net loss of PHP 4.376 million for the first quarter of 2009 as against the PHP 29.763 Million net income during the first quarter of 2008. This was primarily brought about by the abovementioned equity share in net loss of associates for the period amounting to PHP 4.531 million.

## FINANCIAL POSITION

### Financial Highlights

(in PHP)

		<b>MARCH 31 2009</b>	<b>MARCH 31 2008</b>	<b>INCREASE/ (DECREASE)</b>	<b>% CHANGE</b>
		<b>(UNAUDITED)</b>	<b>(UNAUDITED)</b>		
CURRENT ASSETS		173,305,976	493,147,485	(319,841,509)	-64.86%
NONCURRENT ASSETS		520,488,624	122,254,117	398,234,507	325.74%
<b>TOTAL ASSETS</b>		<b>693,794,600</b>	<b>615,401,602</b>	<b>78,392,998</b>	<b>12.74%</b>
CURRENT LIABILITIES		231,267	229,468	1,799	0.78%
NONCURRENT LIABILITIES		171,720,000	171,720,000	-	0.00%
<b>TOTAL LIABILITIES</b>		<b>171,951,267</b>	<b>171,949,468</b>	<b>1,799</b>	<b>0.00%</b>
DEFICIT		(221,144,886)	(299,860,923)	78,716,037	27.60%
<b>EQUITY</b>		<b>521,843,333</b>	<b>443,452,134</b>	<b>78,391,199</b>	<b>17.68%</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>693,794,600</b>	<b>615,401,602</b>	<b>78,392,998</b>	<b>12.74%</b>

Cash and cash equivalents- 86% decrease from PHP 492.130 million to PHP 68.674 million

The PHP 492.130 million cash and cash equivalents as of March 31 2008 emanated from the collection on the sale of investment property amounting to PHP 495 million, the interest income on short term deposits and placements of PHP 3.328 million and partial collection of subscriptions receivable of PHP 82,500.00.

The remaining cash and cash equivalents as of March 31 2009 of PHP 68.674 million consisted of the deposits and short term placements with BPI, Metrobank and Premiere Bank still coming from the above proceeds from sale of the investment property in 2008.

Accounts Receivable- 1265x increase from PHP 81,596 to PHP103.237 million

The accounts receivable level as of March 31, 2009 largely consisted of the the PHP 100 million advances made to a related party, Puyat Steel Corporation (PSC) plus accrued interest of PHP 3.133 million (b) receivables from South China Petroleum International, a foreign company set up last November 2003 amounting to PHP 88,1087.56 and (c) receivables from officers and employees for PHP 16,279.40.

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 arising from the sale of the finished goods. Based on a revised pricing arrangement, the Company earned an effective interest income of 11.33% and returns not lower than 8%.



The receivables from South China Petroleum International represented preoperating 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- 49% increase from PHP 935,692 to PHP1.394 million

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

Current Assets- 64% decrease from PHP 493.147 Million to PHP 173.306 Million

Largely due to the 86% drop in cash and cash equivalents as previously discussed

Available for sale (AFS) investments- slight 0.33% decrease from PHP 7.620 Million to Php 7.595 Million

Investments in and advances to associates- 14.04x increase from PHP 34.746 million to Php 487.864 million

Largely brought about by the following: (a) investments in and advances to BellTel amounting to PHP 455.039 million as well as (b) the Investments in associates, Premiere Bank amounting to PHP 32.824 Million as of the end of the first quarter of 2009

Deferred Exploration costs- 62% decrease from PHP 39.193 Million to PHP 14.891 Million

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 last March 31, 2008 and an additional PHP 24.512 MM allowance set up during 2008 for a total of PHP 62.845 Million bringing the total allowance of PHP 75.646 Million as of first quarter 2009. Given the foregoing, the deferred exploration costs account had an ending balance PHP 14.891 MM for the first quarter of 2009.

Property & Equipment- 5.20% decrease from PHP 10.688 Million to PHP 10.132 Million

The slight 5% drop was due to depreciation of the three (3) units of vehicle acquired in 2008.

Noncurrent Assets- 326% increase from PHP 122.254 Million to PHP 520.488 Million

The level of noncurrent assets more than tripled due to the 14.04 times increase in investments and advances in associates as previously discussed.

