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

May 6, 2010

Disclosure Department
4/F Philippine Stock Exchange, Inc.
PSE Centre, Exchange Road
Ortigas Center, Pasig City

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

Gentlemen:

Please find herewith the Company's Definitive Information Statement (SEC Form 20-IS) as submitted to, cleared, and approved by the Securities and Exchange Commission. Also attached is a letter to the Commission, submitted on May 6, 2010, stating that the Company undertakes to provide its stockholders the 2010 First Quarter Report (SEC Form 17-Q) during the upcoming stockholders' meeting.

We hope you may find the above in order. Thank you.

Yours faithfully,

DAVID R. BALADAD
Corporate Information Officer/
VP – Operations

COVER SHEET

ASO 9206441

SEC Registration Number

South China Resources, Inc.

(Company's Full Name)

3rd Floor Low Rise Pacific Star Building, Sen. Gil Puyat Avenue coner Makati Avenue,

Makati City, Philippines, 1200

(Business Address: No. Street City/Town/Province)

Jaime M. Blanco, Jr.	(02) 8922049
Contact Person	Company's Contact Number

12	31	**Definitive Information Statement (SEC Form 20-IS)**	05	28
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N/A

Secondary License Type, If Applicable

Corporation Finance Dept.	
Dept. Requiring this Doc.	Amended Articles Number/Section

	Total Amount of Borrowings	
421		
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I. D.	Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter: **SOUTH CHINA RESOURCES, INC.**
   (formerly known as South China Petroleum and Exploration, Inc.)

3. Province, country or their jurisdiction of incorporation or organization: **Not applicable**

4. SEC Identification Number: **ASO92-6441**

5. BIR Tax Identification Code: **001-945-016**

6. Address of Principal Office: **3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City** Postal Code: **1200**

7. Registrant's telephone number, including area code: **(632) 812-2383 / 892-2049**

8. Date, time and place of the meeting of security holders:

   28 May 2010 at 2:00 p.m.
   East-West Room, Manila Golf & Country Club,
   Harvard Road, Forbes Park, Makati City.

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **6 May 2010**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on numbers of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**906,559,568**

11. Are any or all registrant's securities listed on a Stock Exchange?
    Yes: __√__ No: _____

Name of Stock Exchange	Class of Securities Listed
Philippine Stock Exchange	**U**

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To all Stockholders:

Notice is hereby given that the 2010 Annual Meeting of the stockholders of SOUTH CHINA RESOURCES, INC. shall be held on 28 May 2010 at 2:00 P.M. at the East-West Room of Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City. The Agenda for said meeting is as follows:

1. Proof of notice and quorum;
2. Reading and approval of previous Minutes;
3. Report of Management;
4. Ratification of the acts of the Board of Directors and Officers;
5. Election of Directors;
6. Appointment of Auditors;
7. Other Matters; and
8. Adjournment.

For the purpose of the meeting, only stockholders of record at the close of business on 11 May 2010 shall be entitled to notice of and to vote at the meeting. The Stock and Transfer Book of the Corporation shall be closed from 12 May to 27 May 2010.

If you cannot attend the meeting but would like to be represented thereat, you may appoint a proxy in writing and file the same, together with the appropriate Board resolution for corporate stockholders, with the Corporation on or before 20 May 2010. Said proxies shall be validated on 21 May 2010 at 10:00 a.m. at the Corporation's principal offices at 3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Avenue corner Makati Avenue, Makati City. Please note, however, that Management is not asking you for a proxy and you are requested not to send Management a proxy.

On the day of the meeting, you or your proxy are hereby required to bring this Notice and any form of identification, e.g. driver's license, company ID, TIN card, etc., to facilitate registration.

JAIME M. BLANCO, JR.
Corporate Secretary

Telephone No. 892-2049 * Telefax No. 812-2383

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The annual stockholders' meeting shall be held on Friday, 28 May 2010 at 2:00 p.m. at the East-West Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City.

The Company's Principal Office is at 3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Avenue corner Makati Avenue, Makati City.

May 6, 2010 is the approximate date on which the Information Statement is first to be sent or given to security holders.

A preliminary cut-off date, April 26, 2010, will be used in determining the list of security holders for the initial distribution of the Information Statement. Any additions in the list between April 27, 2010 and the record date, May 11, 2010, will duly be sent copies of the Information Statement.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. DISSENTERS' RIGHT OF APPRAISAL

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code.[1]

Item 3. INTEREST OF ~~A~~ CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

The Company is not aware of any person who has any substantial interest, direct or indirect, in any matter to be acted upon during the annual stockholders' meeting. The Company has not also been informed by any of its directors of his/her intention to oppose any action to be taken by the Company at the annual stockholders' meeting.

[1] The right of appraisal means the right of a dissenting stockholder to demand payment of the fair market value of his shares, in the instances provided under the Corporation Code. In such instances, the right may be exercised by any stockholder who shall have voted against the proposed action by making a written demand to the Corporation within 30 days after the date on which the vote was taken for payment of the fair market value of his shares. Failure to make the demand shall be deemed a waiver of such right.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS

Stockholders of record of the Corporation as of 11 May 2010 entitled to vote during the annual stockholder's meeting on 28 May 2010 is 906,559,568 common shares unclassified with a par of ₱1.00 each.

Pursuant to the Corporation Code, each share being held by every stockholder is entitled to one vote for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(1) Security Ownership of Certain Record and Beneficial Owners and Management As of March 31, 2010 (owning more than 5% of any class of voting securities)

Title of Class	Name and address of record owner and	Relationship with Issuer	Name of Beneficial ownership and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common	EDGARDO P. REYES 1371 Caballero St., Dasmariñas Vill., Makati	Director	EDGARDO P. REYES, same person	Filipino	231,853,123	25.5751%
Common	WILFRIDO P. REYES 1545 Mahogany St., Dasmariñas Vill., Makati	Director	WILFRIDO P. REYES, same person	Filipino	231,853,123	25.5751%
Common	BELEN R. CASTRO 4889 Pasay Road, Dasmariñas Vill., Makati	Director	BELEN R. CASTRO, same person	Filipino	231,353,122	25.5199%
Common	PCD Nominee Corp. (Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Stockholder	PCD Nominee Corp. (Filipino), depository agent	Filipino	147,314,434	16.2498%

There are no beneficial owners of more than 5% under the PCD Nominee Corporation (Filipino), which owns 16.2498% of the total shares of the Company.

(2) Security Ownership of Management (as of March 31, 2010)

Directors

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	Edgardo P. Reyes	231,853,123	Direct, Record and Beneficial	Filipino	25.5751%
Common Shares	Wilfrido P. Reyes	231,853,123	Direct, Record and Beneficial	Filipino	25.5751%
Common Shares	Belen R. Castro	231,353,122	Direct, Record and Beneficial	Filipino	25.5199%
Common Shares	Francisco M. Bayot, Jr.	400,000	Direct, Record and Beneficial	Filipino	00.0441%
Common Shares	Manuel G. Arteficio	100,000	Direct, Record and Beneficial	Filipino	00.0110 %
Total		695,559,368			76.7252%

Executive Officers

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	Edgardo P. Reyes	-------			-------
Common Shares	Wilfrido P. Reyes	-------			-------
Common Shares	Belen R. Castro	-------			-------
Common Shares	Jaime M. Blanco, Jr.	500,100	Direct, Record and Beneficial	Filipino	00.0552%
Common Shares	David R. Baladad	50,000	Direct, Record and Beneficial	Filipino	00.0055%
Total		550,100			00.0607%

Directors and Officers as a Group

Title of Class	Name of Beneficial owner	Amount of Beneficial ownership	Percent of Class
Common Shares	Directors as a Group	695,559,368	76.7252%
Common Shares	Executive Officers as a Group	550,100	00.0607%
Total		696,109,468	76.7859%

(3) Voting Trust Holders of 5% or More

No person holding more than 5% of a class is under a voting trust or similar agreement.

The Company has no arrangements which may result in a change in control of the registrant.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS (Information for the last five years)

(1) Directors and Executive Officers (Information for the last five years)

NAME	POSITION	BIRTHDATE
Edgardo P. Reyes	Chairman/CEO	December 2, 1945
Wilfrido P. Reyes	President	January 21, 1947
Belen R. Castro	VP & Treasurer	April 9, 1948
Manuel G. Arteficio	Independent Director	January 13, 1945
Francisco M. Bayot, Jr.	Independent Director	January 29, 1954
Jaime M. Blanco, Jr.	Corporate Secretary	March 21, 1954
David R. Baladad	VP – Operations	September 13, 1956
Zosimo L. Padro, Jr.	VP – Finance	August 3, 1959

EDGARDO P. REYES, 64 years of age, Filipino, has been the CHAIRMAN of the Board of Directors of the Company since 1992. He has also been the CHAIRMAN of Gonzalo Puyat and Sons, Inc., Puyat Steel Corp., Bell Telecommunication Philippines Inc., Purex Mineral Corp., and Philippine Flour Mills; PRESIDENT of International Pipe Industries Corp., Pipe Machinery Corp., Apo Pipe Industries Corp., Reyson Realty & Development Corp., Puyat Flooring Products Inc., Proleo Realty Inc., and BenePara Realty Inc.; SENIOR VICE PRESIDENT of PFM Agro-Industrial Development Corp. and Armorply Concrete Forming Systems Inc.; and, DIRECTOR of Surigao Development Corp., and Puyat Investment & Realty for the past five (5) years. He is a DIRECTOR of Premiere Development Bank. Mr. Reyes is the brother of Mr. Wilfrido P. Reyes and Ms. Belen R. Castro.

