



SOUTH CHINA RESOURCES, INC.

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

August 13, 2009

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 2nd 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 : _____

SOUTH CHINA RESOURCES, INC.

(Company's Full Name)

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

(Company's Address)

(632) 812-2383 / 892-2049

(Telephone Number)

December 31

Fiscal Year Ending (Month & Day)

17 - Q

Form Type

Not Applicable

Amendment Designation (if applicable)

June 30, 2009

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 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
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 JUNE 30, 2009 VS. QUARTER ENDED JUNE 30, 2008

Results of Operations Financial Highlights (in Php)

	March 31 to June 30, 2009	March 31 to June 30, 2008	Increase/ Decrease	% Change
Revenues	4,143,279	5,306,234	(1,162,955)	(21.92%)
Expenses	2,310,379	3,324,996	(1,014,617)	(30.51%)
Income from Operations	1,832,900	1,981,238	(148,338)	(7.48%)
Equity in Net Losses of Associates	(4,160,945)	(6,692,106)	2,531,161	37.82%
Net Loss for the 2 nd quarter	(2,328,645)	(4,692,496)	2,363,851	50.38%

Revenues – 21.92% decrease from ₱5.306 MM to ₱4.143 MM. Total Revenues generated for the second quarter of 2009 (March 31 – June 30, 2009) was ₱4.143 MM as against the ₱5.306 MM revenues generated during the second quarter of 2008 (March 31 – June 30, 2008). There was a 22% decrease in net interest income derived from investments in Puyat Steel Corporation (PSC). Note that the investment agreement with PSC began last February 2008.

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

Given the above, income from operations was slightly lower by 7.48% from ₱1.981 MM to ₱1.832 MM.

Equity from net losses of associates – 35% improvement from (₱6.692 MM) to (₱4.160 MM). For the second quarter of 2009, the Company recognized equity share in net losses of associates of ₱4.160 MM.

Net losses for the second quarter 2009 – 50% improvement from (₱4.692 MM) to (₱2.328 MM). The Company increased a net loss of ₱2.328 MM for the second quarter of 2009 as against the ₱4.692 MM during the second quarter of 2008.

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

Results of Operations
Financial Highlights (in Php)

	January 1 to June 30, 2009	January 1 to June 30, 2008	Increase/ Decrease	% Change
Revenues	6,440,971	121,653,768	(115,212,797)	(94.71%)
Expenses	4,460,100	89,927,476	(85,467,376)	(95.04%)
Income from Operations	1,980,871	31,276,292	(29,295,421)	(93.67%)
Equity in Net Losses of Associates	(8,691,548)	(6,624,279)	2,067,269	31.21%
Net Income/ (Loss) for the period	(6,705,550)	25,071,278	(18,365,722)	(73.25%)

Revenues – 95% drop from ₱121.653 MM to ₱6.441 MM. Total revenues generated for the period ended June 30, 2009 was ₱6.441 MM as against the ₱121.654 MM revenues garnered during the previous period due to the following: (1) the existence of the ₱113.019 MM gain on sale of investment property which occurred in 2008; and (2) the lower net interest income from ₱8.634 MM to ₱6.440 MM derived largely from investment in PSC.

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

Given the above, income from operations dropped by almost 94% from ₱31.276 MM to ₱1.980 MM.

Equity from net losses of associate – 31.21% increase from ₱6.624 MM to ₱8.692 MM.

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

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

Net income/ (loss) for the period – 73% drop from net income of ₱25.071 MM to net loss of ₱6.705 MM. The Company incurred a net loss of ₱6.706 MM for the period ended June 30, 2009 as against the ₱25.071 MM net income during 2008. This was brought about by the following: (1) the abovementioned lower level of operating income in 2009 vs. 2008 as well as (2) the higher level of equity in net loss of associates in 2009 vs. 2008.