Total Assets- 12.74% increase from PHP 615.401 Million to PHP 693.794 Million

Due to the abovementioned 326% increase in noncurrent assets and 64% drop in current assets as previously discussed

Current Liabilities- slight 0.78% decrease

Noncurrent Liabilities – no change

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

*Total Liabilities- slight 0.78% decrease*

*Unrealized gains on AFS investments-slight 0.97% decrease*

Share in unrealized gains on AFS investment of an associate- 167% decrease from PHP 188,346 gain to PHP 126,483 loss

The loss of PHP 126,483 for the first quarter of 2009 represented the share in unrealized loss on AFS investments in an associate

Deficit- 26.25% lower from PHP 299.861 Million to PHP 221.144 Million

Deficit for the first quarter of 2009 was at P 221.144 Million which was an improvement over the previous level due to the generation of a positive bottomline figure by yearend 2008 of PHP 112 million causing the reduction of deficits by the beginning of 2009.

Equity- 17.68% increase from PHP443.452 Million to PHP 521.843 Million

Due to the 27% reduction in the deficit level as previously discussed

Total Liabilities & Equity – 12.74% increase from PHP 615.401 Million to PHP 693.794 Million

Due to the 18.% increase in Equity level as previously discussed

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.

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

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

For the period ended March 31, 2009, the Company is still in exploration stage, and therefore, NO commercial production yet for the performance indicators analysis. It has no majority-owned subsidiaries.

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

## KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the quarter ended March 31, 2009 versus quarter ended March 31, 2008

Key Financial Ratios	March 31 2009	March 31 2008
Revenue Growth / (decline)	-98.03%	167,183.43%
Net Income Growth / (decline)	-114.68%	1323.60%
EBITDA	PHP 779,474	PHP 29,745,055
Return on Equity	NA	6.71%
Return on Assets	NA	4.84%
Current ratio (in x)	749.38x	2149.09x
Debt-to-equity ratio (in x)	0.33x	0.39x

Profitability-wise, there was a 98% decline in revenues and a 114% drop in bottomline figure for the first quarter of 2009 as compared to the positive growth levels during the first quarter of 2008 vis a vis 2007 levels. These were previously discussed under 2009 Results of Operations.

The Company maintained a high liquidity ratio during the first quarter of 2009 as evidenced by the current ratio pegging at 749.38x as current assets were carried at PHP

173.306 million as compared to current liabilities which was very minimal at PHP 231,267 as of end of the first quarter of 2009.

Leverage ratio evidenced by the debt-to-equity ratio of 0.33 x was at low but favorable levels.

The manner by which the Company calculates the foregoing indicators is as follows:

<b>Key Financial Ratios</b>	<b>Formula</b>
Revenue growth	Total Revenues (current 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

**FOR THE QUARTER ENDED MARCH 31, 2008 VS QUARTER ENDED MARCH 31, 2007**

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

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

	<b>2008</b> March	<b>2007</b> March Restated	<b>Change</b> Increase / (Decrease)	<b>% Change</b>
<b>Balance Sheet</b>				
Cash and cash equivalents	492.130	8.300	483.830	5,829.41
Accounts receivable	0.082	0.092	(0.011)	(11.69)
Prepayments and other current assets	0.936	0.611	0.324	53.04
Investment in properties	-	486.980	(486.980)	(100.00)
Deposit for future investment	30.00	34.844	(4.844)	(13.90)
Property and equipment - net	10.689	0.203	10.486	5,160.18
Refundable deposits	0.005	0.142	(0.137)	(96.82)
Issued Shares	588.860	587.800	1.060	0.18
Subscribed Shares	317.700	318.760	(1.060)	0.33
Subscriptions receivable	(238.275)	(239.070)	0.795	0.33
Unrealized gains on AFS investments	2.568	1.432	1.136	79.30
Share in unrealized gains on AFS investment of an associate	0.188	-	0.188	100.00
Deficit	(261.448)	(283.142)	21.694	(7.66)
<b>Total Assets</b>	<b>653.815</b>	<b>648.680</b>	<b>5.135</b>	<b>0.79</b>
Total Current Assets	493.147	9.053	484.094	5,347.08
Total Current Liabilities (Accounts payable and accrued expenses)	0.229	18.908	(18.679)	(98.79)
<b>Current Ratio</b>	<b>2,149.090</b>	<b>0.479</b>	<b>2,148.612</b>	<b>448,736.12</b>
<b>Income Statement</b>				
Revenues	116.298	(0.070)	116.368	167,183.43
Expenses	(48.121)	(5.502)	(42.619)	774.58
<b>Net Income/(Loss)</b>	<b>68.177</b>	<b>(5.572)</b>	<b>73.749</b>	<b>1,323.60</b>
Available-for-sale (AFS) investments-current	-	0.050	(0.050)	(100.00)
Available-for-sale (AFS) investment-noncurrent	<u>7.621</u>	<u>6.435</u>	<u>1.186</u>	<u>18.42</u>
<b>Sub-total</b>	<u><b>7.621</b></u>	<u><b>6.485</b></u>	<u><b>1.136</b></u>	<u><b>17.51</b></u>