WILFRIDO P. REYES, 63 years of age, Filipino, has been the PRESIDENT of the Company since 1992. He has also been the CHAIRMAN of La Dulcinea Restaurant Inc. and Warrest Realty Inc.; CHAIRMAN/PRESIDENT of WPR Realty & Management Corp.; EXECUTIVE VICE PRESIDENT/DIRECTOR of Gonzalo Puyat & Sons Inc. and Purex Mineral Corp.; EVP/GENERAL MANAGER of Philippine Flour Mills and PFM-Agro Development Corp.; SVP/DIRECTOR of Puyat Steel Corporation; DIRECTOR of Premiere Development Bank; TREASURER/DIRECTOR of Surigao Development Corp.; SECRETARY/DIRECTOR of Surigao Marine Products, Inc.; VP/GENERAL MANAGER of Reyson Realty & Development Corp.; PRESIDENT of Proleo Realty Inc., VP/TREASURER of Bell Telecommunication Philippines Inc.; TREASURER/DIRECTOR of International Pipe Industries Corp. and Apo Pipe Industries Corp; and, DIRECTOR of Pipe Machinery Corp. for the past five (5) years. Mr. Reyes is the brother of Mr. Edgardo P. Reyes and Ms. Belen R. Castro.

BELEN R. CASTRO, 62 years of age, Filipino, has been the VICE PRESIDENT, TREASURER & DIRECTOR of the Company since 1992 up to the present; DIRECTOR & ASST. TREASURER of Gonzalo Puyat & Sons, Inc.; CORPORATE SECRETARY of Reyson Realty & Development Corp.; and DIRECTOR of Bell Telecommunication Phils., Inc. for the past five (5) years. Mrs. Castro was also the PRESIDENT of the Chamber of Thrift Banks (CTB), & the Development Bankers Association of the Philippines Foundation (DBAP) in 1993. She is still a DIRECTOR of CTB. She was the PRESIDENT/CEO of Premiere Development Bank since 2002 before she became its CHAIRMAN last 2007 up to the present. She is the sister of Mr. Edgardo P. Reyes and Mr. Wilfrido P. Reyes.

MANUEL G. ARTEFICIO, 65 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2007. He has been PRESIDENT of San Manuel Mining Corp. from 1990 to present; Assissi Mining Corp., Bonaventures Mining Corp., Ignatius Mining Corp., all three from 1994 to present; he is also the PRESIDENT of Egerton Gold Phils., Inc. from 2006 to present.

FRANCISCO M. BAYOT, JR., 56 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2008. He is the CHAIRMAN of Madrigal Business Park Association, Inc.; CEO/DIRECTOR of Solid Cement Corp. and Rizal Cement Co., Inc.; PRESIDENT/DIRECTOR of JM Investment Corp.; and DIRECTOR of Solidbank Corp., Alabang Commercial Corp., and Bell Telecommunication Phils., Inc.

JAIME M. BLANCO, JR., 56 years of age, Filipino, has been the CORPORATE SECRETARY of the Company since 1992. He is a Senior Partner of the Esguerra & Blanco Law Offices. Atty. Blanco obtained his Bachelor of Science in Business Administration from De La Salle College and Bachelor of Laws from the University of the Philippines. Atty. Blanco since 1980, and during the last five (5) years, has been engaged in the practice of law.

DAVID R. BALADAD, 53 years of age, Filipino, has been the VICE PRESIDENT FOR OPERATIONS of the Company since 1994. He obtained his Bachelor of Science in Geology from the University of the Philippines and he is also a licensed Geologist. Prior to joining the Company, Mr. Baladad was the Chief of the Oil and Gas Division of the former Office of Energy Affairs (now DOE) and a consultant to other local exploration companies. He has been directing the upstream activities of the Company since 1994 and for the last five (5) years.

ZOSIMO L. PADRO, JR., 50 years of age, Filipino, has been the VICE PRESIDENT FOR FINANCE of the Company since January 2010. He obtained his Bachelor of Science in Business Administration Major in Accounting from the University of Eastern Philippines and Bachelor of Laws from Jose Rizal College. Atty. Padro is also the Vice President for Finance of International Pipe Industries Corp. Atty. Padro since 1990, and during the last five (5) years, has been engaged in the practice of law. He is also a Certified Public Accountant.

Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. were elected Independent Directors during the 2009 Annual Stockholders' Meeting. The Nomination Committee nominated Mr. Arteficio and Mr. Bayot as independent directors to be elected during the 2010 Annual Stockholders' Meeting, upon the recommendation of stockholder Ms. Remedios Manguiat and Ms. Efigenia Ocol who are not related to the nominees. Both Mr. Arteficio and Mr. Bayot are qualified to be nominated and elected as Independent Directors of the Company in accordance with the qualifications specified with SEC Circular No. 16 Series of 2002 and SEC Circular No. 16 Series of 2006.

The Nomination Committee is composed of Mr. Wilfrido P. Reyes as the Chairman, Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. as Members.

Directors elected in the annual stockholders' meeting have a term of office of one (1) year and serve as such until their successors are elected and qualified in the succeeding annual meeting of stockholders.

(2) Significant Employees

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, nor an executive officer, who is expected to make a significant contribution to the business of the Company on his own.

(3) Family Relationships

Mr. Edgardo P. Reyes, Chairman and CEO; Mr. Wilfrido P. Reyes, President; and Ms. Belen R. Castro, Vice President, Treasurer and Director of the Company are brothers and sister. All other Directors and Executive Officers are not related to each other. Other than the ones disclosed, there are no other family relationships known to the registrant.

(4) Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding required to be disclosed under Part IV paragraph (A)(4) of SRC Rule 12 (Annex C, Amended), including without limitation being the subject of any:
(a) bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
(b) conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
(d) order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation, for the past five (5) years up to the latest date, that is material to the evaluation of the ability or integrity to hold the relevant position in the Company.

(5) Certain Relationship and Related Transactions
(In reference to Note 12 of the 2009 Audited Financial Statements)

Amounts owed by Puyat Steel Corporation (PSC)
Puyat Steel Corporation (PSC) is a world- class manufacturer of galvanized and pre-painted steel sheets and coils used in roofing and walling profiles and bended accessorial products. It was established in 1956 as a division of Gonzalo Puyat and Sons Inc. PSC set up the first galvanizing plant in the Philippines in answer to the need of the country for galvanized iron sheets to be used in construction, building and roofing materials. In 1998, PSC inaugurated in Rosario, Batangas, the Philippines' first ever state-of-the-art continuous galvanizing line utilizing the modern non-oxidizing furnace (NOF) technology putting the mill in a globally competitive stature. By the year 2000, PSC became the first NOF continuous galvanizing plant to be ISO 9002 certified. PSC is under common control with the Company.

The BOD through 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 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 issued arising from the sale of the finished goods. The funding facility is renewable on a yearly basis. Under this arrangement, the Company receives a guaranteed return on investment (ROI) of at least 8% per annum.

Total advances made by the Company to PSC amounted to ₱95 million and ₱125 million in 2009 and 2008, respectively. As of December 31, 2009 and 2008, the Company has an outstanding receivable to PSC amounting to ₱70 million and ₱75 million, respectively *(see also Note 5)*. Interest earned by the Company in relation to these advances amounted to ₱7.98 million and ₱9.68 million in 2009 and 2008, respectively.

Short-term employee benefits of key management personnel amounted to ₱1.55 million and ₱1.34 and P1.24 million in 2009, 2008 and 2007, respectively. As of December 31, 2009 and 2008, the Company has an outstanding receivable from its employees and officers amounting to ₱0.09 million and ₱0.04 million, respectively *(see also Note 5).*

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

There are no bonuses, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate.

The Company has no pension or retirement plan in which any such person will participate.

There are no employment contract arrangements for this year.