Financial Position

Financial Highlights (in Php)

	As of June 30, 2009	As of June 30, 2008	Increase/ (Decrease)	% Change
Current assets	175,652,199	418,222,620	(242,570,421)	(58%)
Noncurrent assets	515,362,489	193,271,124	322,091,365	166.65%
Total assets	691,014,689	611,493,744	79,520,945	13.00%
Current liabilities	45,051	81,882	36,831	(44.98%)
Noncurrent liabilities	171,720,000	171,720,000	-	-
Total liabilities	171,765,051	171,801,882	36,831	-
Deficit	(223,473,531)	(304,549,695)	81,076,164	26.62%
Equity	519,249,638	439,691,862	79,557,776	18.09%
Total liabilities & equity	691,014,689	611,493,744	79,520,945	13.00%

Cash and cash equivalents – 77% decrease from ₱417.026 MM to ₱95.948 MM. The ₱417.026 MM cash and cash equivalents as of June 30, 2008 consisted of the collection on sale of investment property, the interest income on short term deposits and placements and partial collection of subscriptions receivable. On the other hand, the ₱95.948 MM cash and cash

equivalents are deposits and short-term placements with BPI, Metrobank, and Premiere Bank.

Accounts receivable – 538x increase from ₱145,537 to ₱78.226 MM. The accounts receivable level as of June 30, 2009 amounting to ₱78.226 MM largely consisted of the outstanding ₱75.00 MM advances to a related party, Puyat Steel Corporation (PSC) plus accrued interest of ₱3.096 MM, receivables from South China amounting to ₱88,108.56 and receivables from officers and employees for ₱42,099.27.

The Board of Directors through a board resolution dated January 24, 2008 authorized the Company to enter into a related party agreement with PSC to invest an amount of up to ₱130 MM 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 post dated checks arising from the sale of the finished goods. Based on an agreed pricing scheme, as of June 30, 2009, an effective interest rate of 11.56% was earned from the advances.

The abovementioned investment agreement was renewed for another year from February 1, 2009 to February 1, 2010.

The receivables from South China Petroleum International represented pre-operating costs logged under accounts receivables of the Company. 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 and other assets – 41% increase from ₱1.050 MM to ₱1.476 MM due to the increase in input taxes, prepayments and office supplies inventory.

Current assets – 58% decrease from ₱418.223 MM to ₱175.652 MM largely due to the 77% decrease in cash and cash equivalents as previously discussed.

Available for sale (AFS) investments – 15% decrease from ₱8.542 MM to ₱7.255 MM.

Investments in and advances to associates – 14.07x increase from ₱34.362 MM to ₱483.703 MM largely brought about by the investments in and advances to associate amounting to ₱455.039 MM.

Deferred exploration costs – 62% decrease from ₱34.362 MM to ₱14.891 MM. On top of the existing ₱12.618 MM allowance for impairment losses on deferred exploration costs, the Company provided an additional allowance amounting to ₱38.333 MM last March 31, 2008 and an additional ₱24.512 MM allowance provided during 2008 for a total of ₱62.845 MM bringing the total allowance of ₱75.646 MM as of second quarter 2009. Given the foregoing, the deferred exploration costs account had an ending balance of ₱14.891 MM for the second quarter of 2009.

Property and equipment – 15% decrease from ₱11.169 MM to ₱9.507 MM. The 15% drop was due to the depreciation of transportation equipment acquired in 2008.

Noncurrent assets – 266% increase from ₱193.271 MM to ₱515.362 MM. The level of noncurrent assets almost tripled due to the 14.07x increase in investments in and advances to associates as previously discussed.

Total assets – 13% increase from ₱611.493 MM to ₱691.014 MM due to the previously discussed 266% increase in noncurrent assets and the 58% decline in current assets.

Current liabilities – 44% drop from ₱81,882 to ₱45,051 due to payment of accounts payable and accrued expenses.

Noncurrent liabilities – No change. Noncurrent liability consisting of subscriptions payable of ₱171.720 MM remains unchanged during the year. This amount is unpaid subscribed capital stock of BellTel.

Total liabilities – slight decrease from ₱171.801 MM to ₱171.765 MM due to the 44% drop in current liabilities.

Unrealized gains on AFS investments – 37% decrease from ₱3.489 MM to ₱2.202 MM. Share in unrealized gains on AFS investments of an associate – 167% decrease from ₱188,346 gain to ₱126,483 loss.

No change since the first quarter of 2009. The loss of ₱126,483 for the first quarter of 2009 represented the share in unrealized loss of AFS investments in an associate.

