

HENDERSON FAR EAST INCOME LIMITED

**REPORT FOR THE HALF YEAR ENDED
29 FEBRUARY 2016**

HENDERSON FAR EAST INCOME LIMITED
Unaudited Results for the half year ended 29 February 2016

Financial Highlights	As at 29 February 2016
Total net assets	£321,189,000
Net asset value per ordinary share	280.43p
Market price per ordinary share	274.25p
Discount	(2.2)%
Dividends – fourth interim (paid 30 November 2015)	4.90p
– first interim (paid 29 February 2016)	4.90p
Performance Highlights	Six months to 29 February 2016
Net Asset Value Total Return¹	5.8%
Share Price Total Return²	3.3%
FTSE All - World Asia Pacific ex Japan Index (Total Return)³	3.9%
FTSE All - World Asia Pacific Index (Total Return)³	2.3%

¹ Net asset value total return per ordinary share with income reinvested

² Mid-market share price with income reinvested

³ Expressed on a total return basis and in sterling terms

The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) for reference purposes only.

Sources: Morningstar for the AIC, Datastream

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INTERIM MANAGEMENT REPORT

Chairman's Statement

The six months under review have been characterised by continuing global and regional Asian volatility. Against this background, I am pleased to report that the net asset value total return per ordinary share was 5.8%. This compares favourably with the 3.9% total return on the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) over the same period. The share price total return per ordinary share was 3.3%, which reflects the movement from a small premium to a small discount.

Dividends

On 30 November 2015, your Company paid a fourth interim dividend of 4.90p per share in respect of the year ended 31 August 2015 making a total of 19.20p for the year, an increase of 5.5% over the previous year. In respect of the current financial year, a first interim dividend of 4.90p per share was paid on 29 February 2016 and a second interim dividend of the same amount has been declared and will be paid on 31 May 2016. Your Board remains confident that it will at least be able to maintain the same level of total dividends in this financial year.

Material Events or Transactions

A total of 2,190,000 new shares were issued in the six months to 29 February 2016 at a premium to net asset value, thereby enhancing the net asset value per share. Your Board will continue to issue shares where it is net asset value enhancing for shareholders to do so. Since the period end no further shares have been issued.

Board Composition

As I reported in the last annual report, your Board has agreed a succession plan for directors and Richard Povey retired from the Board following the Annual General Meeting on 16 December 2015. The next stage of this plan involved the retirement of Simon Meredith Hardy on 28 January 2016. Simon was a founding director of your Company in 2006 having been a director of its predecessor UK domiciled company. Simon's energy, enthusiasm and attention to detail together with his considerable knowledge of the financial markets and the investment company sector is missed by your Board and we wish him well for the future.

I am pleased to report that Nicholas George was appointed to the Board with effect from 20 April 2016. Mr George is a Chartered Accountant and an experienced corporate broker who specialised in the Asian markets and has lived and worked in Asia for much of his career. He is a non-executive director of a number of diversified businesses and your Board welcomes the expertise and experience that he will bring to the Board's deliberations.

Outlook

Volatility seems to be inevitable given the continuing concerns around the pace of Chinese growth, the direction of interest rates in the United States, the issues in Europe, and the UK referendum on EU membership and its potential impact on sterling. That said, the volatility should provide opportunities to invest in attractive companies with both capital and income growth potential. In particular, your Board remains optimistic that the pace of dividend growth in Asia will continue.

John Russell
Chairman
20 April 2016

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Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment and strategy
- Market
- Accounting, legal and regulatory
- Operational
- Financial including currency

Information on these risks and how they are managed is given in the Annual Report for the year ended 31 August 2015. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

Related Party Transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson Investment Funds Limited is the only related party arrangement currently in place. Other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there have been no material transactions with this related party affecting the financial position or the performance of the Company during the period under review.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- (b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

The maintenance and integrity of the Company's website is delegated to Henderson. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or review report since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

For and on behalf of the Board
John Russell, Chairman
20 April 2016

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Fund Manager's Report

Market

Asian markets posted a modest return of 3.9% in sterling terms in the six months to 29 February 2016 as measured by the FTSE All-World Asia Pacific ex Japan Index (the 'Index'). Once again the period was characterised by heightened volatility as global macro factors combined with regional uncertainty, produced fairly extreme price movements.