The Aggregate compensation paid or accrued during the last two calendar years and to be paid in the ensuing calendar year to the Chief Executive Officer and two most highly compensated executive officers are as follows:

Name and Principal Position	Year	Salary (P)	Bonus (P)	Other Annual Compensation
Edgardo P. Reyes Chairman / CEO				
David R. Baladad VP-Operations				
Irene N. Atutubo Accounting Officer				
Aggregate compensation – CEO & two most highly compensated executives s as a group unnamed	2010 2009 2008	1,385,000(est.) 1,275,000 1,076,260	350,000(est.) 285,000.00 262,398.31	N/A N/A N/A

Among the directors and officers of the company, only the three stated above are being compensated.

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

(1) Information on Independent Public Accountant

In compliance with SRC Rule 68 Paragraph 3(b)(iv), the engagement partner from Sycip Gorres Velayo & Co. is Mr. John Nai Peng C. Ong. The Corporation recommends the appointment of Sycip Gorres Velayo & Co. as the Principal Accountant of the Corporation. Sycip Gorres Velayo & Co. is the incumbent Public Accountant of the Company.

The Company's Principal Accountant is Sycip Gorres Velayo & Co. The engagement partner for the previous completed reporting year, 2009, is Mr. John Nai Peng C. Ong.

Sycip Gorres Velayo & Co. is the incumbent Public Accountant of the Company. The Company, through its Audit Committee, recommends the re-appointment of Sycip Gorres Velayo & Co. as the Principal Accountant of the Corporation. The Company's Audit Committee is composed of Mr. Manuel G. Arteficio as Chairman, Mrs. Belen R. Castro, Member, and Mr. Wilfrido P. Reyes, Member.

(2) External Audit Fees and Services

In compliance with SEC Memo Circular No. 14 Series of 2004, External Audit Fees, progress billing, for 2009 amounted to ₱392,000. External Audit Fees billed for 2008 amounted to ₱425,537.64. These pertain to the annual audit fees for the Company's Financial Statements and no other services were provided and billed for by the external auditors for the last two (2) fiscal years.

(D) OTHER MATTERS

Item 15. ACTION WITH RESPECT TO REPORTS

The minutes of the 2008 stockholders' meeting and the report of Management for the fiscal year ended December 31, 2008 were submitted for the approval of the stockholders, and the acts and transactions of the Board of Directors and Officers were submitted for ratification by the stockholders.

The minutes of the 2008 stockholders' meeting recorded by the Corporate Secretary called for the certification that printed notices for the annual meeting were sent to all stockholders of record; the reading of the Minutes of the 2008 annual stockholders' meeting was approved and ratified; (1) the report of Management on the operations of the Corporation for the fiscal year ended December 31, 2008, (2) the Audited Financial Statements were approved; (3) the auditing firm Sycip, Gorres, Velayo & Company was appointed as the Corporation's external auditor for the year 2009; and (4) all acts and transactions entered into by the Board of Directors and Officers during the fiscal year 2008 were ratified.

The minutes of the 2009 stockholders' meeting and the report of Management for the fiscal year ended December 31, 2009 will be submitted for the approval of the stockholders and the acts and transactions of the Board of Directors and Officers, like assigning of signatories to certain banking transactions, projects, and various agreements entered into by the Board, as contained in the printed annual report and the audited financial statement embodied therein will be submitted for ratification by the stockholders.

Item 17. AMENDMENTS OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

During the Annual Stockholders' Meeting on May 29, 2009, whereat stockholders representing 815,302,902 shares out of the 906,559,568 shares entitled to vote were present in person or by proxy, the stockholders present unanimously approved the amendment of the Company's By-Laws to incorporate the change of the Company's annual stockholders' meeting from the 3rd Wednesday of April to the last Friday of May. The amendment to the By-Laws was approved by the Commission on June 30, 2009. The amendment is to ensure timely compliance with relevant reporting requirements in connection with the annual stockholders' meeting.

During the Annual Stockholders' Meeting on May 30, 2008, whereas stockholders representing 696,209,466 shares out of the 906,559,568 shares entitled to vote were present in person or by proxy, the stockholders present unanimously approved the amendment of the Company's By-Laws to incorporate the procedures for the nomination and election of independent director/s in compliance with the provisions of SRC Rule 38. The amendment to the By-Laws was approved by the Commission on November 7, 2008.

Item 19. VOTING PROCEDURES

The approval of the minutes of the last stockholders meeting and the report of management, ratification of the acts and transactions of the Board of Directors, election of Directors, , and the appointment of Independent Public Accountant, will require approval of a majority of all the stockholders present or represented during the annual meeting. The vote required for the election of Directors shall be through cumulative voting. The voters will be counted by *viva voce* facilitated by the Corporate Secretary unless a request by a security holder is made that the election of directors be by ballot.

THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF ITS ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO: ATTY. JAIME M. BLANCO, JR., CORPORATE SECRETARY, SOUTH CHINA RESOURCES, INC., 3/F LOW RISE PACIFIC STAR BLDG., SEN. GIL PUYAT AVE. CORNER MAKATI AVE., MAKATI CITY

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 5, 2010

By:

JAIME M. BLANCO, Jr.
Corporate Secretary

MANAGEMENT REPORT

Item 1. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no changes in and disagreements with independent accountants on accounting and financial disclosure and no change in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The Securities and Exchange Commission on October 30, 2003 approved the amendment of the Company's Articles of Incorporation so as to change the primary purpose thereof to that of a holding company and to include its then existing primary purpose of oil exploration as among the secondary purposes of the Company, the latter has continued to maintain its oil exploration assets and activities until the Company is able to spin-off the same to a wholly owned subsidiary to be established by the Company.

The ever increasing demand for hydrocarbon fuels as well as the ramp-up in crude prices in the previous years has put a lot of pressure on exploration companies to seek out more oil. In the forefront of this activity in the country, South China continues to be a significant player involved in the most strategic of petroleum plays.

South China continues to be a significant player in oil exploration in the country. The Company operates prudently by reducing upfront costs in frontier exploration. South China has proven that the exploration strategy and the technical concepts using data driven models are effective in opening up frontier areas like Northeast Palawan. On January 27, 2006, in joint agreement, the South China and SPEX (Shell Philippines Exploration B. V.) together with KUFPEC (Kuwait Foreign Petroleum Co. ksc) signed with the Department of Energy (DOE), Service Contract No. 60 (SC-60). KUFPEC is a wholly owned subsidiary of the national company Kuwait Petroleum Company (KPC) and its entry into eastern offshore Palawan is a significant development in proving this new playing ground for oil exploration in the country. On July 8, 2008, the SC – 60 Joint Operations, in a letter to the Department of Energy (DOE), elected to enter 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. On October 08, 2009 the DOE extended the second sub-phase to February 10, 2011. South China retains 15% interest in the block.

The DOE, in their letter to block operator Tap (Philippines) Pty Ltd extended SC-41 for its 10th and final contract year to run to May 10, 2010 and may be extended to May 2011. On July 19, 2008 Tap Oil along with the joint operation partners spudded the Lumba-Lumba-1/1A well. The well was drilled by the semi-submersible rig, Transocean Legend, down to a total depth of 2174 meters, approximately 830 meters short of the programmed total depth. Tap Oil plugged and abandoned the well on August 20, 2008 after the well had encountered numerous down-hole problems and was unable to make further progress. The well encountered no reservoir quality rocks but elevated gas readings were observed. The SC-41 group still believes that the block has the potential to host commercial hydrocarbons despite the momentary set back as Lumba-Lumba-1/1A well only tested one of the several different independent prospects in the block. Tap on behalf of the SC-41 group completed the reprocessing and inversion studies based of the Alpine 3D survey of the area. This will enable the group to delineate prospects for further exploration and farm-out. South China has 1.090% participating interest in this block.

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 DOE awarded Service Contract No. 71 to the group on April 1, 2009. South China has 15% participating interest in this block. The Service Contract has term of seven (7) years compartmentalized into five (5) phases. The group has the option to proceed or withdraw at the end of each phase.

BellTel was incorporated in August 1993 and was granted in 1994 by the Congress of the Philippines a franchise to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes.

BellTel, which targets the business and high-end residential markets, provides high-speed internet access, voice and data services to leading educational institutions, corporate clients and government institutions, through its multiple access technologies, namely, fixed wireless, cable, digital subscriber line (DSL), and satellite.

BellTel is currently in discussions with several potential strategic and equity investors for sale of 10% to 30% of its authorized capital stock of 20 million shares with par value of P100 per share. With the additional equity infusion, BellTel will be able to expand its network by increasing the equipped capabilities of its existing base stations where huge customer demands remain unmet and establishing nationwide coverage. For this planned expansion, BellTel will be using the latest broadband wireless access systems which are compliant with WIMAX standards in order to attain optimum reliability and spectral efficiency, improved capabilities and increased capacities. BellTel will likewise embark on a very aggressive and large scale advertising and marketing program to further enhance BellTel's corporate image and build brand awareness of its products.