Deficit – 26.62% lower from ₱304.549 MM to ₱223.474 MM. The generation of a positive bottom line figure by yearend 2008 of ₱112 MM caused the reduction of deficits by the beginning of 2009 and further until the middle of the year.

Equity – 18.09% increase from ₱439.692 MM to ₱519.249 MM due to the 26% reduction in deficits as previously discussed.

Total liabilities and equity – 13% increase from ₱611.494 MM to P691.014 MM 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 June 30, 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 period ended June 30, 2009 versus period ended June 30, 2008

Key Financial Ratios	June 30, 2009	June 30, 2008
Revenue growth/(Decline)	(94.71%)	625,658.80%
Net income growth/(Decline)	(73.25%)	321.27%
EBITDA	P1,980,871	31,276,292
Return on equity	N/A	5.70%
Return on assets	N/A	4.09%
Current ratio (in x)	3,898.96	5,107.62
Debt-to-equity ratio (in x)	0.33x	0.28x

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

The Company has a high liquidity ratio for the first half of 2009 as evidenced by the current ratio pegging at 3,898x.

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

Key Financial Ratios	Formula
Revenue growth	Total Revenues (current period)/ Total Revenues (prior period)
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

JUNE 30, 2008 vs. JUNE 30, 2007

Highlights of selected accounts with 5% material changes

June 2008 vs. June 2007 (In Million Pesos)

	2008 June	2007 June Restated	Change Increase / (Decrease)	% Change
Balance Sheet				
Cash and cash equivalents	417.027	6.694	410.333	6,129.72
Accounts receivable	0.146	0.095	0.051	53.80
Prepayments and other current assets	1.050	0.702	0.348	49.54
Investment in properties	-	486.980	(486.980)	(100.00)
Investment in associates	34.362	28.290	6.072	21.46
Deposit for future investment	100.000	34.844	65.156	187.00
Deferred exploration costs	39.193	77.606	(38.413)	(49.50)
Property and equipment - net	11.169	0.189	10.980	5,797.61
Refundable deposits	0.005	0.142	(0.137)	(96.82)
Issued shares	588.870	588.450	0.420	0.07
Subscribed shares	317.690	318.110	(0.420)	(0.13)
Subscriptions receivable	(238.268)	(238.583)	0.315	(0.13)
Unrealized gains on AFS investments	3.489	2.236	1.253	56.04
Deficit	(304.550)	(288.901)	(15.649)	5.42
Total Assets	611.494	642.832	(31.338)	(4.87)
Total Current Assets	418.223	7.542	410.681	5,445.60
Total Current Liabilities (Accounts payables and accrued expenses)	0.082	17.527	(17.445)	(99.53)
Current Ratio	5,107.626	0.430	5,107.196	1,186,964.07
Income Statement				
Income	121.654	0.019	121.634	(625,658.80)
Expenses	(96.552)	(12.026)	(84.526)	702.84
Net Income/(Loss) for the period quarter ended	(4.692)	(5.759)	1.066	18.52
Net Income/(Loss) for the period ended	25.071	(11.331)	36.402	321.27
Available-for-sale (AFS) investments - current	-	0.050	(0.050)	(100.00)
Available-for-sale (AFS) investments - noncurrent	8.542	7.238	1.303	18.01
Sub-total	8.542	7.289	1.253	17.19

The Company's current ratio as of June 30, 2008 was ₱5,107.626 for every peso liability – an increase of ₱5,107.196 from last year's current ratio of ₱0.430. The 1,186,964.07% 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 ₱611.494 million as of June 30, 2008 as compared to ₱642.832 million as of June 30, 2007, lower than last year by ₱31.338 million or 4.87%. The net

decrease was due to the increase in cash and cash equivalents and deposit for future investment, and provision of a valuation allowance on expired Geophysical Survey and Exploration Contracts (GSEC).

Cash and cash equivalents were ₱417.027 million as of June 30, 2008 which is ₱410.333 million or 6,129.72% higher than the ₱6.694 million as of June 30, 2007. The increase was due to the collection on sale of noncurrent asset classified as held for sale, partial collection of subscriptions receivable, and interest income.