The first half of the Company's financial year started where the previous year left off. The announcement by the People's Bank of China in August to widen the trading band of the renminbi was communicated poorly, prompting speculation of a competitive devaluation. With the US Federal Reserve announcing its first interest rate rise in 8 years, and oil and commodity prices tumbling, it was an uncertain period for investors everywhere. The heightened risk aversion prompted a sell down in risk assets globally. Equity markets in the US, Europe and the UK came under pressure as did high yield corporate and sovereign credit markets. Emerging markets experienced significant outflows through this period as investors withdrew funds in expectation of heightened volatility and possible default, especially in some of the more highly leveraged and commodity dependent economies of Latin America and Emerging Europe. In an Asian context, the worst affected were Malaysia and Indonesia, where the combination of current account deficits and high exposure to the energy sector, resulted in a decline of 14% in the Malaysian ringgit and an 8% decline in the Indonesian rupiah against the US dollar between the end of July and the end of September 2015.

Although markets stabilised in the fourth quarter of 2015, the start of 2016 was met with a further wave of uncertainty. The 25 basis point rise in US interest rates in December, geopolitical risks in the Middle East, solvency worries over European banks and the potential for default in the US high yield market conspired to send markets into a tailspin. Further expansion of Quantitative Easing from the European Central Bank helped stabilise markets over the first quarter of 2016 although the volatility in global currencies remained elevated.

In Asia, the trajectory of economic growth continued to slow with little change expected in 2016. Unlike their Western peers, Asian policymakers do have some flexibility as witnessed by the interest rate cuts in India, China, Korea, Thailand and Indonesia over the period. With inflation benign, further cuts in interest rates are expected in 2016. Reform also remains high on the agenda with significant changes taking place in India, China, Korea and Indonesia although at times the pace is not as fast as some commentators hoped. Corporate earnings in aggregate have been subject to downgrades with most of the weakness concentrated in energy, materials and semiconductor sectors. The more domestically orientated sectors have proved more resilient although the much hoped for benefits from lower input prices are yet to materialise. The outlook for dividends is more encouraging as cash flow is growing rapidly as companies cut back capital expenditure in an uncertain growth environment.

The biggest contributor to the performance of your Company over the period was the weakness of sterling. In local currency terms, Asian markets fell over 4% but with the uncertainty of the United Kingdom's continued membership of European Union, the 8.5% fall of sterling against Asian currencies turned that loss into a 3.9% return for the Index.

Performance

I am pleased to announce that the performance of your Company exceeded that of the Index over the period. The net asset value rose 5.8% on a total return basis reflecting the defensive nature of income generating stocks in a volatile environment. The share price total return was 3.3% owing to the shares standing at a discount to net asset value at the end of the period. The most notable contribution to performance was from stock selection. The holdings in telecommunication stocks HKT Trust & HKT (Hong Kong), Telekomunikasi

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Indonesia (Indonesia) and Spark New Zealand (New Zealand) all performed well while the contributions from Korea Electric Power, Netease (China), AGL Energy (Australia), Scentre Group (Australia) and CapitaLand Mall Trust REIT (Singapore) were also beneficial. At the country level, the relatively low weightings in India and the reduction of the China weighting helped as these were the two worst performing markets while at the sector level the positive contributions from utilities and telecommunications were aided by the underweight position in energy and banks as these were the two worst performing sectors.

The performance of the revenue account was encouraging. Dividend revenue from the portfolio's holdings grew 31% compared to the same period last year and although option premium declined by 13% the Company's total revenue still increased by a healthy 24%. The weakness of sterling was clearly helpful but we have been encouraged by the number of companies in Asia which have been raising their dividends by more than market expectations. Of the stocks we hold, Korea Electric Power and SK Innovation announced dividends more than double market expectations while Macquarie Group, Rural Electrification Corporation, Netease and Insurance Australia Group all had dividends 20% or more ahead of analysts' forecasts.