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

The Company's total assets amounted to ₱653.815 million as of March 31, 2008 as compared to ₱648.680 million as of March 31, 2007, higher than last year by about ₱5.135 million. This is due to the additions on property and equipment.

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

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

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

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

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

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

The Board of Directors has authorized the Company to enter into a related party agreement with Puyat Steel Corporation, to invest a maximum of ₱30.000 million for the acquisition of raw materials to be processed into finished steel products. The Company will receive a guaranteed return on investment of at least eight percent (8%) with a potential increase of at least 12% depending on the market situation.

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

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

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

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

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

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

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

Net revenues earned for the first quarter of 2008 amounting to ₱116.298 million was ₱116.368 million or 167,183.43% higher than last year's net loss of ₱0.070 million. On the other hand, the total expenses incurred for the first quarter of 2008 which amounted to ₱48.121 million was ₱42.619 million or 774.58% higher than last year's amount of ₱5.502 million. The resulting increase for both the revenues and expenses was mainly due to the net gain on the sale of noncurrent asset classified as held for sale and the payment of capital gains tax on the said transaction.

Net income for the quarter ended March 31, 2008 amounted to ₱68.177 million resulting to a restated deficit of ₱261.448 million as of March 31, 2008.

The net income for the first quarter of 2008 is a net increase of ₱73.749 million or 1,323.60% as compared to 2007 net loss of ₱5.572 million due to net gain on sale of noncurrent asset classified as held for sale (formerly classified in 2007 as investment in properties) and increase in interest income earned.

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

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

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

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

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

The Company's cash requirement is provided by the management. There is no foreseen increase in funds for the next twelve months however should the need arises, the management will satisfy such cash requirements.

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

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

For the period ended March 31, 2008, the Company is still in exploration stage, and therefore, NO commercial production yet for the performance indicators analysis. It has no majority-owned subsidiaries.

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

The Company believes there is no significant risk exposure arising from the global financial situation.

The Company is highly liquid and has no direct investments in foreign securities or financial investments.



## **Results and Plans of Operation**

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

SC-41 is on its tenth contract year which started in May 10, 2008 and will last until May 10, 2010 unless extended. The SC-41 group still believes that the block has the potential to host commercial hydrocarbons despite the momentary set back as Lumba-Lumba-1 well only tested one of the several different independent prospects in the block. Operator, Tap Oil Ltd's program for Service Contract Year #10 (SCY 10) is to continue reprocessing of the Alpine 3D seismic data and consequent inversion studies and re-interpretation and prospect modelling. In the event a prospect is determined to be drillable in 2010 or earlier, then the SC-41 joint group will apply for an extension of SCY10 to May 10, 2011. South China has 1.090% participating interest in this block.

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

SC-60 is one of the Company's as well as the country's most promising areas in terms of potential for large accumulations for petroleum. A rigorous study of the 3D seismic data was conducted and highlighted a number of leads, several of which have been elevated to prospect status. In July 8, 2008, 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. The objective is to continue and further the exploration of the block with a commitment to drill one well during the sub-phase. The second sub-phase is valid until February 10, 2010.

South China retains 15% interest in the block and will be carried for all activities including the drilling of one deep water exploration well.

### **Area 4 Offshore Mindoro-Cuyo**

In the quest to continue exploration in areas where the company has an edge in terms of data and technical conceptualization, South China participated in the Department of Energy's Philippine Energy Contracting Round No. 3 (PECR-3). On May 30, 2007, South China together with operator UK company Pitkin Petroleum Ltd. submitted a bid for Area-4, a block that covers the offshore Mindoro-Cuyo with an area of 1.164 million hectares. The Service Contract for the block has yet to be awarded and signed by the DOE with the group. The SC is expected to be signed soon.