Accounts receivable of ₱0.146 million as of June 30, 2008 increased by a minimal amount of ₱0.051 million or 53.80% as compared prior year balance of ₱0.095 million due to liquidation of advances to employees.

Prepayments and other current assets of ₱1.050 million as of June 30, 2008 increased by ₱0.348 or 49.54% as compared to prior year's amount of ₱0.702 million due to payment of annual listing fees and annual dues.

Available-for-sale (AFS) investment noncurrent amounted to ₱8.542 million as of June 30, 2008 which is ₱1.253 million or 17.19% higher than the aggregate carrying amount of ₱7.289 million as of June 30, 2007. The increase was due to recovery in market value of shares.

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*.

Investment in associates amounted to ₱34.362 million as of June 30, 2008 which is ₱6.072 million or 21.46% higher than the restated ₱28.290 million as of June 30, 2007. The increase was due to payment of additional advances.

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 June 30, 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 an amount of up to ₱130.000 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 post dated checks arising from the sale of the finished goods.

Deferred exploration costs of ₱39.193 million as of June 30, 2008 decreased by ₱38.413 million or 49.50% as compared to the ₱77.606 million in 2007 because the Company has provided 100% valuation allowance on expired Geophysical Survey and Exploration Contracts (GSEC).

Property and equipment amounted to ₱11.169 million as of June 30, 2008 which was ₱10.980 million or 5,797.61% higher than the ₱0.189 million as of June 30, 2007. The increase was due to acquisition of new equipments.

Refundable deposit amounted to ₱0.005 million, decreased by ₱0.137 million or 96.82% as compared to last year's ₱0.142 million due to collection of rental deposit.

Accounts payable and accrued expenses amounted to ₱0.082 million as of June 30, 2008, lower than ₱17.445 million or 99.53% as compared to the ₱17.527 million balances as of June 30, 2007. The increase was due to the partial payment of accrued expenses and full payment of advances from officers.

Unrealized gains on AFS investments of ₱3.489 million as of June 30, 2008 increased by ₱1.253 million or 56.04% as compared to previous year's ₱2.236 million due to recovery on the market value of shares of stocks.

Issued shares increased by ₱0.420 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 ₱0.315 million compared to 2007 due to the payment of the 75% balance by some stockholders.

Net revenues earned for the first semester of 2008 amounting to ₱121.654 million was ₱121.634 million or 625,658.80% higher than last year's net loss of ₱0.019 million. On the other hand, the total expenses incurred for the first semester of 2008 which amounted to ₱96.552 million was ₱84.526 million or 702.84% higher than last year's amount of ₱12.026 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, increase in interest income and payment of capital gains tax on the said sale and provision of valuation allowance on expired GSECs.

Net loss for the quarter ended June 30, 2008 was ₱4.692 million is a net decrease of ₱1.066 million or 18.52% as compared to second quarter of 2007 net loss of ₱5.759 million. This was due to the increase in interest income earned. The net loss decreased the first quarter's income from ₱29.764 million to the carrying amount of ₱25.071 million as of June 30, 2008.

The net income of ₱25.071 million for the period ended June 30, 2008 resulted to a restated deficit of ₱304.550 million as of June 30, 2008. This income is a net increase of ₱36.402 million or 321.27% as compared to 2007 net loss of ₱11.331 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 June 30, 2008.

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. Geological and geophysical studies are ongoing. 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 this 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.

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


On May 30, 2007, South China together with UK company Pitkin Petroleum Ltd. submitted a bid for a block covering Offshore Mindoro- Cuyo. The bid was under the Department of Energy's Philippine Energy Contracting Round No. 3 (PECR-3).

On April 1, 2009, South China, Pitkin Petroleum, and the Department of Energy signed Service Contract No. 71 (SC-71). SC-71 covers an area of 1.164 MM hectares in the Cuyo/Mindoro/East Palawan region. South China has 15% participating interest in SC-71.

