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

April 24, 2009

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

Attention: **Mr. NOEL B. DEL CASTILLO**
OIC, Disclosure Department

Gentlemen:

Please find herewith Annual Report (on SEC Form 17-A) for year ended December 31, 2008 of South China Resources, Inc.

We hope that you may find the above in order. Thank you very much.

Yours faithfully,

DAVID R. BALADAD
Corporate Information Officer/
VP – Operations

SEC Number : ASO92-06441
File Number : __________

SOUTH CHINA RESOURCES, INC.

(**Company's Full Name)**

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

(**Company's Address)**

(632) 812-2383 / 892-2049

(Telephone Number)

December 31

(Fiscal Year - Month & Day)

17-A/AFS

(Form Type)

Not Applicable

Amendment Designation (if applicable)

December 31, 2008

(Reporting Period/Period Ended Date)

Corporation Finance Department

(Department in SEC requiring this report)

450

(Total Number of Stockholders as of December 31, 2008)

Not Applicable

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2008**

2. SEC Identification Number **ASO92-06441** 3. BIR Tax Identification No. **001-945-016**

4. Exact name of issuer as specified in its charter **SOUTH CHINA RESOURCES, INC.**

5. **Not Applicable**
   Province, Country or other jurisdiction of Incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City** **1200**
   Address of principal office Postal Code

8. **(632) 812-2383 / 892-2049**
   Issuer's telephone number, including area code

9. **12/F Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City**
   Former name, former address and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

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

    Yes [√] No [ ]

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates is **₱227,286,108.00** as of **April 8, 2009.**

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. 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
2. SC-60/GSEC-99 NE Palawan	- 15.00%	January 26, 2013

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). This converted Geophysical Survey and Exploration Contract NO. 99 (GSEC-99) into an SC. 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. A significant 500 sq-km 3D program was shot without any untoward incident in mid-2007 focusing on areas high graded by the previous 2D survey. In a letter sent by SPEX to the Department of Energy last July 8, 2008, the SC – 60 Joint Operations 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. The second sub-phase is valid until February 10, 2010. South China retains 15% interest in the block.

The DOE, in their letter to block operator Tap (Philippines) Pty Ltd dated 23 January 2007, approved the extension of Contract Year 9 to May 10, 2008. As a consequence of such extension, Contract Year 10 commenced on May 10, 2008. Tap Oil, on behalf of the Joint Operation, applied with the DOE for the approval for an extension of the term of the SC for a further two years. SC-41 for its 10^{th} and final contract year will run to May 10, 2010 and may be extended to May 2011 upon commitment to drill another well. The minimum work commitments for contract years 9 and 10 were: a) acquisition of 300 sq km of 3D seismic; b) relinquishment of 25% of the contract area and the drilling of one (1) exploration well. 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 continues the reprocessing and inversion studies based on the Alpine 3D survey of the area. This will enable the group to delineate which prospects will be considered for further exploration. South China has 1.090%

participating interest in this block.

Even as its exploration activities are currently within the two above-mentioned blocks, South China continues to pursue its interest in other areas like the Offshore Cuyo Platform, East Palawan and NW Palawan 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 Service Contract for the block has yet to be awarded and signed by the DOE with the group.

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.

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 2008. Please refer to Note 8, pages 30 to 35 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 six (6) employees, all working full-time, one (1) Chairman, one (1) Vice-President for Operations, one (1) Accounting & Finance Manager, 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 six (6) 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 2. PROPERTIES

On September 13, 2007, the Board of Directors approved the sale of an investment in property which represents 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.

On December 15, 2007, the Company together with all the other registered and beneficial owner of the property, entered into a Contract to Sell and Buy with a third party for the sale of the said property for an in consideration of the total amount of P1.2 billion., the Company's share of which is P600 million. In connection with the said Contract to Sell and Buy, a deposit amounting to P60 million was received by the company in December 2007. The Deed of Absolute Sales was executed on January 23, 2008.

The Company leases its office space with Bell Telecommunication Philippines, Inc. (BellTel) located at the 3/F Low Rise Pacific Star Building, Sen. Gil Puyat Ave. cor. Makati Ave., Makati City. The term of the contract is for a period of one (1) year, from September 1, 2007 to September 1, 2008 and renewable automatically, on a monthly rental of ₱36,561.18.

ITEM 3. LEGAL PROCEEDINGS

There are no materials pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the Annual Stockholders' Meeting on May 30, 2008, whereat 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.

In a special meeting of the stockholders held on 22 October 2003, whereas stockholders representing 787,975,268 shares out of the 906,559,568 shares then outstanding and entitled to vote were present in person or by proxy, the stockholders present unanimously approved the further amendment of Article Second of the Company's Articles of Incorporation by changing the PRIMARY PURPOSE clause to that of a holding company and relegating its existing primary purpose of oil exploration as among the SECONDARY PURPOSES of the Company. The stockholders at the same said meeting also unanimously approved the spinning off of the Company's oil exploration activities to a wholly owned subsidiary to be established by the Company.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'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 17, 2009, the high and low price is 1.1, respectively. 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 (2008 and 2007).

Stock Prices

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
2007	**High**	**Low**
First Quarter	1.2200	1.0266
Second Quarter	1.4600	1.2500
Third Quarter	1.4800	1.2600
Fourth Quarter	1.7400	1.4000

(2) Holders

The number of shareholders of record as of December 31, 2008 was 450. Common shares issued and subscribed as of December 31, 2008 were 906,559,568.