## 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. **JAIMÉ M. BLANCO, Jr.**  
Corporate Secretary

Date : May 13, 2009



**IRENE N. ATUTUBO**  
Accounting & Finance Manager

Date : May 13, 2009

**SOUTH CHINA RESOURCES, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of March 31, 2009 (UNAUDITED)**  
**(with comparative figures as of December 31, 2008)**  
**(in PHP)**

	<b>2009</b> <b>31-Mar</b> <b>(Unaudited)</b>	<b>CY</b> <b>2008</b> <b>31-Dec</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	68,674,326	92,829,217
Accounts receivable - net	103,237,874	78,985,059
Prepayments and other current assets	1,393,775	1,128,284
<b>Total Current Assets</b>	<b>173,305,976</b>	<b>172,942,560</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments - net of current portion	7,595,806	6,792,556
Investments in and advances to associates - net	487,864,269	492,394,871
Deferred Exploration Costs - net of valuation allowance of P75,464,430	14,891,080	14,891,080
Property and equipment - net	10,132,969	10,708,845.84
Refundable deposits	4,500	4,500
<b>Total Noncurrent Assets</b>	<b>520,488,624</b>	<b>524,791,853</b>
<b>TOTAL ASSETS</b>	<b>693,794,600</b>	<b>697,734,414</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	231,267	597,426
<b>Total Current Liabilities</b>	<b>231,267</b>	<b>597,426</b>
<b>Noncurrent liabilities</b>		
* Subscriptions payable	171,720,000	171,720,000
<b>Total Liabilities</b>	<b>171,951,267</b>	<b>172,317,426</b>
<b>EQUITY</b>		
Common Stock - P1 par value		
Authorized - 1 billion shares		
Issued	588,879,569	588,879,569
Subscribed	317,680,000	317,680,000
** Subscriptions receivable	(238,260,000)	(238,260,000)
Additional paid in capital	72,272,140	72,272,140
Unrealized gains on AFS investments - net	2,542,993	1,739,743
Share in unrealized gains on AFS investment of an associate	(126,483)	(126,483)
Deficit	(221,144,886)	(216,767,981)
<b>Total Equity</b>	<b>521,843,333</b>	<b>525,416,988</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>693,794,600</b>	<b>697,734,414</b>

**SOUTH CHINA RESOURCES, INC**  
**COMPARATIVE STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2009, 2008, and 2007 (UNAUDITED)**  
(in PHP)

	AS OF MARCH 31		
	2009 (UNAUDITED)	2008 (UNAUDITED)	<u>Restated</u> 2007 (UNAUDITED)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	68,674,326	492,130,197	8,299,823
Available-for-sale (AFS) Investments		-	49,800
Accounts receivable	103,237,874	81,596	92,393
Prepayments and other current assets	1,393,775	935,692	611,414
<b>Total Current Assets</b>	<b>173,305,976</b>	<b>493,147,485</b>	<b>9,053,430</b>
<b>Noncurrent Assets</b>			
Available-for-sale (AFS) investments	7,595,806	7,620,815	6,435,265
Investment in properties		-	486,980,479
Investments in and advances to associates - net	487,864,269	34,746,822	33,415,999
Deposit for future investment		30,000,000	34,843,800
Deferred exploration costs - net of valuation allowance of P75,464,430 in 2008, P12,618,353 in 2007	14,891,080	39,193,040	77,606,250
Property and equipment - net	10,132,969	10,688,940	203,205
Refundable deposits	4,500	4,500	141,554
<b>Total Noncurrent Assets</b>	<b>520,488,624</b>	<b>122,254,117</b>	<b>639,626,552</b>
<b>TOTAL ASSETS</b>	<b>693,794,600</b>	<b>615,401,602</b>	<b>648,679,982</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	231,267	229,468	18,908,029
<b>Noncurrent liabilities</b>			
* Subscriptions payable	171,720,000	171,720,000	171,720,000
<b>Total Liabilities</b>	<b>171,951,267</b>	<b>171,949,468</b>	<b>190,628,029</b>
<b>EQUITY</b>			
Common Stock - P1 par value			
Authorized - 1 billion shares			
Issued	588,879,569	588,859,569	587,799,569
Subscribed	317,680,000	317,700,000	318,760,000
** Subscriptions receivable	(238,260,000)	(238,275,000)	(239,070,000)
Additional paid in capital	72,272,140	72,272,140	72,272,140
Unrealized gains (losses) on marketable equity securities/ AFS investments	2,542,993	2,568,002	1,432,252
Share in unrealized losses on marketable equity securities/ AFS investments of an associate	(126,483)	188,346	-
Deficit	(221,144,886)	(299,860,923)	(283,142,008)
<b>Total Equity</b>	<b>521,843,333</b>	<b>443,452,134</b>	<b>458,051,953</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>693,794,600</b>	<b>615,401,602</b>	<b>648,679,982</b>