SIGNATURES


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

SOUTH CHINA RESOURCES, INC.
Issuer



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

Date : August 12, 2009



DAVID R. BALADAD
VP- Operations

Date : August 12, 2009

SOUTH CHINA RESOURCES, INC
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2009 (UNAUDITED)
(with comparative figures as of December 31, 2008)
(in PHP)

	2009	2008
	30-Jun	31-Dec
	Unaudited	Audited
ASSETS		
Current Assets		
Cash	95,948,361	92,829,217
Accounts receivable	78,226,944	78,985,059
Prepayments and other current assets	1,476,894	1,128,284
Total Current Assets	175,652,199	172,942,560
Noncurrent Assets		
Available-for-sale (AFS) investments - net of current portion	7,255,756	6,792,556
Investments in and advances to associates - net	483,703,323	492,394,871
Deposit for future investment		-
Deferred exploration costs - net of allowance for impairment of P75,464,430 for 2008	14,891,080	14,891,080
Property and equipment - net	9,507,830	10,708,846
Refundable deposits	4,500	4,500
Total Noncurrent Assets	515,362,490	524,791,853
TOTAL ASSETS	691,014,689	697,734,414
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	45,051	597,426
Deposit from contract to sell investment property		
Total Current Liabilities	45,051	597,426
Noncurrent liabilities		
Subscriptions payable	171,720,000	171,720,000
Total Liabilities	171,765,051	172,317,426
EQUITY		
Common Stock - P1 par value		
Authorized - 1 billion shares		
Issued	588,979,569	588,879,569
Subscribed	317,580,000	317,680,000
** Subscriptions receivable	(238,185,000)	(238,260,000)
Additional paid in capital	72,272,140	72,272,140
Unrealized gains on AFS investments - net	2,202,943	1,739,743
Share in unrealized gains/(losses) on AFS investment of an associate	(126,483)	(126,483)
Deficit	(223,473,531)	(216,767,981)
Total Equity	519,249,638	525,416,988
TOTAL LIABILITIES AND EQUITY	691,014,689	697,734,414

* 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
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2009, 2008, and 2007 (UNAUDITED)
(in PHP)

	AS OF JUNE 30		
	2009	2008	2007
	(Unaudited)	(Unaudited)	Previous Report Restated
ASSETS			
Current Assets			
Cash	95,948,361	417,026,794	6,694,154
Available-for-sale (AFS) investments - current		-	50,400
Accounts receivable	78,226,944	145,537	94,628
Prepayments and other current assets	1,476,894	1,050,289	702,342
Total Current Assets	175,652,199	418,222,620	7,541,524
Noncurrent Assets			
Available-for-sale (AFS) investments - noncurrent	7,255,756	8,541,815	7,238,340
Investment in properties	-	-	486,980,479
Investments in and advances to associates - net	483,703,323	34,362,466	28,290,230
Deposit for future investment	-	100,000,000	34,843,800
Deferred exploration costs - net of allowance for impairment of P75,464,430 and P12,618,353 for 2008 and 2007	14,891,080	39,193,040	77,606,250
Property and equipment - net	9,507,830	11,169,303	189,387
Other assets	4,500	4,500	141,554
Total Noncurrent Assets	515,362,490	193,271,124	635,290,040
TOTAL ASSETS	691,014,689	611,493,744	642,831,564
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses	45,051	81,882	17,527,267
Noncurrent liabilities			
* Subscriptions payable	171,720,000	171,720,000	171,720,000
Total Liabilities	171,765,051	171,801,882	189,247,267
EQUITY			
Capital Stock - P1 par value			
Authorized - 1 billion shares			
Issued	588,979,569	588,869,569	588,449,569
Subscribed	317,580,000	317,690,000	318,110,000
** Subscriptions receivable	(238,185,000)	(238,267,500)	(238,582,500)
Additional paid in capital	72,272,140	72,272,140	72,272,140
Unrealized gains on AFS investments - net	2,202,943	3,489,002	2,235,927
Share in unrealized gains/(losses) on marketable equity securities/ AFS investments of an associate	(126,483)	188,346	-
Deficit	(223,473,531)	(304,549,695)	(288,900,839)
Total Equity	519,249,638	439,691,862	453,584,297
TOTAL LIABILITIES AND EQUITY	691,014,689	611,493,744	642,831,564

* 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)
FOR THE PERIOD ENDED JUNE 30, 2009, 2008, and 2007