Over the period there were a few notable changes to the portfolio. The overall weighting to China has been reduced with banks being sold in favour of less cyclical and policy driven companies which have become more attractive in the recent downturn. Toll road operator Jiangsu Expressway and water treatment company Guangdong Investment have been acquired – both have steady and reliable earnings with strong cash flows and dividend yields in excess of 4%. The other notable change was the increase in the allocation to South Korea. Following a country visit in November 2015, we became more convinced that the move to more progressive corporate governance and higher dividends was gaining traction. The move by the Ministry of Finance to tax excess cash reserves and the more active stance of the National Pension Scheme have focused attention on the need to see higher distributions from Korean corporates. We added KB Financial Group and SK Innovation to the portfolio to gain exposure to this positive trend. Elsewhere, we reduced our position in Taiwan by selling CTBC Financial and added Indian software company Infosys on expectation of improved execution and the opportunities for higher dividends going forward.

Outlook

We remain positive on the outlook for the region and especially for the potential for significant dividend growth in the months and years ahead. In the short term, however, we expect volatility to continue as the recovery in global growth continues to be questioned while risks remain over the health of European financials and the US high yield bond market. From a regional perspective, the pace of Chinese growth will continue to hold investors' attention as its impact on the rest of the region remains elevated while the on/off debate on US interest rates will dictate the performance of income strategies. The market, however, remains cheap by historic standards. Asian equities are trading at the lower end of their historical ranges with the potential of a re-rating should momentum turn more positive and sentiment towards the region improves. We remain focused on domestically orientated companies with strong and sustainable cash flows and progressive dividends and will take advantage of any market volatility to add positions as and when the opportunities arise.

Mike Kerley
20 April 2016

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Investment Portfolio
As at 29 February 2016

Company	Country of incorporation	Sector	Valuation at 29 February 2016 £'000	% of Portfolio
HKT Trust & HKT	Hong Kong	Telecommunications	11,620	3.51
Korea Electric Power	South Korea	Utilities	10,893	3.29
Macquarie Korea Infrastructure Fund	South Korea	Financials	9,570	2.89
CapitaLand Mall Trust REIT	Singapore	Property	9,544	2.88
SK Telecom (1)	South Korea	Telecommunications	9,095	2.75
Telekomunikasi Indonesia	Indonesia	Telecommunications	8,995	2.72
Taiwan Semiconductor Manufacturing (1)	Taiwan	Technology	8,699	2.63
Spark Infrastructure	Australia	Utilities	8,538	2.58
Ascendas REIT	Singapore	Property	8,332	2.52
AGL Energy	Australia	Utilities	8,326	2.52
Top Ten Investments			93,612	28.29
Coal India (2)	India	Basic Materials	8,295	2.51
Singapore Telecommunications	Singapore	Telecommunications	8,171	2.47
SK Innovation	South Korea	Basic Materials	8,170	2.47
Telstra Corporation	Australia	Telecommunications	8,132	2.46
Advanced Semiconductor Engineering	Taiwan	Technology	8,062	2.44
Spark New Zealand	New Zealand	Telecommunications	8,014	2.42
Mapletree Greater China Commercial Trust	Hong Kong	Property	7,778	2.35
Kangwon Land	South Korea	Consumer Services	7,648	2.31
Bharti Infratel (2)	India	Telecommunications	7,608	2.30
Zhengzhou Yutong Bus (2)	China	Industrials	7,349	2.22
Top Twenty Investments			172,839	52.24
Scentre Group	Australia	Property	7,258	2.19
CK Hutchison	Hong Kong	Industrials	7,135	2.16
Macquarie Group	Australia	Financials	7,101	2.15
Sands China	China	Consumer Services	7,024	2.12
Infosys(1)	India	Technology	6,952	2.10
Amcor	Australia	Industrials	6,745	2.04
Lend Lease	Australia	Property	6,683	2.02
China Resources Land	China	Property	6,628	2.00
Insurance Australia Group	Australia	Financials	6,612	2.00
Digital Telecommunications	Thailand	Telecommunications	6,547	1.98
Top Thirty Investments			241,524	73.00
Malayan Banking	Malaysia	Financials	6,461	1.95
KB Financial Group	South Korea	Financials	6,376	1.93
Mizuho Financial	Japan	Financials	6,329	1.91
BAIC Motor Corporation	China	Consumer Goods	6,167	1.86
HSBC Holdings	UK	Financials	5,951	1.80
Commonwealth Bank of Australia	Australia	Financials	5,836	1.76
Catcher Technology	Taiwan	Technology	5,575	1.69
Suncorp	Australia	Financials	5,567	1.68
Gree Electric Appliances (2)	China	Consumer Goods	5,542	1.67
Asustek Computer	Taiwan	Technology	5,529	1.67
Top Forty Investments			300,857	90.92