Top Twenty (20) Stockholders
As of December 31, 2008

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)	125,185,434	13.8088%
5.	PCD Nominee Corporation (Non-Filipino)	12,287,566	1.3554%
6.	Benjamin Chua	10,051,500	1.1088%
7.	Wilson Chua	5,877,500	0.6483%
8.	Kho Giok En	5,513,000	0.6081%
9.	Samuel Uy Chua	4,000,000	0.4412%
10.	The Philodrill Corporation	3,200,000	0.3530%
11.	F. Yap Securities, Inc.	2,855,000	0.3149%
12.	R. Coyiuto Securities, Inc.	2,025,000	0.2234%
13.	EBC Securities Corp.	1,276,000	0.1407%
14.	Gilbert Liu	1,000,000	0.1103%
15.	Jose Mari R. Moraza	1,000,000	0.1103%
16.	Michael Escaler	630,000	0.0695%
17.	Ma. Georgina V. Perez	610,000	0.0673%
18.	Remedios J. Manguiat	580,000	0.0640%
19.	Mandarin Securities Corp.	561,000	0.0619%
20.	Benito T. Dela Cruz	520,000	0.0574%
	TOTAL	**872,231,368**	**96.2134%**

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, 2008 and 2007.

(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 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

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

2008 RESULTS OF OPERATIONS
Financial Highlights
(in Philippine pesos)

	12/31/2008	12/31/2007 (Restated)	% Change
Revenues	133,880,831	45,238	2,959.48x
Expenses	121,233,782	5,752,809	21.07 x
Income / (Loss) from Operations	12,647,049	(5,707,571)	54.87%
Equity in Net Income / (Losses) of Associates	100,222,956	(43,187,664)	56.91%
Net Income/ (Loss)	112,856,711	(52,054,506)	53.88%

Total Revenues- 2959x increase from PHP 45,238 to PHP 133,880,831

Total Revenues generated for 2008 reached PHP 133.881 million consisting of the following : (a) Gain on sale of investment property to Alpha Land Corporation amounting to PHP 113.020 million gross of capital gains taxes and documentary stamps taxes of PHP 45 million; (b) Interest income from amounts owed by a related party, Puyat Steel Corporation (PSC) amounting to PHP 9.678 MM and (c) Interest income on deposits and short-term placements with BPI, Metrobank & Premiere Bank totalling PHP 11.183 million. There was a remarkable revenue growth in 2008 as compared to 2007.

Total Expenses- 21.07x increase from PHP 5.752 million to PHP 121.233 MM

Total Expenses incurred for 2008 amounted to PHP 121.233 million as compared to the PHP 5.752 million in 2007. Major expense items for 2008 were as follows: (a) provision for impairment of deferred exploration costs of PHP 62.846 MM; (b) taxes and licenses of PHP 45.270 million consisting mostly of the abovementioned PHP 36 million capital gains taxes and PHP 9 million documentary stamps taxes related to the sale of investment property to Alphaland Corporation; (c) legal and professional fees of PHP 2.486 million related to the sale of investment property; (d) travel and transportation fees of PHP 4.918 million and (e) salaries and wages of 2.448 million; (f) depreciation expenses of PHP 1.810 million due to the purchase of additional transportation equipment during the year.

Given the above, income from operations for 2008 was PHP12.647 MM translating to an operating margin of 9.44% during the year. This was a 54% improvement over the previous year's.

Equity in net earnings of associates – 56% improvement from loss of PHP 43.187 million to income of PHP 100.222 million

Other income and losses recognized during the year were as follows: (a) the equity share in net income of Bell Telecommunication Phils. Inc. (BellTel) amounting to PHP 101.296 million as well as (b) the share in equity loss of Premiere Bank amounting to PHP 1.08 million.

The PHP 101.269 million equity share in net income of Belltel was computed as follows-- the 32.40% share of the Company on Belltel's net profit for 2008 amounting to PHP 386.355 MM less the derecognized equity in net loss of Belltel in 2007 amounting to PHP 23.91 MM.

The PHP 1.04 million share in equity loss of Premiere Bank represented the 4.81% share of the Company on Premiere Bank's net loss for 2008 amounting to PHP 21.799 million.

Net Income – 54% improvement from loss of PHP52.054 million to PHP 112.856 million

Net income of the Company as of yearend 2008 was registered at PHP 112.856 million, a notable improvement over the previous year's net loss of PHP 52.054 million.

The positive bottomline figure for 2008 resulted to a 34% reduction of the deficit level on the 2008 Balance Sheet from PHP 329.624 million in 2007 to PHP 216.767 million in 2008.

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 ending December 31, 2008.

2008 FINANCIAL POSITION
Financial Highlights
(in Philippine pesos)

	12/31/2008	12/31/2007 (Restated)	% Change
Current Assets	172,942,560	538,616,964	(67.89%)
Noncurrent Assets	524,791,854	120,213,103	336.79%
Total Assets	**697,734,414**	**658,830,067**	**5.91%**
Current Liabilities	597,425	73,501,201	(99.19%)
Noncurrent Liabilities	171,720,000	171,720,000	None
Total Liabilities	**172,317,425**	**245,221,201**	**(29.73%)**
Equity	**525,416,989**	**413,608,866**	**27.03%**
Total Liabilities & Equity	**697,734,414**	**658,830,067**	**5.91%**

Cash and cash equivalents- 82.33% increase from PHP 50.912 million to PHP 92.829 million
Due to the additional bank deposits and short-term placements made by the Company during the year with its depository banks, namely, BPI, Metrobank and Premiere Bank. The additional fresh funds emanated from the proceeds from the sale of Investment Property to Alphaland Corporation.

Accounts receivable- 1003.34x increase from PHP 78,722 to PHP78.985 million
Due to the following: (a) the Php 75 million amount owed by a related party , Puyat Steel Corporation and the related accrued interest of PHP 3.949 million; and (b) the write- off of impaired receivables from Tab Phils. Inc. amounting to PHP 766,908.42. The write off was approved by the BOD during the year.