	2009	2008	2007
	(Unaudited)	(Unaudited)	Previous Report Restated (Audited)
INCOME			
Net interest income	6,440,971	8,634,247	19,091
Dividend and miscellaneous income	-	-	350
Gain on sale of investment property	-	113,019,521	-
	6,440,971	121,653,768	19,441
EXPENSES			
Valuation allowance	-	(38,413,210)	-
General and administrative expenses	(4,460,100)	(51,514,266)	(2,481,928)
	(4,460,100)	(89,927,476)	(2,481,928)
INCOME FROM OPERATIONS	1,980,871	31,726,292	(2,462,487)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES	(8,691,548)	(6,624,279)	(9,544,282)
UNREALIZED FOREIGN EXCHANGE GAINS (LOSSES)	5,126	(30,741)	676,116
INCOME (LOSS) BEFORE INCOME TAX	(6,705,550)	25,071,272	(11,330,653)
ADD: DEFICIT, BALANCE BEGINNING OF YEAR as previously reported	(216,767,981)	(329,624,691)	(190,609,609)
Prior period adjustments	-	3,724	-
Share in prior period adjustment by an associate	-	-	(86,960,577)
DEFICIT, BALANCE BEGINNING OF YEAR AS RESTATED	-	(329,620,967)	(277,570,186)
DEFICIT, BALANCE END	(223,473,531)	(304,549,695)	(201,940,262)
Basic/Diluted Income (Loss) Per Share	(0.007)	0.02766	(0.01250)
* Computed as =	$\frac{\text{Net income(loss) for the period}}{\text{Weighted average number of shares}}$	$\frac{6,705,550}{906,559,569}$	$\frac{25,071,272}{906,559,569}$
	(6,705,550)	25,071,272	(11,330,653)
	906,559,569	906,559,569	906,559,569

SOUTH CHINA RESOURCES, INC
STATEMENTS OF INCOME AND DEFICITS
FOR THE QUARTERS ENDED JUNE 30, 2009, 2008, and 2007

	2009	2008	2007
	(Unaudited)	(Unaudited)	Previous Report Restated (Audited)
INCOME			
Net interest income	4,143,279	5,306,234	8,743
Dividend and miscellaneous income	-	-	-
Recovery(decline) in market value of marketable securities	-	-	-
	4,143,279	5,306,234	8,743
EXPENSES			
General and administrative expenses	(2,310,379)	(3,324,996)	(1,398,223)
	(2,310,379)	(3,324,996)	(1,398,223)
INCOME (LOSSES) FROM OPERATIONS	1,832,900	1,981,238	(1,389,480)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES	(4,160,945.36)	(6,692,106)	(5,125,770)
UNREALIZED FOREIGN EXCHANGE GAIN / (LOSS)	(600)	18,372	756,419
NET INCOME(LOSS) FOR THE QUARTER	(2,328,645)	(4,692,496)	(5,758,831)
NET LOSS FOR THE FIRST QUARTER	(4,376,905)	29,763,768	(5,571,822)
TOTAL NET LOSS FOR THE SEMESTER	(6,705,550)	25,071,272	(11,330,653)
ADD:DEFICIT, BALANCE BEGINNING as previously reported	(216,767,981)	(329,624,691)	(190,609,609)
Prior period adjustments	-	3,724	-
Share in prior period adjustment by an associate	-	-	(86,960,577)
DEFICIT, BALANCE BEGINNING AS RESTATED	-	(329,620,967)	(277,570,186)
DEFICIT, BALANCE END	(223,473,531)	(304,549,695)	(288,900,839)
Basic /Diluted Income (Loss) Per Share	(0.00257)	(0.00518)	(0.00635)

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

SOUTH CHINA RESOURCES, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE PERIOD ENDED JUNE 30, 2009, 2008, and 2007