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Investment Portfolio as at 29 February 2016 (continued)

Company	Country of incorporation	Sector	Valuation at 29 February 2016 £'000	% of Portfolio
Netease (1)	China	Technology	5,301	1.60
Guangdong Investment	China	Utilities	4,855	1.47
Jiangsu Expressway	China	Industrials	4,686	1.42
Cheung Kong Property	Hong Kong	Property	4,680	1.41
CTCI Corporation	Taiwan	Industrials	4,512	1.36
Rural Electrification Corporation (2)	India	Financials	3,774	1.14
Intouch Holdings	Thailand	Telecommunications	3,754	1.14
China Forestry Holdings	China	Industrials	-	-
Catcher Technology Apr 16 Put 193.2316 (Expiry 14/04/16)	Taiwan	Technology	(30)	(0.01)
China Mobile Apr 16 Put 76.7622 (Expiry 08/04/16)	China	Telecommunications	(86)	(0.03)
Top Fifty Investments			332,303	100.42
Guangdong Investment May 16 Put 9.306 (Expiry 16/05/16)	China	Utilities	(175)	(0.05)
Netease Mar 16 Put 150 (Expiry 18/03/16)	China	Technology	(322)	(0.10)
Sands China May 16 Call 28.072 (Expiry 03/05/16)	China	Consumer Services	(440)	(0.13)
Korea Electric Power Apr 16 Call 53316.9 (Expiry 25/04/16)	South Korea	Utilities	(477)	(0.14)
Total Investments			330,889	100.00

(1) American Depositary Receipts
(2) Participation Notes

Sector and Geographic Exposure as at 29 February 2016

Sector Exposure	Portfolio as at 29 February 2016 %	Portfolio as at 28 February 2015 %	Geographic exposure	Portfolio as at 29 February 2016 %	Portfolio as at 28 February 2015 %
Telecommunications	21.7	19.0	Australia	21.4	20.0
Financials	19.2	20.2	South Korea	15.5	11.1
Property	15.4	14.9	China	14.1	22.2
Technology	12.0	11.3	Hong Kong*	11.2	8.6
Utilities	9.7	6.2	Taiwan	9.8	12.5
Industrials	9.2	9.4	India	8.0	6.3
Basic Materials	5.0	5.3	Singapore	7.9	7.9
Consumer Services	4.3	4.4	Thailand	3.1	3.5
Consumer Goods	3.5	7.9	Indonesia	2.7	1.7
Oil & Gas	-	1.4	New Zealand	2.4	2.5
			Malaysia	2.0	1.8
			Japan	1.9	1.9
Total	100.0	100.0	Total	100.0	100.0

*Includes HSBC

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Condensed Statement of Comprehensive Income

for the half year ended 29 February 2016

	Half year ended 29 February 2016 (Unaudited)			Half year ended 28 February 2015 (Unaudited)			Year ended 31 August 2015 (Audited)		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investment income	7,327	-	7,327	5,606	-	5,606	24,451	-	24,451
Other income, including option premium income	907	-	907	1,043	-	1,043	2,554	-	2,554
Gains/(losses) on investments held at fair value through profit or loss	-	12,690	12,690	-	7,446	7,446	-	(60,887)	(60,887)
Total income/(loss)	8,234	12,690	20,924	6,649	7,446	14,095	27,005	(60,887)	(33,882)
Expenses									
Management fees	(724)	(724)	(1,448)	(843)	(843)	(1,686)	(1,472)	(1,472)	(2,944)
Other expenses	(207)	(207)	(414)	(207)	(207)	(414)	(417)	(418)	(835)
Profit/(loss) before finance costs and taxation	7,303	11,759	19,062	5,599	6,396	11,995	25,116	(62,777)	(37,661)
Finance costs	(64)	(64)	(128)	(66)	(66)	(132)	(135)	(136)	(271)
Profit/(loss) before taxation	7,239	11,695	18,934	5,533	6,330	11,863	24,981	(62,913)	(37,932)
Taxation	(683)	-	(683)	(479)	-	(479)	(2,314)	-	(2,314)
Profit/(loss) for the period and total comprehensive income	6,556	11,695	18,251	5,054	6,330	11,384	22,667	(62,913)	(40,246)
Earnings per ordinary share basic and diluted (note 2)	5.76p	10.28p	16.04p	4.62p	5.79p	10.41p	20.54p	(57.00p)	(36.46p)

The total column of this statement represents the Condensed Statement of Comprehensive Income of the Company, prepared in accordance with IAS34.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Henderson Far East Income Limited. There are no minority interests.