BellTel's product offering and careful selection of its target markets contributed to the successful capture of close to 1,000 corporate accounts which include some of the largest domestic and multinational corporations, educational, financial and government institutions, as well as 25% of all industrial locators in the special economic zones of Cavite and Laguna. It recently launched residential and SOHO services, delivering bundled broadband internet, voice and video, which will be major contributors in building up the subscriber base.

The estimated recoverable amount of the investment in BellTel had been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the top management covering five-year period. As of December 31, 2009 and 2008, BellTel has projected profitable operations in the medium-term, indicating the realizability of the Company's investment in the associate.

South China's investment in the share of stock in BellTel is at 32.4%.

On December 18, 2009, the Company sold its 3,240,000 shares of capital stock of Bell Telecommunications Philippines, Inc. to Two Cassandra-CCI Conglomerates, Inc. at a selling price of ₱1,227,825,489.00.

Premiere Development Bank (Premiere Bank) was established as Pasay City Development Bank in 1960. Its present name was acquired in 1979. Premiere Bank offers savings and current account time deposits to its clients as well as a host of services including ATM services, loan and credit products and services, foreign currency deposits, trust operations, and acts as a payment and collection agent for various utility companies and GOCC's. Premiere Bank has 38 branches located in Metro Manila and the nearby provinces of Rizal, Laguna, Cavite, Batangas and Bulacan.

In 2006, the entry of a consortium led by The Rohatyn Group, a New York-based private investment firm specializing in emerging markets with US$ 2.0 Billion funds under management, and the Madrigal-Gonzalez family, infused fresh equity into Premiere Bank acquiring fifty percent (50%) ownership. The forged partnership between The Rohatyn Group led consortium and the Reyes family allows Premiere Bank to expand its small and medium enterprise lending operations and the consumer market. As a result, Premiere Bank ranks as the 5th largest capitalized thrift bank as of 2006 year end.

On September 30, 2007, the Company subscribed to 348,438 new shares of Premiere Development Bank at the subscription price of ₱34.844 million resulting to a new equity share of 4.81% as of yearend 2008 from 4.94% in yearend 2007.

The Company's Board of Directors approved the sale of its investment in the property situated in Makati City known as Pilipinas Plaza Building on September 13, 2007. The sale was consummated in January 23, 2008 for a gross selling price of ₱600Million.

Puyat Steel Corporation (PSC) is a world- class manufacturer of galvanized and pre-painted steel sheets and coils used in roofing and walling profiles and bended accessorial products. It was established in 1956 as a division of Gonzalo Puyat and Sons Inc. PSC set up the first galvanizing plant in the Philippines in answer to the need of the country for galvanized iron sheets to be used in construction, building and roofing materials. In 1998, PSC inaugurated in Rosario, Batangas, the Philippines' first ever state-of-the-art continuous galvanizing line utilizing the modern non-oxidizing furnace (NOF) technology putting the mill in a globally competitive stature. By the year 2000, PSC became the first NOF continuous galvanizing plant to be ISO 9002 certified.

The Company is in a favorable situation wherein its current cash position allows it to review other businesses wherein it may invest, including but not exclusive to opportunities in mining, energy projects and acquisition of petroleum areas either by farm-in or direct investment.

Item 3. RESULTS OF OPERATIONS & FINANCIAL POSITION

The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

RESULTS OF OPERATIONS
Financial Highlights
(in Philippine peso)

CALENDAR YEAR ENDED DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

PARTICULARS	12/31/2009	12/31/2008	% Change
Revenues	1,181,824,627	133,880,831	782.74 %
Expenses	100,227,994	121,233,782	(17.33) %
Income / (Loss) from Operations	1,081,596,633	12,647,049	8452.17 %
Equity in Net Income / (Losses) of Associates	(40,035,540)	100,222,956	(139.95) %
Foreign Exchange Loss	(5,439)	(13,294)	59.09 %
Income Tax	(159,582)	-	

CALENDAR YEAR ENDED DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

PARTICULARS	12/31/2008	12/31/2007	% Change
Revenues	133,880,831	45,238	295847.72%
Expenses	121,233,782	5,752,809	2007.38%
Income / (Loss) from Operations	12,647,049	(5,707,571)	321.58 %
Equity in Net Income / (Losses) of Associates	100,222,956	(43,187,664)	332.06 %
Foreign Exchange Loss	(13,294)	(3,159,271)	(99.58) %
Net Income / (Loss)	112,856,711	(52,054,506)	316.80 %

Total Revenues – total amount shows continues favorable increases for the year 2007,2008,2009

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008
Total Revenues generated for 2009 reached PHP 1.181 billion consisting of the following : (a) Gain on sale of the 32.40% (3,240,000 shares) ownership in BellTel to Two Cassandra-CCI Conglomerates, Inc. (TWCCI) for a total of PHP 1.171 billion net of capital gains tax of PHP 90 million. (b) Interest income from amounts owed by a related party, Puyat Steel Corporation (PSC) amounting to PHP 7.979 million and (c) Interest income on deposits and short-term placements with BPI, Metrobank & Premiere Bank totalling PHP 1.941 million.

DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007
A great leap of about 255,847.72% from 2007 to 2008 in revenue is due to the sale of investment property consisting of parcels of land (with an unfinished building) that was acquired in 1996. The company was the registered and beneficial owner of fifty percent (50%) of the property. The contract to sell and buy between the owners and Alphaland Corporation for a total amount of PHP1,200.00 million, the company's share was 50% thereof or PHP600.00 million. The deed of absolute sale was executed on January 23,2008. The sale of investment property in 2008 resulted in a gain of PHP 113.02 million net of related capital gains tax and documentary stamp tax.

Total Expenses – events showing changes in expenses for the year 2007,2008,2009.

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

There was a considerable decrease in Total Expenses incurred for 2009 amounting to PHP 100.227 million as compared to the PHP 121.233 million in 2008. Major expense items for 2009 were as follows: (a) taxes and licenses of PHP 91.290 million consisting mostly of the abovementioned PHP 90 million capital gains taxes related to the sale of 32.40% ownership of Belltel; (b) legal and professional fees of PHP 0.702 million; (c) travel and representation fees of PHP 1.374 million;(e) salaries and wages of PHP 2.707 million and (f) depreciation of PHP 2.528 million.

Given the above figures, income from operations for 2009 was PHP1.082 billion million which translates to an operating margin of 91.52%. Income from operation for 2009 was 85X of income from operation of 2008

DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

The increase in expenses for the year 2008 of PHP 121.233 million as compared to 2007 amount of PHP 5.752 million was ~~is~~ due to the following: a) capital gains tax for the sale of investment property as previously discussed and b) provision for impairment in deferred exploration cost amounting to PHP 62.846 million.

Given the above figures, income from operations for 2008 was 12.647 representing operating margin of 9.45%. Income from operation of 2008 is around 3.22X of 2007.

Equity in net earnings of associates – 139.95% decline of PHP 40.035 million from income of PHP 100.222 million for 2009 as against positive change for the year 2007- 2008 of 332.06%.

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

Other income and losses recognized during the year were as follows: (a) the equity shares in net loss of Bell Telecommunication Phils. Inc. (BellTel) amounting to PHP 40.35 million as well as (b) the equity share in net income of Premiere Bank amounting to PHP 0.314 million. The PHP 40.35 million equity share in net loss of Belltel was computed as follows-- the 32.40% share of the Company on Belltel's net loss for 2009 amounting to PHP 124.538 million.

An amount of PHP 0.314 million share in equity in net earnings of Premiere Bank for 2009 representing the 4.81% share of the Company signifies a favourable increase as compared to share in net loss of 2008 amounting to PHP 1.048 million.

DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

The company's investment in BellTel has been reduced to zero and accordingly the company has discontinued recognizing further equity in net losses of BellTel for 2007 in the amount of PHP 23.91 million. This unrecognized losses in 2007 was thereafter recognized in 2008 when Belltel posted net earnings of P386.355 million as a result of the reversal of interest and other charges of Belltel's loan to DBP which was fully settled in December 2008. Total equity recognized by the company for BellTel amounted to PHP101.27 after recognizing the previously unrecognized PHP23.91 million share of losses as of December 31,2007, computed as 32.40% of BellTel's net earnings as previously discussed less unrecognized losses for the past year.

Net Income – A substantial increase at the rate of 822.76% amounting PHP 1.041 billion for 2009 as compared to 2008 of PHP 112 million and 316.80% in 2008 for 2007 net loss of PHP 52.054 million.

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

Net income of the Company for the year end 2009 rose up to PHP 1.041 billion, a remarkable increment over the preceding year of PHP 112.856 million.

The great leap in the 2009 net income of the company arose from the sale transaction of 32.40% ownership shares in Belltel and the corresponding decrease in expenses of the company producing the double effect all favourable to the results of the operation. The Company has no earnings yet from commercial production pertaining to the oil exploration segment of the business hence there were no dividends declared for the period ended December 31, 2009.

DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

Net income of the company for year end 2008 was registered at PHP 112.856 million, a notable improvement from last year's net loss of PHP 52.054 million. The positive bottom line figure resulted in a 34% reduction for deficit on 2008 balance sheet from PHP 329.624 million in 2007 to PHP 216.764 million in 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 favourable or unfavourable impact on the results of the Company's liquidity or sales.

There are no significant elements of income or loss that did not rise 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.

FINANCIAL POSITION
Financial Highlights
(in Philippine peso)

CALENDAR YEAR ENDED DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

PARTICULARS	12/31/2009	12/31/2008	% Change
Current Assets	1,505,702,174	172,947,060	770.61 %
Noncurrent Assets	63,719,165	524,787,354	(87.86) %
TOTAL ASSETS	**1,569,421,339**	**697,734,414**	**124.93 %**
Current Liabilities	1,817,852	597,425	204.28 %
Noncurrent Liabilites	-	171,720,000	(100.00) %
Total Liabilities	**1,817,852**	**172,317,425**	**(98.95) %**
Equity	1,567,603,487	525,416,989	198.35 %
TOTAL LIABILITES & EQUITY	**1,569,421,339**	**697,734,414**	**124.93 %**

CALENDAR YEAR ENDED DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

PARTICULARS	12/31/2008	12/31/2007	% Change
Current Assets	172,947,060	538,621,464	(67.89) %
Noncurrent Assets	524,787,354	120,208,603	336.56
TOTAL ASSETS	**697,734,414**	**658,830,067**	**5.91 %**
Current Liabilities	597,425	73,501,201	(99.19) %
Noncurrent Liabilites	171,720,000	171,720,000	0.00
Total Liabilities	**172,317,425**	**245,221,201**	**(29.73) %**
Equity	525,416,989	413,608,866	27.03 %
TOTAL LIABILITES & EQUITY	**697,734,414**	**658,830,067**	**5.91 %**

The following circumstances reflect the Current asset change (67.89%) from 2007 - 2008 and 770.61% change for the year 2008- 2009:

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

The cash and cash equivalent of PHP 1.434 billion for 2009 climbed up to 14 times against the 2008 PHP 92.829 million due to the sale of 32.40% shareholdings of the Company from Belltel to TWCCI. The total amount of PHP 1.334 billion from the proceeds of the sale was invested in a short term placement earning considerable amount of interest.

A corresponding decrease in accounts receivable from PHP 78.985 million for 2008 to PHP 70.182 million for 2009 was due to the collection of accrued interest outstanding as of the beginning of the year and the partial payment of Puyat Steel Corp. of its advances from the company. Puyat Steel made a total of PHP 95 million advances with settlement of PHP 100 million during the year leaving PHP 70 million as outstanding advances as of the end of 2009.

The increase of 19% for 2009 vis-à-vis 2008 in prepayments and other current asset was due to increase in input taxes, medical benefits, insurance, dues and supplies inventories during the year.

DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

The cash and cash equivalent for 2008 also exhibited an increase of 82.33% as compared to 2007 due to the sale of investment property to Alphaland Corporation.

A decrease in current asset of 67.89% for the period 2008 to 2007 was due to the consummated sale of property classified under current assets as property held for sale to Alphaland Corporation. The decrease in current assets brought about 336.56% increases in non current assets due to the advances made to associates from the proceeds of the sale.

The BOD 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 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 of the Company of finished goods inventories and all receivables and proceeds of post-dated checks issued arising from the sale of the finished products. The funding facility is renewable on a yearly basis. Under this arrangement, the Company receives a guaranteed return on investment (ROI) of at least 8% per annum.

The accounts receivable posted an increase of 1003.34 xs from PHP0.078 million of 2007 to PHP 78.98 million as of 2008 due to the PHP 75 million owed by related party, Puyat Steel Corp. inclusive accrued interest of PHP 3.949 million.

The increase of 75% for 2008 visa-vis 2007 in prepayments and other current asset was due to increase in input taxes, medical benefits, insurance, dues and supplies inventories during the year.

Events reflecting changes in non-current asset for the year 2007,2008 and 2009

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

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 BellTel and the corresponding share in net loss as previously discussed recognized 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. The aforementioned events constitute the 93.16% decrease from PHP 492.394 million to PHP 33.698 million in Investment in and Advances to Associates.

Available for Sale (AFS) Investments 0.29% decrease from PHP 6.792 million to PHP 6.772 million due to the increase in market value of listed shares namely Petron & Aboitiz Equity ventures and the recognition of impairment loss on unlisted shares of Malarayat Golf and country club. There is no increase in the recognized allowance for impairment on unlisted shares of Southwest Resources Inc. due to possible increase in valuation for the next coming twelve months.

The decrease in property plant and equipment represent provisions for depreciation for the year 2008 to 2009.

DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

Deferred Exploration Costs declined by 80.81% from PHP 77.606 million in 2007 to merely PHP 14.891 million in 2008 due to the provision of additional allowance for impairment losses amounting to PHP 62.846 million broken down as follows: GSEC 83- PHP 38.333 million and GSEC 96 - PHP 24.512 million. The amount of total allowance in 2008 reached PHP 75.464 million as there was an existing allowance provided in the previous years amounting to PHP 12.618 million.

The investment and advances to associates has made a 14.21x increase from 2007 to 2008 due to the following reasons: a) equity in net earnings of associates for PHP 100.269 million and b) advances to BellTel for PHP 362.807 million.

Property and equipment registered a considerable increase from PHP 162,490 in 2007 to PHP 10.708 million on account of the purchase of additional vehicle during the year.

Noncurrent assets rose from PHP 120.213 million in 2007 to PHP 525.08 million in 2008 due to the abovementioned increases in the levels of Investments & advances in associates and Property and equipment.

Total Liabilities 98.95% decrease from PHP 172.317 million to PHP 1.817 million for 2008 – 2009 is due to the following:

Current Liabilities 204% increase from PHP 0.597 million to PHP 1.817 million due to the recognition of output taxes for the current period

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

Total Liabilities 29.73% decrease from PHP 245.221 million to PHP 172.317 million for 2007 – 2008 is due to the following:

Full settlement of PHP 12.912 million advances from officers as well as the reversal entry made for the PHP 60 million initial deposit made by Alphaland Corporation as a necessary consequence of the consummation of the sale transaction in 2008.

Total change in the equity portion for increase of 198.35% from PHP 525.416 million to PHP 1.567 billion for the year 2008 – 2009:

Increase in the total amount of issued shares from PHP 588.879 million to PHP 589.509 million due to the full payment of subscribed shares amounting to PHP 0.630 million.

The increase in the valuation of available for sale investment was due to the increment in the market value of owned listed shares of Petron Corp and Aboitiz Equity Ventures at net increase of 0.229 million and 0.020 million respectively.

The outstanding growth in the net income of the company substantially contributed to the remarkable change in equity section. The 2008 accumulated deficit of PHP 261.767 million was eliminated for the year 2009 and retained earnings balances stood at a balance of PHP 824.628 million due to net income after tax of PHP 1.041 billion.

A board resolution was unanimously adopted on April 7, 2010 for the appropriation of retained earnings amounting to PHP 500 million for the corporation's investment in future business expansion.

Total change in the equity portion for increase of 27.03% from PHP 413.608 million to PHP 525.416 million for the year 2007 – 2008:

Share capital or issued shares increased by PHP 0.130 million from PHP 588.749 million to PHP 588.879 million due to the issuance of additional shares to fully paid subscribers thereby decreasing the subscribed shares by the same amount. Subscriptions receivable in 2008 decreased by PHP 97,500 from PHP 238,357,500 in 2007 to PHP 238,260,000 in 2008 due to the payment of the 75% balance of some stockholders.

There was no change in Share Premium or Additional Paid in capital during the year. This account remained at PHP 72.272 million.

The Company recognized during the year Unrealized gains on AFS investments amounting to PHP 1.874 million representing recoveries on the market value of shares of stocks during the year. This level however was lower than the 2007 level of PHP 2.571 million.

Total equity level for 2008 increased from PHP 413.608 million to PHP 525.704 million during the year by 27.10% mainly due to the 34% reduction in deficits during the year as previously discussed.

KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the years ended December 31, 2009, 2008 and 2007:

CALENDAR YEAR ENDED DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

KEY FINANCIAL RATIOS	12/31/2009	12/31/2008
Revenue Growth/ (Decline)	782.74 %	295847.72 %
Net Income Growth/ (Decline)	832.51 %	323.28 %
EBITDA	Php 1,084,125,440.00	Php 14,456,631.00
Return on Equity	66.45%	21.26%
Return on Assets	66.38%	16.01%
Current Ratio (in x)	828.29 x	289.49 x
Debt-to-equity ratio (in x)	0.0012 x	0.3280 x

CALENDAR YEAR ENDED DECEMBER 31, 2008 VS CY ENDED DECEMBER 31, 2007

KEY FINANCIAL RATIOS	12/31/2008	12/31/2007
Revenue Growth/ (Decline)	295847.72 %	(99.26) %
Net Income Growth/ (Decline)	323.28 %	33.38%
EBITDA	Php 14,456,631.00	NA
Return on Equity	21.26%	NA
Return on Assets	16.01%	NA
Current Ratio (in x)	289.49 x	7.33 x

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

For the year 2009, there was an improvement in net income growth rates as against the Company's 2008 levels as evidenced by the above figures. Profitability was also measured by ROE and ROA reaching 66.45% and 66.38% respectively with a noticeable difference from the previous period.