	Capital Stock			Additional Paid-in Capital	Unrealized Gains/(Losses) on AFS Investments -net	Share in Unrealized Gains/ (Losses) on AFS Investments of an Associate	Deficit	Total
	Issued	Subscribed	Subscriptions Receivable					
Balances at January 1, 2007, as previously stated	587,739,569	318,820,000	(239,115,000)	72,272,140	735,515	-	(190,609,609)	549,842,615
Share in prior period adjustment of associate							(86,960,577)	(86,960,577)
Balances at January 1, 2007, as restated	587,739,569	318,820,000	(239,115,000)	72,272,140	735,515	-	(277,570,186)	462,882,038
Net loss for the 1st quarter 2007							(5,571,822)	(5,571,822)
Unrealized gains on AFS investments					696,737			696,737
Collection of subscriptions receivable			45,000					45,000
Shares of stock issued from subscribed	60,000	(60,000)						-
Net loss for the 2nd quarter 2007							(5,758,831)	(5,758,831)
Unrealized gains on AFS investments					803,675			803,675
Collection of subscriptions receivable			487,500					487,500
Shares of stock issued from subscribed	650,000	(650,000)						-
Balances at June 30, 2007 as restated	588,449,569	318,110,000	(238,582,500)	72,272,140	2,235,927	-	(288,900,839)	453,584,297
Balances at January 1, 2008	588,749,569	317,810,000	(238,357,500)	72,272,140	2,571,002	188,346	(329,624,691)	413,608,866
Net income for the 1st quarter 2008							29,763,768	29,763,768
Unrealized gains/(loss) on AFS investments					(3,000)			(3,000)
Collection of subscriptions receivable			82,500					82,500
Shares of stock issued from subscribed	110,000	(110,000)						-
Net loss for the 2nd quarter 2008							(4,692,496)	(4,692,496)
Unrealized gains/(loss) on AFS investments					921,000			921,000
Collection of subscriptions receivable			7,500					7,500
Shares of stock issued from subscribed	10,000	(10,000)						-
Prior period adjustment							3,724	3,724
Balances at June 30, 2008	588,869,569	317,690,000	(238,267,500)	72,272,140	3,489,002	188,346	(304,549,695)	439,691,862
Balances at January 1, 2009	588,879,569	317,680,000	(238,260,000)	72,272,140	1,739,743	(126,483)	(216,767,981)	525,416,988
Net gain/(loss) for the 1st quarter 2009							(4,376,905)	(4,376,905)
Unrealized gains/(loss) on AFS investments					803,250			803,250
Collection of subscriptions receivable								-
Shares of stock issued from subscribed								-
Net gain/(loss) for the 2nd quarter 2009							(2,328,645)	(2,328,645)
Unrealized gains/(loss) on AFS investments					(340,050)			(340,050)
Collection of subscriptions receivable			75,000					75,000
Shares of stock issued from subscribed	100,000	(100,000)						-
Prior period adjustment								-
Balances at June 30, 2009	588,979,569	317,580,000	(238,185,000)	72,272,140	2,202,943	(126,483)	(223,473,531)	519,249,638

SOUTH CHINA RESOURCES, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE QUARTERS ENDED JUNE 30, 2009, 2008, and 2007

	Capital Stock			Additional Paid-in Capital	Unrealized Gains/(Losses) on AFS Investments -net	Share in Unrealized Gains on AFS Investments of an Associate	Deficit	Total
	Issued	Subscribed	Subscriptions Receivable					
Balances at March 31, 2007, as previously stated	587,799,569	318,760,000	(239,070,000)	72,272,140	1,432,252	-	(196,181,431)	545,012,530
Share in prior period adjustment of associate							(86,960,577)	(86,960,577)
Balances at March 31, 2007 as restated	587,799,569	318,760,000	(239,070,000)	72,272,140	1,432,252	-	(283,142,008)	458,051,953
Net loss for the 2nd quarter 2007							(5,758,831)	(5,758,831)
Unrealized gains on AFS investments					803,675			803,675
Collection of subscriptions receivable			487,500					487,500
Shares of stock issued from subscribed	650,000	(650,000)						-
Balances at June 30, 2007, as restated	588,449,569	318,110,000	(238,582,500)	72,272,140	2,235,927	-	(288,900,839)	453,584,297
Balances at March 31, 2008	588,859,569	317,700,000	(238,275,000)	72,272,140	2,568,002	188,346	(299,860,923)	443,452,134
Net loss for the 2nd quarter 2008							(4,692,496)	(4,692,496)
Unrealized gains/(loss) on AFS investments					921,000			921,000
Collection of subscriptions receivable			7,500					7,500
Shares of stock issued from subscribed	10,000	(10,000)						-
Prior period adjustment							3,724	3,724
Balances at June 30, 2008	588,869,569	317,690,000	(238,267,500)	72,272,140	3,489,002	188,346	(304,549,695)	439,691,862
Balances at March 31, 2009	588,879,569	317,680,000	(238,260,000)	72,272,140	2,542,993	(126,483)	(221,144,886)	521,843,333
Net gains/(loss) for the 2nd quarter 2009							(2,328,645)	(2,328,645)
Unrealized gains/(loss) on AFS investments					(340,050)			(340,050)
Collection of subscriptions receivable			75,000					75,000
Shares of stock issued from subscribed	100,000	(100,000)						-
Balances at June 30, 2009	588,979,569	317,580,000	(238,185,000)	72,272,140	2,202,943	(126,483)	(223,473,531)	519,249,638