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Condensed Statement of Changes in Equity

for the half year ended 29 February 2016

	Half year ended 29 February 2016 (Unaudited)				
	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2015	103,202	180,471	4,509	19,639	307,821
Total comprehensive income:					
Profit for the period	-	-	11,695	6,556	18,251
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(11,152)	(11,152)
Shares issued	6,294	-	-	-	6,294
Share issue costs	(25)	-	-	-	(25)
Total equity at 29 February 2016	<u>109,471</u>	<u>180,471</u>	<u>16,204</u>	<u>15,043</u>	<u>321,189</u>

	Half year ended 28 February 2015 (Unaudited)				
	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2014	89,143	180,471	67,422	17,985	355,021
Total comprehensive income:					
Profit for the period	-	-	6,330	5,054	11,384
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(10,301)	(10,301)
Shares issued	7,580	-	-	-	7,580
Share issue costs	(30)	-	-	-	(30)
Total equity at 28 February 2015	<u>96,693</u>	<u>180,471</u>	<u>73,752</u>	<u>12,738</u>	<u>363,654</u>

	Year ended 31 August 2015 (Audited)				
	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2014	89,143	180,471	67,422	17,985	355,021
Total comprehensive income:					
(Loss)/profit for the year	-	-	(62,913)	22,667	(40,246)
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(21,013)	(21,013)
Shares issued	14,115	-	-	-	14,115
Share issue costs	(56)	-	-	-	(56)
Total equity at 31 August 2015	<u>103,202</u>	<u>180,471</u>	<u>4,509</u>	<u>19,639</u>	<u>307,821</u>

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Condensed Balance Sheet

as at 29 February 2016

	29 February 2016 (Unaudited) £'000	28 February 2015 (Unaudited) £'000	31 August 2015 (Audited) £'000
Non current assets			
Investments held at fair value through profit or loss	<u>332,419</u>	<u>377,712</u>	<u>324,474</u>
Current assets			
Other receivables	10,434	13,294	7,584
Cash and cash equivalents	<u>8,019</u>	<u>9,275</u>	<u>11,681</u>
	<u>18,453</u>	<u>22,569</u>	<u>19,265</u>
Total assets	<u>350,872</u>	<u>400,281</u>	<u>343,739</u>
Current liabilities			
Written options	(1,530)	(361)	(1,007)
Other payables	(10,135)	(20,021)	(432)
Bank loans and overdrafts	<u>(18,018)</u>	<u>(16,245)</u>	<u>(34,479)</u>
	<u>(29,683)</u>	<u>(36,627)</u>	<u>(35,918)</u>
Net assets	<u>321,189</u>	<u>363,654</u>	<u>307,821</u>
Capital and reserves			
Stated capital	109,471	96,693	103,202
Distributable reserve	180,471	180,471	180,471
Retained earnings:			
Other capital reserves	16,204	73,752	4,509
Revenue reserve	<u>15,043</u>	<u>12,738</u>	<u>19,639</u>
Total equity	<u>321,189</u>	<u>363,654</u>	<u>307,821</u>
Net asset value per ordinary share (note 3)	<u>280.43p</u>	<u>329.41p</u>	<u>273.99p</u>

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Condensed Statement of Cash Flows
for the half year ended 29 February 2016