The BOD through board resolution dated January 23, 2008 authorized the Company to enter into a related party agreement with PSC to invest an amount of up to P130 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 postdated 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.

In 2008, out of the approved P130 million, the Company invested a total of P125 million whereby the Company earned interest income amount to P9.68 million. As at December 31, 2008, the balance of the investment to PSC amounts to P75 million.

Prepayments and other current assets- 74.88% increase from PHP 645,193 to PHP 1.128 million
Due to increase in input taxes, prepayments and supplies inventories during the year

Current Assets- 67.89% decrease from PHP 538.616 million to PHP 172.942 million
Largely due to the sale of Investment Property during the year with a carrying value of PHP 486.980 MM in 2007. This was classified in the 2007 balance sheet as Noncurrent Assets classified as held for sale.

Investments in and Advances to Associates- 14.21x increase from PHP 34.678 million to PHP 492.394 million
Increase was largely brought about by the following : (1) Equity in net earnings of associate for PHP 100.222 million ; (2) the new investments in Belltel for PHP 362.807 million.

Available for Sale (AFS) Investments- 10.90% decrease from PHP 7.623 million to PHP 6.792 million
Due to the decline in market value of listed shares namely Petron & Aboitiz Equity ventures as well as the provision of additional allowance for decline in value of shares in Southwest Resources Inc..

Deferred Exploration Costs – 80.81% decrease from PHP 77.606 million to PHP 14.891 million
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.

Property and equipment - 6490.47% increase from PHP 162,490 to PHP 10.708 milllion
Due to the purchase of additional transportation equipment during the year.

Noncurrent assets- 336.79% increase from PHP 120.213 million to PHP 524.792 million
Noncurrent assets rose from PHP 120.213 million in 2007 to PHP 524.792 million in 2008 due to the abovementioned increases in the levels of Investments & advances in associates and Property and equipment.

Total Assets – 5.95% increase from PHP 658.830 million to PHP 697.734 million
Total Assets for 2008 stood at PHP 697.024 million as against the PHP 658.830 million level previously. The 6% increase was largely due to the 336% increase in Noncurrent assets during the year as previously discussed.

Accounts payable and accrued expenses- 95.58% decrease from PHP 13.501 million to PHP 597,425
Due to the full settlement of the PHP 12.912 million advances from officers during the year

Current Liabilities – 99% decrease from PHP 73.501 million to PHP 597,525
Current liabilities declined by almost 100% from PHP 73.501 million in 2007 to PHP 597,525 in 2008 due to the reversal in the entry made in 2007 for PHP 60 million initial deposit from Alpha Land Corporation related to the sale of the Investment Property. This amount was classified as Deposit from contract to Sell Investment Property in 2007.

Noncurrent Liabilities- no change

Noncurrent liability consisting of Subscriptions Payable of PHP 171.720 million remained unchanged during the year. This amount are unpaid subscribed capital stock of Bell Tel.

Total Liabilities- 29% decrease from PHP 245.221 million to PHP 172.317 million

Total Liabilities slid by 29.73% from PHP 245.221 million in 2007 to PHP 172.317 million in 2008 because of the abovementioned 95.58% drop in the level of accounts payable and accrued expenses as well as the reversal entry made on the PHP 60.00 million initial deposit previously discussed

Share capital or issued shares increased by PHP 130,000 from PHP 588,749,569 to PHP 588,879,569 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 by 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.

Unrealized Gains on AFS Investments - 27.08% decrease from PHP 2.571 million to PHP 1.740 million

Representing net unrealized marked to market gains on investments on listed shares of stocks during the year. This level however was lower in 2008 as against the previous year stance

Deficit- 34.19% decrease from PHP 329.624 million to PHP 216.768 million

Due to the generation of net income for the year amounting to PHP 112.856 million

Equity- 21% increase from PHP 413.608 million to PHP 525.416 million

Equity level for 2008 increased from PHP 413.608 million to PHP 525.416 million during the year by 21% mainly due to the 34% reduction in deficits during the year as previously discussed.

There are no material trends, events or uncertainties that are reasonably expected to occur in the next interim period that will have a material 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.

2008 KEY PERFORMANCE INDICATORS

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

Key Financial Ratios	**12/31/2008**	**12/31/2007**
Revenue Growth / (Decline)	2959x	(99.95%)
Net Income Growth / (Decline)	53.88%	(33.38%)
EBITDA	PHP 14,456,631	NA
Return on Equity	21.47%	NA
Return on Assets	16.17%	NA
Current ratio (in x)	289.48x	7.33x
Debt-to-equity ratio (in x)	0.33x	0.59x

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 very high liquidity ratio of 289.48x 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 interest taxes 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)
Net Income Growth	Net Income (current period)/Net Income (prior period)
EBITDA	Income from operations plus depreciation and amortization
Return on Equity (ROE)	Net Income/Equity
Return on Assets (ROA)	Net income/ Total Assets
Current Ratio	Current Assets/ Current Liabilities
Debt- to Equity Ratio	Total Liabilities/ Equity

- **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 is on its tenth contract year which started in May 10, 2008 and will last until May 10, 2010 unless extended. The program for Service Contract Year #10 (SCY 10) operator, Tap Oil Ltd., is to continue reprocessing of the Alpine 3D seismic data and consequent inversion studies and re-interpretation and prospect modelling. In the event a prospect is determined to be drillable in 2010 or earlier, then the SC-41 joint group will apply for an extension of SCY10 to May 10, 2011. If petroleum in commercial quantity is discovered and the group declares commerciality then SC-41 will be extended for production purposes.

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 and will last until February 10, 2010. The SC-60 joint group is committed to drill one well during this period and South China is carried for this first well. 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 August 10, 2011. 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.