The Company posted a very high liquidity ratio of 828.29x in 2009 versus the 289.49 x in 2008. This was due to the astounding increase in cash and cash equivalents brought about by the investment to short term market placements of the whole net proceed of sale of shares in Belltel as previously discussed.

The company exhibits an outstanding leverage ratio for the year 2009 which means that it can finance its own operation without using outside financing source.

Earnings before income tax,depreciation and amortization (EBITDA) for 2009 was at PHP 1.084 billion.

DECEMBER 31, 2009 VS CY ENDED DECEMBER 31, 2008

For the year 2008, there was a marked improvement in both revenue and net income growth rates as against the Company's 2007 levels as evidenced by the above figures. Profitability was also measured by ROE and ROA reaching 21.44% and 16.14% respectively.

The Company posted a high liquidity ratio of 289.48 xs in 2008 vis-a-vis the 7.33 x in 2007. This was due to the increases in cash and cash equivalents by 82% brought about by the sale of investment property to Alphaland Corporation as well as the new interest-bearing investments made by the Company in Puyat Steel Corporation.

In both years, the Company's leverage ratios were at low but favourable levels.

Earnings before income tax depreciation and amortization (EBITDA) for 2008 was at PHP 14.456 million.

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

Key Financial Ratios	**Formula**
Revenue Growth	Total Revenues (current period) - Total Revenues (prior period)/ Total Revenues Prior Period
Net Income Growth	Net Income (current period)-Net Income (prior period) / 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

- **PROSPECTS FOR THE FUTURE**

The outlook for South China in the coming years is very optimistic. We expect to drill a well in SC-60, and if a discovery is made then it shall open up a new playground for oil exploration in the country. Other investments all the more look very promising and are discussed below.

(1) Prospects for Oil and Gas Exploration Investments

SC-41 Offshore Sulu Sea Sandakan Basin

SC-41 will run its tenth contract year to May 10, 2010 unless extended by the DOE. For Service Contract Year #10 (SCY 10), the operator, Tap Oil Ltd., completed the reprocessing of the Alpine 3D seismic data and consequent inversion studies for the re-interpretation and prospect modeling. This enables the group to delineate prospects for further exploration and farm-out. In the event a prospect is determined to be highly prospective then the SC-41 joint group will apply for an extension of SCY10 to May 10, 2011. South China has 1.090% paying participating interest in this block. If a well is committed by the group then South China will pay its pro-rata share of the well costs. Such wells range upwards in cost from $40 million.

SC-60 (GSEC-99 Offshore NE Palawan)

The joint group of South China, Shell Philippines Exploration B.V. and Kuwait Foreign Petroleum Co. ksc. entered the second sub-phase of SC-60 in July 8, 2008. The objective is to continue and further the exploration of the block with a commitment to drill one well during the sub-phase. Cutting edge technologies were used to delineate the prospect. The first well will be called the Silangan-1 well and will be the first deep water drilled in the area. South China is carried for this first well and is expected to be drilled in the second to third quarter of 2010.

On October 08, 2009 the DOE extended the second sub-phase to February 10, 2011. After this period the Joint group may at its option continue with the work program and enter a third sub-phase and commit to drill another well until February 2012. A fourth sub-phase with a commitment to drill will continue the term of the SC until February 2013. If petroleum is discovered during any sub-phase, the joint group may opt for an appraisal program to determine its commerciality. Petroleum declared commercial will then be set for development and eventual production.

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

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

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 DOE awarded Service Contract No. 71 to the group on April 1, 2009. The Service Contract has term of seven (7) years compartmentalized into five (5) phases. The group has the option to proceed or withdraw at the end of each phase. The joint group embarked on a comprehensive seismic reprocessing of over 3000 line kms of 2D seismic data over the area for the first sub-phase of work which has been extended to April 1, 2011 as per advice by Pitkin. The second sub-phase will entail acquisition, processing and interpretation of a minimum 750 line kms of 2D seismic. South China has 15% participating interest and is carried on the first phase of the SC but will be a paying partner on the second and succeeding phases.

(2) Prospects for Other Energy and Mineral Resources

The implementing rules and regulations for renewable energy resources were released in 2009. South China eagerly awaits the announcement for the feed-in tariffs for energy renewables, which is expected to be in the second quarter of 2010. The Company plans to secure investment opportunities, either on its own or through joint ventures, in various energy resources, covering the range of geothermal, hydropower and solar energies.

The Company's focus on conventional energy resources will still be maintained, as it explores entry into opportunities in other oil exploration areas as well as that in coal resources.

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.

(3) Prospects for Bell Telecommunication Phils., Inc.

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 ₱1,227,825,489.00.

(4) Prospects for Premiere Bank

For 2010, the Bank's major goals are as follows: (a) continue to aggressively expand its consumer loans and SME finance portfolio; (b) sustain the program started in 2008 to strengthen its distribution system through the renovation and strategic relocation of its branches; and (3) stepped –up customer acquisition programme via competitive products, quick turnaround times and structured sales activities for the Bank's frontliners.

These thrusts are consistent with the new business model of Premiere Bank that was launched in 2007 and which is anchored on the fundamental principles of improving the Bank's value proposition to its customers and differentiating the bank via its services and needs driven products.

- **Key variable and other qualitative and quantitative factors:**

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 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.

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 December 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 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 material changes for this year in comparison with the prior year-end based on line items in the comparative financial statements as of December 31, 2009 and 2008 are summarized as follows:

In Million Pesos	**2009**	**2008**	Change Increase / (Decrease)	% Change
Balance Sheet				
Cash and cash equivalents	1,434.172	92.829	1,341.34	1444.96%
Accounts receivable	70.183	78.985	(8.80)	(11.14) %
Prepayments and other current assets	1.348	1.133	0.22	18.98%
Investment in and Advances to Associates	33.699	492.395	(458.70)	(93.16) %
Property and equipment - net	8.286	10.709	(2.42)	(22.63) %
Accounts Payable & accrued Expenses	1.818	0.597	1.22	204.52%
Subscription Payable		171.720	(171.72)	(100.00) %
Share in unrealized gains (Loss) on AFS investments	(0.126)	0.188	(0.31)	(167.15) %
Retained Earnings (Deficit)	824.628	(216.768)	1,041.40	480.42%
TOTAL ASSETS	1,569.421	697.734	871.69	124.93%
TOTAL LIABILITIES	1.817	172.317	(170.50)	(98.95) %
Total Current Assets	1,505.702	172.947	1,332.76	770.61%
Current Ratio	749.376	2,149.090	(1,399.71)	(65.13) %
Income Statement				
Revenues	1,181.824	133.881	1,047.94	782.74%
Expenses	100.228	121.234	(21.01)	(17.33) %
Equity in Net Income/(Losses) of Associates	(40.035)	100.223	(140.26)	(139.95) %
Net Income	1,041.714	111.711	930.00	832.51%

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

There are no significant elements of income or loss that did not rise 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.

Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for available-for-sale (AFS) investments, which are carried at fair value. The financial statements are presented in Philippine pesos which is the Company's functional currency.

Statement of Compliance
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2009, and amendment to existing standards that became effective on January 1, 2009.

- Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*, effective January 1, 2009
  The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one (1) single statement, or in two (2) linked statements.

  The Company has elected to present a single statement to present items of recognized income and expense in the statement of comprehensive income and to change the title of the balance sheet to statement of financial position.

- PFRS 7 Amendments - *Improving Disclosures about Financial Instruments*, effective January 1, 2009
  The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 15. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 15.

Adoption of the following new, revised and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS did not have any significant impact to the Company.

New and Revised Standards and Interpretations

- PAS 23, *Borrowing Costs (Revised)*
- PFRS 8, *Operating Segments*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*

Amendments to Standards and Interpretations

- PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- PFRS 1, *First-time Adoption of PFRS*, and PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, and PAS 39, *Financial Instruments: Recognition and Measurement - Embedded Derivatives*

Improvements to PFRS issued in 2008

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 19, *Employee Benefits*
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
- PAS 23, *Borrowing Costs*
- PAS 28, *Investments in Associates*
- PAS 29, *Financial Reporting in Hyperinflationary Economies*
- PAS 31, *Interests in Joint Ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Property*
- PAS 41, *Agriculture*

Improvement to PFRS issued in 2009

PAS 18, *Revenue*: adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

<u>New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to 2009</u>

The Company will adopt the following standards, amendments and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective in 2010

Revised PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended)

The revised standards are effective for annual periods beginning on or after July 1, 2009.

PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.

Amendment to PFRS 2, *Share-Based Payments - Group Cash-settled Share-based Payment Transactions*

The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company as the Company has not entered into any such share-based payment transactions.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

The amendment to PAS 39, *Financial Instruments: Recognition and Measurement,* effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*

This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Company does not expect the Interpretation to have an impact on the financial statements as the Company has not made non-cash distributions to shareholders in the past.

Improvements to PFRS Effective 2010

The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods financial years January 1, 2010 except otherwise stated. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- PFRS 2, *Share-based Payment*: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets:* clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*: clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract;

  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and

  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Effective in 2012

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*

This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest Income

Interest income is recognized as it accrues using the effective interest rate.

Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, which is upon declaration.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Operating expenses, such as personnel, utilities and telecommunication are generally recognized when the services are used or the expense arises while interest expenses, if applicable are accrued in the appropriate period. General and administrative expenses are expenses incurred in the direction and general administration of day-to-day operation of the Company and are generally recognized when the service is used of the expense arises.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

Financial Instruments

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39, *Financial Instruments: Recognition and Measurement*, are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS investments. The Company's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2009 and 2008, the Company has no outstanding financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Company's financial liabilities are of the nature of other financial liabilities.

(a) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL. This accounting policy relates to the Company's "Cash and cash equivalents" and "Accounts receivable" which arise primarily from interest and other types of receivables.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in "Interest income" account in the statement of comprehensive income.

The losses arising from impairment of receivables are recognized in the statement of comprehensive income.

The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets Carried at Amortized Cost).

(b) AFS investments

AFS investments are those non-derivative financial assets that are designated as AFS or are not classified as financial assets at FVPL, HTM investments and loans and receivables. After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously included in equity are included in the statement of comprehensive income. Dividends on an available-for-sale equity instrument are recognized in the statement of comprehensive income when the entity's right to receive payment is established.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and option pricing models.

The change in the fair value of the AFS investments is recorded as "Unrealized valuation gains on available-for-sale investments" in the equity section of the statement of financial position.

(c) Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in foreign exchange (losses) gains in the statement of comprehensive income.

This accounting policy applies primarily to the Company's "Accounts payable and accrued expenses", "Subscriptions payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derivative Financial Instruments

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

1. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;

2. a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and

3. the hybrid or combined instrument is not recognized at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. As of December 31, 2009 and 2008, the Company has no bifurcated embedded derivatives.

Day 1 Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Impairment of Financial Assets Carried at Amortized Cost

The Company assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not

individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset
is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.
If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

1. the rights to receive cash flows from the asset have expired;

2. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

3. the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT is presented as current asset and will be used to offset against the Company's current output VAT liabilities. Any excess which are being claimed as tax credits is presented as part of "Prepayments and other current assets" in the statement of financial position. Input VAT is stated at its estimated net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

Category	Number of Years
Transportation equipment	5
Office furniture and equipment	5
Leasehold improvements	5

The useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of office equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Property and Equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.

The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Investments in Associates

Associates are entities in which the Company has significant influence and which are neither subsidiaries nor joint ventures of the Company.

The Company's investments in associates are accounted for under the equity method of accounting and are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value. The statement of comprehensive income reflects the Company's share of the net income/losses of the associates.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortized. Where there has been a change recognized directly in equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate.
After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the
Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever there are indicators that the investment may be impaired. In determining the value in use of the investment, the Company estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Deferred Exploration Costs

Deferred exploration costs are accounted for using the full cost method determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. When the SC is permanently abandoned or the Company has withdrawn from the consortium, the related deferred exploration costs are provided with valuation allowance or written-off. An SC is considered permanently abandoned if the SC has expired and/or there are no definite plans for further exploration and/or development.

Common Stock

The Company has issued common stocks that are classified as equity. Incremental costs directly attributable to the issue of new common stocks are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's common stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Additional paid-in capital
Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the stockholders.

Retained Earnings (Deficit)
The amount included in retained earnings (deficit) includes profit (loss) attributable to the Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Company's stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Retirement Benefit Costs
The Company provides for the estimated retirement costs required to be paid under Republic Act (RA) No. 7641 to qualifying employees. Under SFAS No. 24, *Retirement Benefits Costs*, the cost of defined retirement benefits, including those mandated under RA No. 7641, should be determined using an accrued benefit valuation method or a projected benefit valuation method.

Income Taxes
Current income tax
Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the Company's statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Philippine peso using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and settlement date or reporting date are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases

Operating leases represent those leases which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Operating lease payments under an operating lease are recognized in the statement of comprehensive income on a straight-line basis over the lease term of the lessee.

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted earnings per share is computed by dividing net income for the year (after deducting interest on convertible preferred shares) by the weighted average number of shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all dilutive potential common shares into common shares.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Segment Reporting

The Company, which is operating in only one business segment, has an associate engaged in financial services. The Company and its associate have no geographical segments as they were incorporated and are operating within the Philippines. Financial information regarding the associate as of and for the years ended December 31, 2009 and 2008 are presented in Note 9.

Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the financial statements.

Events After the Reporting Date

Post year-end events that provide additional information about the Company’s position at the reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Item 4. RESULTS AND PLANS OF OPERATIONS

SC-41 Offshore Sulu Sea Sandakan Basin

SC-41 is on its tenth contract year which 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) was completed with the reprocessing of the Alpine 3D seismic data along consequent inversion studies and re-interpretation and prospect modelling. In the event a prospect is determined to be drillable prior to May 10, 2010, 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 this sub-phase.

Cutting edge technologies were used to delineate the prospect. The first well will be called the Silangan-1 well and will be the first deep water drilled in the area. The second sub-phase was extended by the DOE to February 10, 2011. This extension will allow the SC60 JV partners sufficient time to commence and complete the drilling of the exploration well due to delays attributed to mechanical difficulties on the drillship Frontier Phoenix. The well is expected to be drilled in the second to third quarter of 2010.

The Joint group may at its option continue with the work program and enter a third sub-phase and commit to drill another well until February 2012. A fourth sub-phase with a commitment to drill will continue the term of the SC until February 2013. If petroleum is discovered during any sub-phase, the joint group may opt for an appraisal program to determine its commerciality. Petroleum declared commercial will then be set for development and eventual production.

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

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

On 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. The operator is currently conducting geological and geophysical assessment of the block as well as copying and seismic reprocessing of over 3000 km of vintage data. South China has 15% participating interest and is carried on the first phase of the SC work which has been extended to April 1, 2011 as per advice by Pitkin.

Entry into the second sub-phase will entail commitment to acquire at least 750 line km of 2D seismic. South China will be paying its pro-rata share for its 15% participating interest starting in the second sub-phase.

Other Energy and Mineral Resources

The implementing rules and regulations for renewable energy resources were released in 2009. South China eagerly awaits the announcement for the feed-in tariffs for energy renewables, which is expected to be in the second quarter of 2010. The Company plans to secure investment opportunities, either on its own or through joint ventures, in various energy resources, covering the range of geothermal, hydropower and solar energies.

The Company's focus on conventional energy resources will still be maintained, as it explores entry into opportunities in other oil exploration areas as well as that in coal resources.

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.

Item 5. BUSINESS

The Company was incorporated and registered with the SEC on September 25, 1992 primarily to undertake oil and gas exploration, development and production. Starting in 1995, South China opted to strengthen its core business by diversifying into investments in banking and telecommunications.

The Securities and Exchange Commission (SEC) on October 30, 2003 approved the amendment of the Company's Articles of Incorporation so as to change the primary purpose thereof to that of a holding company and to include its then existing primary purpose of oil exploration as among the secondary purposes of the Company, the latter has continued to maintain its oil exploration assets and activities until the Company is able to spin-off the same to a wholly owned subsidiary to be established by the Company.

Since its incorporation, the Company has been actively involved in the review and exploration of the different sedimentary basins in the Philippines. The participating interests in the exploration areas of the Company are as follows:

Area	Interest	Expiry/Expected Expiry
1. SC-41 Sulu Sea	- 1.09%	May 10, 2010/2011
2. SC-60/GSEC-99 NE Palawan	- 15.00%	January 26, 2013
3. SC-71/Area 4 Offshore Cuyo	- 15.00%	April 1, 2016

South China continues to be a significant player in oil exploration in the country. The Company operates prudently by reducing upfront costs in frontier exploration. South China has proven that the exploration strategy and the technical concepts using data driven models are effective in opening up frontier areas like Northeast Palawan. On January 27, 2006, in joint agreement, the South China and SPEX (Shell Philippines Exploration B. V.) together with KUFPEC (Kuwait Foreign Petroleum Co. ksc) signed with the Department of Energy (DOE), Service Contract No. 60 (SC-60). KUFPEC is a wholly owned subsidiary of the national company Kuwait Petroleum Company (KPC) and its entry into eastern offshore Palawan is a significant development in proving this new playing ground for oil exploration in the country. On July 8, 2008, the SC – 60 Joint Operations, in a letter to the Department of Energy (DOE), elected to enter 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. On October 08, 2009 the DOE extended the second sub-phase to February 10, 2011. South China retains 15% interest in the block.