	Half year ended 29 February 2016 (Unaudited) £'000	Half year ended 28 February 2015 (Unaudited) £'000	Year ended 31 August 2015 (Audited) £'000
Operating activities			
Net profit / (loss) before tax	18,934	11,863	(37,932)
(Less) / add (gains) / losses on investments held at fair value through profit or loss	(12,690)	(7,446)	60,887
Purchases of investments	(116,249)	(132,500)	(390,007)
Sales of investments	122,616	130,010	373,902
Decrease in prepayments and accrued income	773	1,901	474
(Increase) / decrease in amounts due from brokers	(3,823)	(6,944)	422
Increase / (decrease) in other payables	1,163	876	(600)
Increase in amounts due to brokers	8,739	18,350	-
Stock dividends included in investment income	(134)	-	(284)
Withholding tax on investment income	(683)	(501)	(2,307)
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Net cash inflow from operating activities	18,646	15,609	4,555
Financing activities			
Net loans repayment	(17,912)	(8,891)	4,899
Equity dividends paid	(11,152)	(10,301)	(21,013)
Share issue proceeds	6,294	7,580	14,115
Share issue costs	(25)	(30)	(56)
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Net cash outflow from financing	(22,795)	(11,642)	(2,055)
(Decrease) / Increase in cash and cash equivalents	(4,149)	3,967	2,500
Cash and cash equivalents at the start of the period including bank overdrafts	11,681	7,424	7,424
Exchange movements	487	(2,132)	1,757
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Cash and cash equivalents at the period end including bank overdrafts	8,019	9,259	11,681
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Notes:

1. Accounting Policies:

(a) Basis of preparation

The condensed interim financial information has been prepared on a going concern basis, in accordance with IAS 34 and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

The Annual Report and Financial Statements for the year ended 31 August 2015 were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The unaudited results for the half year ended 29 February 2016 have been prepared using the same accounting policies as those applied in the Company's financial statements for the year ended 31 August 2015. The 31 August 2015 financial statements include detail of any new accounting standards not yet adopted by the Company. There has been no change to the segmental reporting assessment compared to the 31 August 2015 financial statements.

These condensed financial statements do not include all information required for a full set of financial statements. The figures and financial information for the year ended 31 August 2015 are an extract based on the published financial statements and should be read in conjunction with them.

The condensed financial information for the half years ended 29 February 2016 and 28 February 2015 has not been audited.

(b) Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. Financial assets are recognised / de-recognised at the trade date of the purchase / disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the Balance Sheet date, without deduction of the estimated future selling costs. The fair values of unquoted financial instruments within the portfolio are based on their last audited net asset values discounted where necessary to arrive at a fair value.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgments, estimates or assumptions.

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(b) Investments held at fair value through profit or loss (continued)

The Company's holdings in Participation Notes are valued at £32.6 million (28 February 2015: £35.9 million, 31 August 2015: £32.6 million). These are valued by reference to the underlying quoted stock. The obligations relating to the options valued at £1,530,000 (28 February 2015: £361,000, 31 August 2015: £1,007,000) are valued by reference to the Black-Scholes model.

The fair value of the Company's forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

2. Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit after taxation of £18,251,000 (half year ended 28 February 2015: profit £11,384,000; year ended 31 August 2015: loss £40,246,000) and on 113,782,872 ordinary shares (half year ended 28 February 2015: 109,312,000; year ended 31 August 2015: 110,366,043) being the weighted average number of ordinary shares in issue during each of the periods.

The earnings per ordinary share detailed above can be further analysed between revenue and capital, as below:

	Half year ended 29 February 2016 (Unaudited) £'000	Half year ended 28 February 2015 (Unaudited) £'000	Year ended 31 August 2015 (Audited) £'000
Net revenue profit	6,556	5,054	22,667
Net capital profit / (loss)	11,695	6,330	(62,913)
Net total profit / (loss)	<u>18,251</u>	<u>11,384</u>	<u>(40,246)</u>
Weighted average number of ordinary shares in issue during the period	113,782,872	109,312,000	110,366,043
	Pence	Pence	Pence
Revenue earnings per ordinary share	5.76	4.62	20.54
Capital earnings/(loss) per ordinary share	<u>10.28</u>	<u>5.79</u>	<u>(57.00)</u>
Total earnings/(loss) per ordinary share	<u>16.04</u>	<u>10.41</u>	<u>(36.46)</u>

The Company does not have any dilutive securities; therefore the basic and diluted returns per share are the same.

3. Net asset value per ordinary share

The basic net asset value per ordinary share is based on a net asset value of £321,189,000 (28 February 2015: £363,654,000; 31 August 2015: £307,821,000) and on 114,535,564 (28 February 2015: 110,395,564; 31 August 2015: 112,345,564) ordinary shares, being the number of ordinary shares in issue at each period end.