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

The Company expects to get the award and sign the Service Contract for this block to which it had jointly applied for with Pitkin Petroleum back in May 2007. Once signed the joint group will embark on a comprehensive seismic reprocessing of existing seismic data over the area for its initial 12-month phase of work. The second sub-phase will entail acquisition, processing and interpretation of 750 line kms of 2D seismic. The last three sub-phases of the SC all carry a well commitment for the duration of 60 months. 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.

(2) <u>Prospects for Bell Telecommunication Phils., Inc.</u>

BellTel is currently in discussions with several potential strategic and equity investors for additional equity infusion. With the additional funds, 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. In addition, the company will be in a more advantageous position to utilize its assigned 1.8 gigahertz spectrum for mobile services. These will broaden BellTels' market base by providing services to a bigger consumer segment in addition to its present enterprise market and create a critical mass to put it in equal footing with other telcos.

(3) <u>Prospects for Premiere Bank</u>

For 2009, 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 branhes; 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.

- **<u>Key variable and other qualitative and quantitative factors</u>:**

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

There are no material 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.

CALENDAR YEAR ENDED DECEMBER 31, 2007 VS DECEMBER 31, 2006

2007 RESULTS OF OPERATIONS
Financial Highlights
(in Philippine pesos)

	12/31/2007	12/31/2006 (Restated)	% Change
Revenues	45,238	6,088,262	(99.95%)
Expenses	5,752,809	5,880,176	(2.17%)
Income / (Loss) from Operations	(5,707,571)	208,086	(27.43x)
Equity in Net Income / (Losses) of Associates	(43,187,664)	(80,181,235)	46.14%
Net Income/ (Loss)	(52,054,506)	(78,134,928)	33.38%

The Company has no earnings yet from its commercial production pertaining to the oil and gas exploration projects therefore there were no dividends declared for the period.

Net Loss for 2007 amounted to PHP 52.054 million which resulted to a restated deficit of PHP 329.625 million. The Net loss incurred in 2007 decreased by PHP 26.080 million compared to 2006 due to the decrease in the net losses of associates by 46% from PHP 80.181 million in 2006 to PHP 43.187 million in 2007 as well as the operating loss during the year which amounted to PHP 5.708 million.

2007 FINANCIAL POSITION
Financial Highlights
(in Philippine pesos)

	12/31/2007	12/31/2006 (Restated)	% Change
Current Assets	538,616,964	5,622,927	9478.94%
Noncurrent Assets	120,213,103	648,070,412	(81.45%)
Total Assets	**658,832,067**	**653,693,339**	**0.79%**
Current Liabilities	73,501,201	19,089,294	285.04%
Noncurrent Liabilities	171,720,000	171,720,000	No change
Total Liabilities	**245,221,201**	**190,809,294**	**28.52%**
Equity	**413,608,866**	**462,882,039**	**(10.64%)**
Total Liabilities & Equity	**658,832,074**	**653,693,339**	**0.79%**

The Company's total assets which stood at PHP 658.830 million in 2007 were higher than last year by net amount of PHP 5.139 million mainly due to the deposit from Alpha Land and decrease in net investments in associates.

Cash and cash equivalents increased in 2007 compared to prior year by PHP 45.822 million due to payment of deposit from Alpha Land and partial collection of subscriptions receivable.

Available-for-sale (AFS) investments increased by PHP 1.835 million as compared to 2006 due to recovery on unrealized losses on market value of AFS investments.

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

Investment in associates decreased by PHP 3.156 million compared to last year due to share in net losses of associates.

The deposit for future investment of PHP 34.844 million in Premiere Bank was converted to investment in associates on September 30, 2007 for 5% equity. As of December 31, 2007, the Company's equity was 4.94% as of December 31, 2007.

Deferred exploration costs decreased by PHP 4.726 million compared to 2006 due to payment of a partner's farm-in share in exploration project.

Current Liabilities consisting of Deposit from Alphaland and accounts payable and accrued expenses for the period increased by a net amount of PHP 54.412 million compared to 2006 due to deposit made and partial payment of advances from officers.

Subscriptions receivable in 2007 decreased by PHP 0.758 million compared to 2006 due to the payment of the 75% balance by some stockholders.

Issued shares increased by PHP 1.010 million due to the issuance of stock certificates to fully paid shares of some stockholders thereby decreasing the subscribed shares by the same amount.

2007 KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the years ended December 31, 2007 and 2006:

Key Financial Ratios	12/31/2007	12/31/2006
Revenue Growth / (Decline)	(99.95%)	754x
Net Income Growth / (Decline)	33.38%	(209.55%)
EBITDA	NA	NA
Return on Equity (ROE)	NA	12.35%
Return on Assets (ROA)	NA	9.30%
Current ratio (in x)	7.33x	0.09x
Debt-to-equity ratio (in x)	0.59x	0.33x

The Company's current ratio as of December 31, 2007 was PHP 7.328 for every peso liability—an increase of PHP 7.033 from last year's current ratio of PHP 0.295. The increase was caused mainly by the payment of deposit from Alpha Land for the sale of Pilipinas Plaza building which was consummated on January 23, 2008, reclassification of investment in properties to noncurrent asset classified as held for sale, partial collection of subscriptions receivable and additions to prepayments consisting of annual dues and input tax.

Debt-to-equity ratios for both years were at low but favourable levels.