The DOE, in their letter to block operator Tap (Philippines) Pty Ltd extended SC-41 for its 10th and final contract year to run to May 10, 2010 and may be extended to May 2011. On July 19, 2008 Tap Oil along with the joint operation partners spudded the Lumba-Lumba-1/1A well. The well was drilled by the semi-submersible rig, Transocean Legend, down to a total depth of 2174 meters, approximately 830 meters short of the programmed total depth. Tap Oil plugged and abandoned the well on August 20, 2008 after the well had encountered numerous down-hole problems and was unable to make further progress. The well encountered no reservoir quality rocks but elevated gas readings were observed. The SC-41 group still believes that the block has the potential to host commercial hydrocarbons despite the momentary set back as Lumba-Lumba-1/1A well only tested one of the several different independent prospects in the block. Tap on behalf of the SC-41 group completed the reprocessing and inversion studies based of the Alpine 3D survey of the area. This will enable the group to delineate prospects for further exploration and farm-out. South China has 1.090% participating interest in this block.

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 DOE awarded Service Contract No. 71 to the group on April 1, 2009. South China has 15% participating interest in this block. The Service Contract has term of seven (7) years compartmentalized into five (5) phases. The group has the option to proceed or withdraw at the end of each phase.

Oil exploration is a high risk, high reward endeavor which the company is actively involved in. The Company primarily explores in frontier areas where data constraints and costs are relatively lower as against areas that have had substantial exploration consideration. The Company is considered one of the most active players in local oil exploration and is involved in several exploration areas.

The Company is, at present, still engaged only in oil exploration and has not realized any production or sale of any crude oil or gas yet. Exploration is done through a Service Contract (SC), which is contracted from government through the Department of Energy (DOE). Under the Service Contract, the Contractor (in this case, the Company) undertakes to furnish the necessary services, technology and financing of the exploration and assumes all exploration risks. Before any contract is awarded by the DOE, a company is assessed that it has the financial resources, technical competence and professional skills to carry out its operations.

Government regulations that govern oil exploration are considered to be stable and have been in force for the last decade.

In order to minimize risk in the exploration of an area, local exploration companies usually form consortiums or partnerships with other companies specially when undertaking full exploration operations. Environmental considerations are taken into account only when there is a drilling activity as required by the DOE, to which costs for environmental studies and compliance thereto are built-in in the drilling costs.

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 ₱1,227,825,489.00.

Principal products or services and their distribution; competition in the industry; sourcing of raw materials and principal suppliers; dependence on one or few customers; transactions with and/or related parties; and patents, trademarks, licenses, franchises, concessions, royalty agreement, or labor contracts are not applicable with the registrant at this time.

The Company has no subsidiaries for the year ended 2009. Please refer to Note 9 of the Financial Statement for information on the business of its associates, Bell Telecommunication Philippines, Inc. (Bell Tel) and Premiere Development Bank (PDB).

The Company does not expect any significant changes in its number of employees. Presently, the Company has a total of seven (7) employees, all working full-time, one (1) Chairman, one (1) Vice-President for Operations, one (1) Vice-President for Finance, one (1) Accountant , one (1) Accounting Supervisor, one (1) Investor Relations Officer and one (1) Messenger. The Company has no Collective Bargaining Agreements (CBA).

Since the company has only seven (7) employees, it is not legally required to establish a formal retirement plan for its employees because under Republic Act No. 7641, a company is required to set up a retirement plan if it has ten (10) or more employees.

Item 6. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

The Principal Market where the Issuer's common equity is traded is in the Philippine Stock Exchange.

As of the trading date, April 30, 2010, the high price is 2.75 and low price is 2.7. The Corporation has no securities to be issued in connection with an acquisition, business combination or other re-organization. Furthermore, the following are the high and low sales prices for each quarter within the last two years (2009 and 2008) and the first quarter of the current year 2010.

Stock Prices

2010	**High**	**Low**
First Quarter	2.6833	2.2600
2009	**High**	**Low**
First Quarter	1.0500	0.8333
Second Quarter	1.5200	1.1400
Third Quarter	1.9733	1.7333
Fourth Quarter	2.1066	1.6866
2008	**High**	**Low**
First Quarter	1.8000	1.3400
Second Quarter	1.5266	1.3400
Third Quarter	1.4133	1.2733
Fourth Quarter	0.7166	0.6000

(2) Holders

The number of shareholders of record as of March 31, 2010 was 421. Common shares issued and subscribed as of March 31, 2010 were 906,559,568.

Top Twenty (20) Stockholders
As of March 31, 2010

No.	NAME OF STOCKHOLDERS	NUMBER OF SHARES HELD	% OWNED
1.	Edgardo P. Reyes	231,853,123	25.5751%
2.	Wilfrido P. Reyes	231,853,123	25.5751%
3.	Belen R. Castro	231,353,122	25.5199%
4.	PCD Nominee Corporation (Filipino)	147,314,434	16.2498%
5.	PCD Nominee Corporation (Non-Filipino)	13,891,566	1.5323%
6.	Kho Giok En	5,513,000	0.6081%
7.	The Philodrill Corp.	3,200,000	0.3530%
8.	Ramesh Amarnani	2,000,000	0.2206%
9.	R. Coyiuto Securities, Inc.	1,925,000	0.2123%
10.	Gilbert Liu	1,000,000	0.1103%
11.	Jose Mari R. Moraza	1,000,000	0.1103%
12.	Michael Escaler	630,000	0.0695%
13.	Ma. Georgina V. Perez	610,000	0.0673%
14.	Remedios J. Manguiat	580,000	0.0640%
15.	Mandarin Securities Corp.	561,000	0.0619%
16.	Benito T. Dela Cruz	520,000	0.0574%
17.	Jaime M. Blanco, Jr.	500,100	0.0552%
18.	Loreto Cabanes	500,000	0.0552%
19.	Rojas Chua	500,000	0.0552%
20.	Joseph Estrada	500,000	0.0552%
	TOTAL	**875,804468**	**96.6075%**

The effect of any transaction on the amount and percentage of present holdings of the registrant's common equity owned beneficially by (i) more than five percent (5%) beneficial owner of the registrant's common equity; (ii) each director and nominee; and (iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares, cannot yet be determined as the Company is still in the process of getting approval on the proposal to spin-off the Corporation's oil exploration assets and activities to a wholly owned subsidiary to be established.

(3) Dividends

The Company has no earnings yet from commercial production. The restriction that limits the Company to pay dividends on common equity is its inability to accumulate retained earnings. Therefore, there were no dividends declared for the two (2) most recent years ended December 31, 2009 and 2008.

(4) Recent Sale of Unregistered or Exempt Securities

There had been no sale of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction by the Company in the last three years.

Item 7. CORPORATE GOVERNANCE

An evaluation system is being set in place in relation to the provisions of the Manual on Corporate Governance to measure the level of compliance by directors and top management.

The Company adopts the Corporate Governance Survey and Scorecard in accordance to SEC Memorandum Circular No. 12 Series of 2009 to identify areas where there are deficiencies, if any.

The Company believes there is partial compliance with regard to directors having to attend the Corporate Governance seminars under the Bankers Institute of the Philippines as directed by the Bangko Sentral ng Pilipinas. The Company has taken steps to enroll the directors with institutional providers accredited by the SEC.

In accordance with SEC Memorandum Circular No. 6 Series of 2009, the Company believes that the current corporate governance of the Company is sufficient to address its needs.

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

SEC-CFD
5-5-10
43914

05 May 2010

Hon. Justina F. Callangan
Corporate Finance Department
Securities & Exchange Commission
SEC Bldg., EDSA, Greenhills
Mandaluyong City

Dear Hon. Callangan:

This is with regard to the Company's 2010 Definitive Information Statement (SEC Form 20-IS) set to be distributed on 06 May 2010. Inasmuch as the Company's First Quarter Interim Financial Statement cannot be completed on that same date due to the unavailability of the Interim Financial Statements of the investee company, in which the Company's investment is accounted for using the equity method, the Company hereby undertakes that during our Annual Stockholders' Meeting, to be held on 28 May 2010, to distribute to stockholders our 2010 First Quarter Report (SEC Form 17-Q).

We thank the Commission for its understanding and favorable consideration on this matter.

Truly yours,

DAVID R. BALADAD
Corporate Information Officer/
VP – Operations