4. Transaction costs

Purchase transaction costs for the half year ended 29 February 2016 were £196,000 (half year ended 28 February 2015: £247,000; year ended 31 August 2015: £599,000). These mainly comprise commission. Sales transaction costs for the half year ended 29 February 2016 were £274,000 (half year ended 28 February 2015: £291,000; year ended 31 August 2015: £862,000).

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5. Share capital

During the six months under review the Company issued a total of 2,190,000 shares (half year ended 28 February 2015: 2,300,000; year ended 31 August 2015: 4,250,000) for net proceeds of £6,269,000 (half year ended 28 February 2015: £7,550,000; year ended 31 August 2015: £14,059,000) net of costs.

6. Interim dividend

On 30 November 2015, the Company paid a fourth interim dividend of 4.90p per share in respect of the year ended 31 August 2015. A first interim dividend of 4.90p per share was paid on 29 February 2016. The second interim dividend of 4.90p per share will be paid on 31 May 2016 to shareholders on the register on 6 May 2016. The Company's shares will be quoted ex-dividend on 5 May 2016. Based on the number of shares in issue on 20 April 2016, the cost of this dividend will be £5,612,000.

7. Financial Instruments

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Financial assets and financial liabilities at fair value through profit or loss at 29 February 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity securities designated at fair value through profit or loss	299,851	32,568	-	332,419
- Written options	-	(1,530)	-	(1,530)
- Forward exchange contracts	-	(8)	-	(8)
Total financial assets and liabilities carried at fair value	299,851	31,030		330,881
Financial assets and financial liabilities at fair value through profit or loss at 28 February 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity securities designated at fair value through profit or loss	341,804	35,908	-	377,712
- Written options	-	(361)	-	(361)
- Forward exchange contracts	-	51	-	51
Total financial assets and liabilities carried at fair value	341,804	35,598		377,402

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7. Financial Instruments (continued)

Level 3 investments relate to one holding of China Forestry, transferred into level 3 in 2012, written down to zero during the year ended 31 August 2014.

There have been no movements in Level 3 investments during the half year ended 29 February 2016.

There have been no transfers between levels of the fair value hierarchy during the period.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1.

Level 3 – valued by reference to valuation techniques that are not based on observable market data.

The Company's holdings in options, Participation Notes and forward exchange contracts are included within Level 2.

The valuation techniques used by the Company are explained in the accounting policies note of The Annual Report and Financial Statements for the year ended 31 August 2015.

Premiums from written options during the half year ended 29 February 2016 were £902,000 (half year ended 28 February 2015: £1,042,000, year ended 31 August 2015: £2,551,000).

8. Going concern

Having reassessed the principal risks and uncertainties, the Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

9. Half Year Report

The Half Year Report will be available in hard copy format from the Company's registered office, Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY from late April 2016. Shareholders will be sent a copy of the Update, an abridged version of the half year results, in early May.

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10. General Information

a) Company Objective

To seek to provide a high level of dividends as well as capital appreciation over the long term, from a diversified portfolio of investments traded on the Pacific, Australasian, Japanese and Indian stock markets ('the Asia Pacific region').

b) Company Status

The Company is a Jersey domiciled closed-end investment company, number 95064, which was incorporated in 2006 and which is listed on the London and New Zealand Stock Exchanges. The ISIN number is JE00B1GXH751. The London Stock Exchange code is HFEL. The Company is a Jersey fund which is regulated by the Jersey Financial Services Commission.

c) Directors, Secretary and Registered Office

The Directors of the Company are John Russell (Chairman), David Mashiter, Julia Chapman, David Staples and Nicholas George. The Secretary is BNP Paribas Securities Services S.C.A. Jersey Branch, represented by Jeremy Hamon and which is regulated by the Jersey Financial Services Commission. The registered office is Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY.

d) Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at www.hendersonfareastincome.com

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Unaudited Results for the half year ended 29 February 2016

Half Year Review

Introduction

We have been engaged by Henderson Far East Income Limited ('the Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2016 which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Changes in Equity, the Condensed Balance Sheet, the Condensed Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Heather J. MacCallum
For and on behalf of
KPMG Channel Islands Limited
Chartered Accountants
37 Esplanade
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26 April 2016

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