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

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

CALENDAR YEAR ENDED DECEMBER 31, 2006 VS DECEMBER 31, 2005

2006 RESULTS OF OPERATION
Financial Highlights
(in Philippine pesos)

	12/31/2006 (Restated)	12/31/2005 (Restated)	% Change
Revenues	6,088,262	8,072	754x
Expenses	5,880,176	2,833,434	107.53%
Income/ (Loss) from Operations	208,086	(2,825,362)	92.64%
Equity in Net Income / (Losses) of Associates	(80,181,235)	(68,680,431)	(16.75%)
Net Income/ (Loss)	(78,134,928)	71,322,319	(209.55%)

During the year 2006 revenues garnered reached PHP 6.088 million as compared to the previous year translating to a 754 x revenue growth rate.

Expenses during the year however escalated by 107.53% resulting to a slim operating income during the year.

Equity in losses of associates further declined in 2006 as against the 2005 level by 16.75%.

A net loss was incurred in 2006 amounting to PHP 78.134 million as compared to the positive bottomline figure in 2005 of PHP 71.322 million due to the loss in equity of associates recognized during the year amounting to PHP 80.181 million.

2006 FINANCIAL POSITION
Financial Highlights
(in Philippine pesos)

	12/31/2006 (Restated)	12/31/2005 (Restated)	% Change
Current Assets	5,622,927	1,536,409	265.98%
Noncurrent Assets	648,070,412	765,501,638	(15.34%)
Total Assets	**653,693,339**	**767,038,047**	**(14.78%)**
Current Liabilities	19,089,294	17,577,444	8.60%
Noncurrent Liabilities	171,720,000	171,720,000	No change
Total Liabilities	**190,809,294**	**189,297,444**	**0.80%**
Equity	**462,882,039**	**577,738,598**	**(19.88%)**
Total Liabilities & Equity	**653,693,339**	**767,038,047**	**(14.78%)**

The Company's total assets of PHP 653.693 million were lower than PHP 78.189 million as compared to 2005 due to the decrease in investments in associates and deferred exploration costs.

Cash and cash equivalents increased by PHP 3.941 million compared to 2005 due to the payment of partner's farm-in share in exploration, additional advances from officers and partial collection of subscriptions receivable.

AFS investments for 2006 amounted to PHP 5.788 million wherein current and noncurrent portion amounted to PHP 0.042 million and PHP 5.746 million, respectively. The total recovery of unrealized losses on market value of AFS investment increased by PHP 1.835 million in 2005. Upon adoption of the standards in 2005, the total recovery of unrealized losses on market value of AFS investments amounted to PHP 1.962 million.

The financial statements for 2006 have been restated to reflect the recognition of share in the prior period adjustments of an associate. This correction decreased the Company's investment in associates by PHP 35.156 million and PHP 51.805 million as of January 1, 2006 and December 31, 2006, respectively.

On December 29, 2006, the Company sold its investment in PDB for a total consideration of PHP 34.844 million resulting in a gain of PHP 5.956 million. The sale was to give way to the new foreign investor pending its application for the increase in capital stock. On the same date, the Company's BOD approved the resolution to deposit the same amount to PDB as future subscription to its shares.

Investment in associates for 2006 the decrease was PHP 109.308 million due to the share in net losses of associates and acquisition of capital stock investments by Premiere Bank.

Deferred exploration costs decreased by PHP 4.876 million in 2006 compared to 2005 due to payment of a partner's farm-in share in exploration project.

Accounts payable and accrued expenses for the period increased by PGHP 1.512 million in 2006 compared to 2005 due to the advances from officers.

Subscriptions receivable in 2006 decreased by PHP 0.825 million compared to 2005 due to the payment of the 75% balance by some stockholders.

Issued shares increased by PHP 1.10 million due to the issuance of stock certificates to fully paid shares of some stockholders thereby decreasing the subscribed shares by the same amount.

2006 KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the years ended December 31, 2006 and 2005:

Key Financial Ratios	**12/31/2006**	**12/31/2005**
Revenue Growth / (decline)	754x	
Net Income Growth / (decline)	(209.55%)	
EBITDA		
Return on Equity	NA	12.35%
Return on Assets	NA	9.30%
Current ratio (in x)	0.29x	0.09
Debt-to-equity ratio (in x)	0.41x	0.33

Current ratio for the year 2006 was PHP 0.295, an increase of PHP 0.207 as compared to 2005 due to additional advances from officers, payment of a partner's farm-in share in exploration projects, partial collection of subscriptions receivable, additions to prepayments consisting of annual dues and input tax and reclassification of some Noncurrent Assets- available for sale (AFS) investments to Current Assets amounting to PHP 0.042 million. Such reclassification was made because of the Company's intention to hold them only for the year. On November 8, 2006, part of the reclassified AFS having a fair market value of PHP 0.934 million as of September 30, 2006 were subsequently sold.

Leverage ratios for both years were at low but favourable levels

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

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

Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for AFS investments, which are carried at fair value. The financial statements are presented in Philippine pesos which is the Company's functional currency. All values are in whole numbers, except when otherwise indicated.

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2008, and an amendment to an existing standard that became effective on July 1, 2008. Adoption of these changes in PFRS did not have any significant effect to the Company:

- Philippine Interpretation IFRIC 11, PFRS 2 - *Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, *Philippine Accounting Standards (PAS) 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures* - *Reclassification of Financial Assets*

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2008
The Company will adopt the following standards 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.

Effective in 2009

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*

PFRS 8, *Operating Segments*

Amendments to PAS 1, *Presentation of Financial Statements*

PAS 23, *Borrowing Costs*

Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Amendment to PAS 32, *Financial Instruments: Presentation and PAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

Improvements to PFRS
In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. There are the separate transitional provisions for each standard:

PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

- When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

PAS 1, *Presentation of Financial Statements*

- Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

PAS 16, *Property, Plant and Equipment*

- The amendment replaces the term ‘net selling price’ with ‘fair value less costs to sell’, to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Assest*.
- Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 19, *Employee Benefits*

- Revises the definition of ‘past service costs’ to include reductions in benefits related to past services (‘negative past service costs’) and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

- Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
- Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled.
- Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*

- Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

PAS 23, *Borrowing Costs*

- Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.

