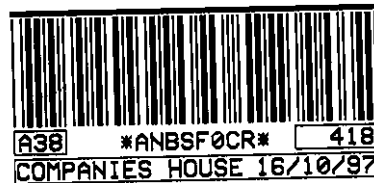


B.A.T FAR EAST HOLDING LIMITED

**REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

Registered no. 3216047



B.A.T Far East Holding Limited

Report of the directors for the period ended 31 December 1996

The directors present their report and the audited financial statements for the period ended 31 December 1996.

Principal activities

The company was incorporated on 19 June 1996. The principal activity of the company is investment holding.

Results of the period

During the period the company received no income and incurred no expenditure and consequently made neither a profit nor a loss.

Dividends

The directors do not recommend the payment of a dividend.

Directors

P N Adams	Chairman	(Appointed 19/6/96)
B C Barrow		(Appointed 19/6/96)
P L Clarke		(Appointed 19/6/96)
N T Gourlay		(Appointed 25/6/96)
R M H Duncan		(Appointed 25/6/96)
G W C Li		(Appointed 25/6/96)
W M Ooi	(formerly known as H S Ooi)	(Appointed 25/6/96)

B.A.T Far East Holding Limited**Directors' interests in the shares of the Company**

The interests of those persons, who were directors at 31 December 1996, in the share capital and share option schemes of B.A.T Industries p.l.c. and its subsidiaries are shown in the table below. Interests disclosed are those which existed on 19 June 1996 and 31 December 1996, together with interests acquired or exercised in the share option schemes during that period.

	<u>B.A.T Industries p.l.c.</u>					
	<u>Ordinary</u> <u>25p Shares</u>			<u>Share Options</u>		
	<u>Opening</u> (19.06.96)	<u>Closing</u>	<u>Opening</u> (19.06.96)	<u>Acquired</u>	<u>Exercised</u>	<u>Closing</u>
P L Clarke	8,100	8,100	23,113	6,400	Nil	29,513
B C Barrow	3,743	3,788	15,623	4,140	Nil	19,763
P N Adams	7,048	7,248	81,993	12,670	Nil	94,663
R M H Duncan	2,794	2,794	16,080	6,420	Nil	22,500
N T Gourlay	8,444	4,354	37,654	7,320	Nil	44,974
G W C Li	Nil	Nil	Nil	Nil	Nil	Nil
W M Ooi	3,411	3,411	12,210	Nil	Nil	12,210

Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c.

B.A.T Far East Holding Limited**Report of the directors
for the period ended 31 December 1996****Directors' responsibilities**


Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select appropriate accounting policies and then apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless they consider that to be inappropriate.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

Director:


B.C. BARROW

Dated: 06 OCT 1997

B.A.T Far East Holding Limited**Auditors' Report to the Shareholders of B.A.T Far East Holding Limited**

We have audited the financial statements on pages 6 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the affairs of the Company as at 31 December 1996 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY.

B.A.T Far East Holding Limited**Balance Sheet - 31 December 1996**

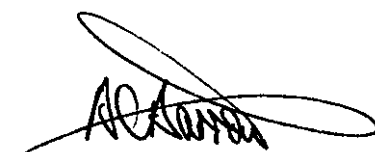
	<u>Notes</u>	<u>1996</u> <u>£</u>	<u>1996</u> <u>£</u>
Fixed Assets			
Investments in subsidiaries	3		300
Creditors: amounts falling due within one year	4	200 -----	
Net current liabilities			----- 200
Total assets less current liabilities			----- 100 =====
Capital and reserves			
Called up share capital	5		100
Profit and loss account			-
Total shareholders' funds - equity interests	6		----- 100 =====

During the period the Company did not trade and received no income and incurred no expenditure. Consequently the Company made neither a profit nor a loss.

There are no recognised gains and losses other than the result for the year.

The financial statements on pages 6 to 8 were approved by the Directors on **06 OCT 1997** and are signed on their behalf by:

Director:


B.C. BARROW

The notes on pages 7 to 8 form part of these financial statements.

B.A.T Far East Holding Limited

Notes to the financial statements for the period ended 31 December 1996

1.1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

1.2 Basis of accounting

The financial statements are prepared in accordance with Accounting Standards applicable in the United Kingdom and under the historical cost convention.

1.3 Investments valuation

Investments are shown at cost less provisions consistent with the concept of prudence.

1.4 Group financial statements

Group financial statements are not submitted as the Company is a wholly owned subsidiary of a company incorporated in Great Britain.

2 Result for the period

None of the directors received any remuneration in respect of their services to the Company during the period.

There were no employees, and no staff costs during the period.

Audit fees are paid by the parent undertaking.

3 Investments in subsidiaries

3.1 Cost of Investment

	1996
	£
Opening Balance	Nil
Acquisitions	300

Closing Balance	300
	=====

3.2 Unlisted Investments

Country of Incorporation & Company Name

% Nominal value held - equity shares

UK	
B.A.T Guangdong Limited	100
B.A.T Guizhou Limited	100
B.A.T Hubei Limited	100

3.3 The subsidiary companies are mainly engaged in the projects relating to the tobacco industry in China.

B.A.T Far East Holding Limited

Notes to the financial statements for the period ended 31 December 1996

3.4 The directors are of the opinion that the investments have an aggregate value of not less than the amount at which they are stated in the balance sheet.

4 Creditors: Amounts falling due within one year

1996

£

Amounts owed to parent undertaking

200

5 Share capital

Ordinary Shares of £1 each

1996

Authorised - value

£ 100

number

100

Allotted, called up and fully paid

value

£ 100

number

100

6 Reconciliation of movements in shareholders' funds

1996

£

Opening shareholders' funds

—

Shares issued during the period

100

Profit attributable to shareholders for the period

—

Closing shareholders' funds

100

7 Parent undertaking

The Company's ultimate parent undertaking is B.A.T Industries p.l.c., being incorporated in the United Kingdom and registered in England and Wales. Group accounts are prepared by B.A.T Industries p.l.c.

8 Copies of the report and accounts

Copies of the report and accounts of B.A.T Industries p.l.c. may be obtained from:

The Company Secretary
Windsor House
50, Victoria Street
London SW1H 0NL