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

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

**SOUTH CHINA RESOURCES, INC**  
**UNAUDITED STATEMENTS OF INCOME AND (DEFICIT)**  
**AS OF AND FOR THE QUARTER ENDED MARCH 31, 2009, 2008, and 2007**

	31-Mar-09 YTD (UNAUDITED)	31-Mar-08 YTD (UNAUDITED)	Restated 31-Mar-07 (UNAUDITED)
<b>REVENUES</b>			
Net interest income	2,297,692	3,328,014	10,348
Dividend and miscellaneous income	-	-	350.00
Gain on sale of investment property	-	113,019,521	-
	<b>2,297,692</b>	<b>116,347,535</b>	<b>10,698</b>
<b>EXPENSES</b>			
Provision for impairment on deferred exploration costs	-	(38,413,210)	-
General and administrative expenses	(2,149,721)	(48,189,270)	(1,083,705)
	<b>(2,149,721)</b>	<b>(86,602,480)</b>	<b>(1,083,705)</b>
<b>INCOME FROM OPERATIONS</b>	<b>147,971</b>	<b>29,745,055</b>	<b>(1,073,007)</b>
<b>EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES</b>	<b>(4,530,603)</b>	67,827.00	(4,418,512)
<b>UNREALIZED FOREIGN EXCHANGE GAINS (LOSSES) - Net</b>	<b>5,727</b>	(49,114)	(80,303)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(4,376,905)</b>	<b>29,763,768</b>	<b>(5,571,822)</b>
<b>ADD:DEFICIT, BALANCE BEGINNING OF YEAR</b>			
as previously reported	(216,767,981)	(329,624,691)	(190,609,609)
Share in prior period adjustment by an associate	-	-	(86,960,577)
<b>RETAINED EARNINGS, BALANCE BEGINNING OF YEAR</b>			
AS RESTATED	-	(329,624,691)	(277,570,186)
<b>RETAINED EARNINGS(DEFICIT), BALANCE END</b>	<b>(221,144,886)</b>	<b>(299,860,923)</b>	<b>(283,142,008)</b>
<b>Basic/Diluted Income (Loss) Per Share</b>	<b>0.004828039</b>	<b>0.03283</b>	<b>-0.00615</b>

*Computed as =	Net income(loss) for the period	(4,376,905)	29,763,768	(5,571,822)
	Weighted average number of shares	906,559,569	906,559,569	906,559,569

SOUTH CHINA RESOURCES, INC.  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED MARCH 31, 2009, 2008, and 2007

	Common Stock			Additional Paid-in Capital	Unrealized Gains/(Losses) on AFS Investments -net	Share in Unrealized Gains on AFS Investments of an Associate	Deficit	Total
	Issued	Subscribed	Subscriptions Receivable					
<b>Balances at January 1, 2007</b>	<b>587,739,569</b>	<b>318,820,000</b>	<b>(239,115,000)</b>	<b>72,272,140</b>	<b>735,515</b>	<b>-</b>	<b>(190,609,609)</b>	<b>549,842,615</b>
Share in prior period adjustment of associate							(86,960,577)	(86,960,577)
<b>Balances at January 1, 2007 as restated</b>	<b>587,739,569</b>	<b>318,820,000</b>	<b>(239,115,000)</b>	<b>72,272,140</b>	<b>735,515</b>	<b>-</b>	<b>(277,570,186)</b>	<b>462,882,038</b>
Net loss for the 1st quarter 2007							(5,571,822)	(5,571,822)
Unrealized gains on AFS investments					696,737			696,737
Collection of subscriptions receivable			45,000					45,000
Shares of stock issued from subscribed	60,000	(60,000)						-
<b>Balances at March 31, 2007</b>	<b>587,799,569</b>	<b>318,760,000</b>	<b>(239,070,000)</b>	<b>72,272,140</b>	<b>1,432,252</b>	<b>-</b>	<b>(283,142,008)</b>	<b>458,051,953</b>
<b>Balances at January 1, 2008</b>	<b>588,749,569</b>	<b>317,810,000</b>	<b>(238,357,500)</b>	<b>72,272,140</b>	<b>2,571,002</b>	<b>188,346</b>	<b>(329,624,691)</b>	<b>413,608,866</b>
Net income for the 1st quarter 2008							29,763,768	29,763,768
Unrealized gains/(loss) on AFS investments					(3,000)			(3,000)
Collection of subscriptions receivable			82,500					82,500
Shares of stock issued from subscribed	110,000	(110,000)						-
<b>Balances at March 31, 2008</b>	<b>588,859,569</b>	<b>317,700,000</b>	<b>(238,275,000)</b>	<b>72,272,140</b>	<b>2,568,002</b>	<b>188,346</b>	<b>(299,860,923)</b>	<b>443,452,134</b>
<b>Balances at January 1, 2009</b>	<b>588,879,569</b>	<b>317,680,000</b>	<b>(238,260,000)</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>
Net 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								
<b>Balances at March 31, 2009</b>	<b>588,879,569</b>	<b>317,680,000</b>	<b>(238,260,000)</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>