PAS 28, *Investment in Associates*

- If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

PAS 29, *Financial Reporting in Hyperinflationary Economies*

- Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

PAS 31, *Interest in Joint Ventures*

- If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

PAS 36, *Impairment of Assets*

- When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

PAS 38, *Intangible Assets*

- Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

PAS 39, *Financial Instruments: Recognition and Measurement*

- Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications.
- When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification.
- Removes the reference to a ‘segment’ when determining whether an instrument qualifies as a hedge.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Properties*

- Revises the scope (and the scope of PAS 16, *Property, Plant and Equipment*) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

PAS 41, *Agriculture*

- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the ‘most relevant market’ are taken into account.

Effective in 2010

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

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

Amendment to PAS 39 will be effective on July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment 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.

Effective in 2012

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

This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This 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.

SIGNIFICANT ACCOUNTING JUDGMENTS & ESTIMATES

Please refer to Note 3 on the Notes to Financial Statements

FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

Please refer to Note 15 on the Notes to Financial Statements

MATERIAL RELATED PARTY TRANSACTIONS WHICH AFFECT THE FINANCIAL STATEMENTS

Please refer to Notes 4 & 12 of the Notes to Financial Statements

UNCERTAINTIES ABOUT GOING CONCERN

The financial statements were prepared on the assumption that South China Resources Inc. is a going concern and will continue in operation for the foreseeable future. The Company's management has neither the intention nor the need to liquidate or curtail materially the scale of its operations. As of the date of the financial statements, no material uncertainties that could cast significant doubt upon the Company's ability to continue as a going concern have come to the attention of the management. Hence, no disclosure regarding such uncertainties and the Company's ability to continue as a going concern were made since the concept of going concern is a basic assumption that underlies the preparation of the financial statement and the related supplemental notes.

DEFAULTS- none to be disclosed

Cash
Cash consists of cash on hand and with banks, which are carried at face value.

Noncurrent Asset Classified as Held for Sale
A noncurrent asset is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Noncurrent asset held for sale is measured at the lower of carrying amount and fair value less costs to sell. Depreciation of such asset ceases. Liabilities associated with this asset are presented separately in the balance sheet.

Property and Equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the useful life of the assets of five (5) years, or the terms of the lease in case of leasehold improvements, whichever is shorter.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the property and equipment is derecognized.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Property
Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if

the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property, which consists of land (with an unfinished building), is carried at cost less any accumulated impairment losses.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or 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.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its estimated recoverable amount. 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 asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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 balance sheet 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 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

Financial Assets
Financial assets within the scope PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at FVPL, directly attributed transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase the asset. 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 assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term or is designated by management as FVPL. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in the statement of income.

When a contract contains one or more embedded derivatives, the entire hybrid contract maybe designated as a financial asset at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2008 and 2007, no financial assets have been designated as at FVPL.

HTMInvestments

HTM investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2008 and 2007, the Company had no HTM investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when it is expected to be realized within twelve months after the balance sheet date or within the normal operating cycle, whichever is longer.

As of December 31, 2008 and 2007, the Company has designated as loans and receivable its cash and accounts receivable (see Note 4).

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in stockholders' equity under the 'Unrealized gains on AFS investments'. AFS financial assets are generally classified as noncurrent. However, when management expects that the investments are to be realized within twelve months after the balance sheet date, these are classified as current. When the investment is disposed of, the cumulative gains or loss previously recorded in stockholders' equity is recognized in the statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate.

As of December 31, 2008 and 2007, the Company's AFS investments include quoted and unquoted shares of stocks (see Note 6).

Determination of Fair Value

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 balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

Day 1 profit and loss

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 Group recognizes the difference between the transaction price and fair value (a Day 1 profit and loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. 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 consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit and loss amount.

Financial Liabilities

Financial liabilities consist of financial liabilities at FVPL and other financial liabilities. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of income.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; (iii) or the financial liability contains an embedded derivative that would need to be separately recorded.

As of December 31, 2008 and 2007, the Company has no financial liabilities at FVPL.

Other Financial Liabilities

This classification includes accounts payable and accrued expenses.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve months from the balance sheet date or the Company has an unconditional right to defer settlement for at least 12 months from the balance sheet date.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of 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. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in statement of income, is transferred from stockholders' equity to the statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in statement of income. Reversals of impairment losses on debt instruments are reversed through the statement of income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income.

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:

- the rights to receive cash flows from the asset have expired;

- 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

- 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 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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 balance sheet.

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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. 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 method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the 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 and extension granted, unless the 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 specified asset; or
(d) There is a substantial change to the asset.

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

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term.

Provisions and Contingencies

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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is possible.

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 balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet 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 tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and NOLCO 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 profit nor taxable profit 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 profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet 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.

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

(B) Information on Independent Public Accountant and Other Related Matters

(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. Ladislao Z. Avila. 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, 2008, is Mr. Ladislao Z. Avila, Jr.

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 2008 amounted to ₱185,678.08. External Audit Fees billed for 2007 amounted to ₱338,800.00. 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.

(C) Results and Plans of Operations

SC-41 Offshore Sulu Sea Sandakan Basin

Tap Oil farmed-in into SC-41 last January 2007 and in mid-2007 Salamander Energy of UK entered the group via a farm-in through Tap Oil.