SOUTH CHINA RESOURCES, INC
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED June 30, 2009, 2008, and 2007

	AS OF JUNE 30		
	2009	2008	2007
	(Unaudited)	(Unaudited)	Previous Report Restated (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income(loss) from operation	(6,705,550)	25,071,272	(11,330,653)
Adjustments for:			
Equity in net (income) losses of associates	8,691,548	6,624,279	9,544,282
Depreciation and amortization	1,265,140	26,892	27,478
Dividend and miscellaneous income		-	(350)
Interest Income	(6,440,971)	(8,634,247)	(19,090)
Gain on sale of investment property	-	(113,019,521)	-
Valuation allowance	-	38,413,210	-
Unrealized foreign exchange loss/(gain)	(5,126)	30,741	(676,116)
Operating loss before working capital changes	(3,194,959)	(51,487,374)	(2,454,449)
Decrease (increase) in:			
Accounts receivable	758,115	(66,815)	(27,964)
Prepayments and other current assets	(348,610)	(405,096)	(278,686)
Increase (decrease) in:			
Accounts payable and accrued expenses	(552,375)	(13,415,594)	(1,562,027)
Net cash flows from (used in) operating activities	(3,337,829)	(65,374,879)	(4,323,126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in deferred exploration costs	-	-	4,725,607
Proceeds from sale of investment property	-	540,000,000	-
Proceeds from the refund of rental deposit	-	137,054	-
Dividend and miscellaneous income	-	-	350
Interest Income	6,440,971	8,634,247	19,090
Decrease (increase) in other assets	-	-	-
Acquisitions of property and equipment	(64,125)	(11,033,707)	(26,990)
Net cash flows from (used in) investing activities	6,376,846	537,737,594	4,718,057
CASH FLOWS FROM FINANCING ACTIVITIES			
Collection of subscriptions receivable	75,000	90,000	532,500
Advances to associates	-	(6,307,750)	-
Deposit for future investment	-	(100,000,000)	-
NET INCREASE IN CASH	3,114,017	366,144,965	927,431
EFFECT OF EXCHANGE RATE CHANGES ON CASH	5,126	(30,741)	676,116
CASH AT BEGINNING OF YEAR	92,829,217	50,912,570	5,090,607
CASH AT END OF THE PERIOD	95,948,361	417,026,794	6,694,154

South China Resources, Inc. Aging of Accounts Receivable As of June 30, 2009								
	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	
Accounts Receivable								
1) Amounts owed by a related party - PSC	78,096,736.08	24,583.33	299,166.66	2,772,986.09		75,000,000.00		
2) Officers and employees	42,099.27							
3) Others	88,108.56			10,722.84		19,907.26	57,478.46	NONE
Subtotal	78,226,943.91			2,783,708.93		75,019,907.26	57,478.46	
Less: Allowance for impairment losses on receivables								
A/R - net	78,226,943.91			2,783,708.93		75,019,907.26	57,478.46	NONE
Net Receivables	78,226,943.91			2,783,708.93		75,019,907.26	57,478.46	NONE

Notes: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

Accounts Receivable Description :

Type of Receivable	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 3rd qtr. 2009

Notes : Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.

Normal Operating Cycle: 1 (one) year