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

As of and for the quarter ended March 31, 2009, 2008, and 2007

**FOR THE QUARTER ENDED MARCH 31**

	<b>2009</b>	<b>2008</b>	<b>Restated 2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income(loss) from operation	(4,376,905)	29,763,768	(5,571,822)
Adjustments for:			
Equity in net (income) losses of associates	4,530,603	(67,827)	4,418,512
Depreciation and amortization	631,501	13,082	13,660
Dividend income	-	-	(350)
Interest Income	(2,297,692)	(3,328,014)	(10,348)
Gain on sale of investment property	-	(113,019,521)	-
Valuation allowance	-	38,413,210	-
Net unrealized foreign exchange losses (gains)	(5,727)	49,114	80,303
Operating loss before working capital changes	<b>(1,518,220)</b>	(48,176,188)	(1,070,045)
Decrease (increase) in:			
Accounts receivable	(24,252,816)	(2,874)	(25,729)
Prepayments and other current assets	(265,491)	(290,499)	(187,757)
Increase (decrease) in:			
Accounts payable and accrued expenses	(366,159)	(13,271,733)	(181,265)
Net cash flows used in operating activities	<b>(26,402,685)</b>	(61,741,294)	(1,464,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in deferred exploration costs	-	-	4,725,607
Proceeds from sale of investment property	-	540,000,000	-
Decrease in refundable deposits and others	-	137,054	-
Dividend received	-	-	350
Interest received	2,297,692	3,328,014	10,348
Acquisitions of property and equipment	(55,625)	(10,539,533)	(26,990)
Net cash flows from investing activities	2,242,067	532,925,535	4,709,315
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Collection of subscriptions receivable	-	82,500	45,000
Deposit for future investment	-	(30,000,000)	45,000
<b>NET INCREASE IN CASH</b>	(24,160,618)	441,266,741	3,289,519
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	5,727	(49,114)	(80,303)
<b>CASH AT BEGINNING OF YEAR</b>	92,829,217	50,912,570	5,090,607
<b>CASH AT END OF THE PERIOD</b>	<b>68,674,326</b>	<b>492,130,197</b>	<b>8,299,823</b>

<b>South China Resources, Inc.</b>								
Aging of Accounts Receivable As of March 31, 2009								
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	
1) Amounts owed by a related party - PSC	103,133,486.41		28,133,486.41		75,000,000.00			
2) Officers and employees	16,279.40							
3) Others	88,108.56		10,722.84		9,603.63	10,303.63	57,478.46	NONE
Subtotal	103,237,874.37		28,144,209.25		75,009,603.63	10,303.63	57,478.46	
Less: Allow. For Impairment losses on receivables	-	-	-	-	-	-	-	-
A/R - net	103,237,874.37		28,144,209.25		75,009,603.63	10,303.63	57,478.46	NONE
Net Receivables	103,237,874.37	-	28,144,209.25	-	75,009,603.63	10,303.63	57,478.46	-
<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
1) Amounts owed by a related party	Receivable from third party PUYAT STEEL CORP. (Principal & Interest)	monthly payment of 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.	For settlement 2nd qtr. 2009
<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