The DOE, in their letter to block operator Tap (Philippines) Pty Ltd dated 23 January 2007, approved the extension of Contract Year 9 to May 10, 2008. As a consequence of such extension, Contract Year 10 commenced on May 10, 2008 and was supposed to end on May 10, 2009. Tap Oil, on behalf of the Joint Operation, applied with the DOE for the approval for an extension of the term of the SC for a further two years. SC-41 for its 10th and final contract year will run to May 10, 2010 and may be extended to May 2011 upon commitment to drill another well. The minimum work commitments for contract years 9 and 10 were: a) acquisition of 300 sq km of 3D seismic; b) relinquishment of 25% of the contract area and the drilling of one (1) exploration well.

On July 19, 2008 Tap Oil along with the joint operation partners spudded the Lumba-Lumba-1/1A well with a planned depth of 3000 meters. 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 drilled through the main objectives but failed to encounter reservoir quality rocks though 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 well only tested one of the several different independent prospects in the block. Tap on behalf of the SC-41 group continues the reprocessing and inversion studies based on the Alpine 3D survey of the area. This will enable the group to delineate which prospects will be considered for further exploration. 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. Our joint agreement with SPEX (Shell Philippines Exploration B.V.) and KUFPEC (Kuwait Foreign Petroleum Co. ksc) in Service Contract No. 60 has paved the way for further exploration covering an area of one million eight thousand hectares where large hydrocarbon accumulations is deemed to exist. In the seven year exploration period of SC-60, the group shall conduct seismic and exploration work, including well drilling. The seven year period is divided into several sub-phases wherein the group must exercise its option to move to the succeeding phase or terminate the contract. The SC also includes a 25 year production term in the event of commercial discovery and operations.

In a letter sent by SPEX to the Department of Energy last July 8, 2008, the SC – 60 Joint Operations 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. The second sub-phase is valid until February 10, 2010. A rigorous study of the 3D seismic data highlighted a number of leads several of which have been elevated to prospect status. The group believes that northeast Palawan is one of the few areas in the Philippines that has the potential to yield large accumulations of hydrocarbons.

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

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

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). PECR-3 commenced on December 22, 2006. On May 30, 2007, the last day of the bid round, South China together with operator UK company Pitkin Petroleum Ltd. submitted a bid for Area-4, a block that covers the offshore Mindoro-Cuyo with an area of 1.164 million hectares. The Service Contract for the block has yet to be awarded and signed by the DOE with the group.

Philodrill, operator of the Swan Block covering the former GSEC-83 area has yet to inform the Company the results of its negotiations with PNOC-EC (Philippine National Oil Company-Exploration Corporation) which now operates the service contracts (SC-57/58) covering the block.

The following are the estimated cash requirements for South China Operations in the next twelve months (based on the work programs of the corresponding GSEC's and SC as submitted to the Department of Energy):

SC-60 NE Palawan	$50,000 for General & Administrative
SC-41 Sulu Sea	$40,000 for General & Administrative
Area 4	$10,000 for General & Administrative

(D) Other Investments

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 enchance 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 Company has subscriptions payable to BellTel amounting to ₱171.7 million which the Company is allowed to settle within a period of one year from the date of call. As of December 31, 2008 and 2007, the Company has not yet received a call on such subscriptions and, accordingly, the obligation is presented under noncurrent liabilities in the balance sheet.

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, 2008 and 2007, BellTel has projected profitable operations in the medium-term, indicating the realizability of the Company's investment in the associate.

During the last quarter of 2008, the Company extended additional advances to Belltel amounting to ₱ 196.5 million bringing the total advances to Belltel in the amount of ₱357.8 million as of December 31, 2008. The Company believes that Belltel continues to maintain its long-term prospects having acquired new broadband bandwitdth frequencies as well as new mobile licenses in addition to its existing licenses. An independent third party assessment of Belltel showed the fair value of its franchise at over ₱14 billion. Other shareholders of Belltel have also made similar advances in order to keep it on track in evolving into a full service telecommunications company.

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

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 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 and 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.

ITEM 7. FINANCIAL STATEMENTS

The Financial Statements and Schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17 - A.

Furthermore, stated hereunder are the breakdown of cash and cash equivalents and accounts receivable of the Company.

Cash and cash equivalents consist of:	**2008**	**2007**
Cash on hand and in banks	92,829,217	50,912,570
Total:	**₱92,829,217**	**₱50,912,570**

Accounts receivable consist mainly of:	**2008**	**2007**
Accounts receivable – Amounts owed by a Related party	75,000,000	-
- Officers and employees	35,298	10,939
- Others	3,949,761	834,691
Total	78,985,059	845,630
Less: allowance for impairment	-	766,908
Total:	**₱78,985,059**	**₱78,722**

ITEM 8. 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.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

<u>Position</u>	<u>Name</u>	<u>Birthdate</u>
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	Director	January 13, 1945
Francisco M. Bayot, Jr.	Director	January 29, 1954
Jaime M. Blanco, Jr.	Corporate Secretary	March 21, 1954
David R. Baladad	VP – Operations	September 13, 1956

EDGARDO P. REYES, 63 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, 62 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, 60 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, 64 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., 55 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., 55 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, 52 years of age, Filipino, has been the VICE PRESIDENT FOR OPERATIONS of the Company since 1994. He obtained his Bachelor of Science in Geology in 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.

Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. were elected Independent Directors during the 2008 Annual Stockholders' Meeting. The Nomination Committee nominated Mr. Arteficio and Mr. Bayot as independent directors to be elected during the 2009 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.

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, not an executive officer, 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.

ITEM 10. EXECUTIVE COMPENSATION

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 issuer will participate.

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

There are no employment contracts 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 three 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				
Imelda D. Olalia Accounting Officer				
Aggregate compensation – CEO & all other officers and Directors as a group unnamed	2009 2008 2007	1,500,000(est.) 1,076,260 989,640	270,000(est.) 262,398.31 247,770	N/A N/A N/A

Among the directors and officers of the company, only the three (3) stated above are being compensated.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Record and Beneficial Owners and Management as of December 31, 2008 (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	125,185,434	13.8088%

There are no beneficial owners of more than 5% under the PCD Nominee Corporation (Filipino), which owns 13.8088% of the total shares of the Company.

(b) Security Ownership of Management
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%

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 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS
(In reference to Note 12 of the 2008 Audited Financial Statements)

The Company, in the regular course of business, obtains advances from its officers to defray its working capital requirements and settle obligations for oil and gas exploration expenditures. These advances are due and demandable anytime. The advances amounting to ₱12.91 million was fully settled in 2008 (see Note 10).

Amounts owed by Puyat Steel Corporation (PSC)
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 established in 1956. PSC set up the first galvanizing plant in the Philippines to answer to the need of a country for galvanized iron sheets to be used in the 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 in a globally competitive stature. By the year 2000, PSC became the first NOF continuous galvanizing plant to be ISO 9002 certified.

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.

PSC is under common control with the Company. In 2008, out of the approved ₱130 million, the Company invested a total of ₱125 million whereby the Company earned interest income amounting to ₱ 9.68 million.

Short-term employee benefits of key management personnel amounted to ₱1.34 million and ₱1.24 million in 2008 and 2007, respectively.

PART IV – CORPORATE GOVERNANCE

ITEM 13. 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 Self Rating for Corporate Governance and the Corporate Governance Scorecard in accordance to SEC Memorandum Circular No. 2 and 3 Series of 2007 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.

The Company believes that the current corporate governance of the Company is sufficient to address its needs.

PART V - EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits – *None*

(b) Reports on SEC Form 17-C

The reports indicated below were filed on SEC Form 17-C during the last six-month period covered by this report.

April 1, 2009	-	Item 9. Other Events South China has been awarded and signed Service Contract No. 71 (SC-71) together with Pitkin Petroleum Ltd.
March 19, 2009	-	Item 9. Other Events Postponement of Annual Stockholders' Meeting from 16 April 2009 to 29 May 2009
October 13, 2008	-	Item 9. Other Events Implementation of the Company's website
July 21, 2008	-	Item 9. Other Events SC-41 Joint Operations spudded the exploration well Lumba-Lumba 1 on July 19, 2008.
July 15, 2008	-	Item 9. Other Events SC-60 Joint Operations submitted to the Dept. of Energy (DOE) its election to enter into sub-phase 2 to continue further exploration in the block in Northeast Palawan.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 23, 2009.

By:

Edgardo P. Reyes Principal Executive Officer	Date:	23 April 2009
Wilfrido P. Reyes Principal Financial Officer	Date:	23 April 2009
Belen R. Castro Comptroller	Date:	23 April 2009
David R. Baladad Principal Operating Officer	Date:	23 April 2009
Irene N. Atutubo Principal Accounting Officer	Date:	23 April 2009
Jaime M. Blanco, Jr. Corporate Secretary	Date:	23 April 2009

SUBSCRIBED AND SWORN to before me this 23rd **day of** April**, 2009 affiant(s) exhibiting to me their residence Certificate, as follows:**

Name	Res. Cert. No.	Date of Issue	Place of Issue
Edgardo P. Reyes	**27212705**	**Feb. 04, 2009**	**Makati City**
Wilfrido P. Reyes	**12362135**	**Jan. 16, 2009**	**Makati City**
Belen R. Castro	**03004267**	**Jan. 12, 2009**	**Manila**
David R. Baladad	**16684976**	**Jan. 22, 2009**	**Quezon City**
Irene N. Atutubo	**12351656**	**Jan. 13, 2009**	**Makati City**
Jaime M. Blanco, Jr.	**27206089**	**Feb. 05, 2009**	**Makati City**

VIVIAN S. TAN
Commission No. M-[illegible]
Notary Public – Makati City
Until December 31, 2010
Esguerra & Blanco Law Offices
4th & 5th Floors, S&L Building, De La Rosa corner
Esteban Sts., Legaspi Village, Makati City 1229
PTR No. 1569352/1-06-09/Makati City
IBP No. 769876/1-08-09/Makati City
Roll No. 55883

Makati City, Philippines
NOTARY PUBLIC
Roll No. 55883
Vivian S. Tan

Doc. No. : 317
Page No. : 65
Book No. : I
Series of 2009.

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* These schedules, which are required by Annex 68.1-M of the Amended SRC Rule 68, have been omitted because they are either not required, not applicable, or the information required to be presented is included in the Company's Balance Sheets or Notes to Financial Statements.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of South China Resources, Inc. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2008 and 2007 and for the three years in the period ended December 31, 2008. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Sycip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

EDGARDO P. REYES
Chairman/Chief Executive Officer

WILFRIDO P. REYES
President/Chief Financial Officer

BELEN R. CASTRO
Vice President/Treasurer

SUBSCRIBED AND SWORN to before me this 23rd day of April 2009 affiants exhibiting to me their Residence Certificates, as follows:

Name	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Edgardo P. Reyes	27212705	Feb. 04, 2009	Makati City
Wilfrido P. Reyes	12362135	Jan. 16, 2009	Makati City
Belen R. Castro	03004267	Jan. 12, 2009	Manila

Notary Public

Doc. No.: 316;
Page No.: 65;
Book No.: I;
Series of 2009.

VIVIAN S. TAN
Commission No. M-50
Notary Public - Makati City
Until December 31, 2010
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... Village, Makati City 1229
... 569352/1-06-09/Makati City
... 709876/1-08-09/Makati City
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Makati City, Philippines
NOTARY PUBLIC
Roll No. 55883
Vivian S. Tan