

HENDERSON FAR EAST INCOME LIMITED

**REPORT FOR THE HALF-YEAR ENDED
28 FEBRUARY 2017**

HENDERSON FAR EAST INCOME LIMITED
Unaudited Results for the half-year ended 28 February 2017

Financial Highlights	As at 28 February 2017	As at 31 August 2016		
Net asset value per ordinary share	351.9p	337.8p		
Share price	351.5p	343.0p		
Net assets	£407,040,000	£386,859,000		
(Discount)/premium	(0.1%)	1.6%		
Total return performance	6 months	1 year	3 years	5 years
	%	%	%	%
Net asset value total return ¹	7.3	33.7	43.0	54.5
FTSE All-World Asia Pacific ex Japan Index (total return) ²	11.9	44.6	51.4	56.0
FTSE All-World Asia Pacific Index (total return) ³	12.3	40.9	56.4	68.1
Share price total return ⁴	5.5	36.3	41.0	55.5
Dividends paid during the period				
Fourth interim (paid 30 November 2016)	5.1p			
First interim (paid 28 February 2017)	5.1p			

¹ Net asset value (NAV) total return (including dividends reinvested)

² FTSE All-World Asia Pacific ex Japan Index (sterling adjusted), for comparison purposes (including dividends reinvested)

³ FTSE All-World Asia Pacific (sterling adjusted), for comparison purposes (including dividends reinvested)

⁴ Share price total return (including dividends reinvested)

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

I am pleased to report that shareholder returns over the period were helped by both the continuing positive trend in Asia Pacific markets and the unhedged currency exposure to them. That said, the global macro uncertainties I drew attention to in my annual report statement have not gone away so volatility will remain a feature for the foreseeable future. However, against that background it is encouraging that investment income rose 16.7% compared to the equivalent period last year as a result of organic growth and foreign exchange benefit confirming our belief that dividends from the region will continue to grow.

Performance

In the six months to 28 February 2017, the net asset value total return of the Company was 7.3% and the share price total return was 5.5% reflecting the reduction in the premium to net asset value at which the shares have traded over the period and the slight discount at the end of the half-year. The FTSE All-World Asia Pacific ex Japan Index returned 11.9% in sterling terms over the same period as growth outperformed high yield as a consequence of an improving global growth outlook and the prospect of rising interest rates.

Dividends

On 30 November 2016, your Company paid a fourth interim dividend of 5.1p per share in respect of the year ended 31 August 2016 making a total of 20.0p for the year, an increase of 4.2% over the previous year. In respect of the current financial year, a first interim dividend of 5.1p per share was paid on 28 February 2017 and a second interim dividend of the same amount has been declared and will be paid on 31 May 2017. Your Board remains confident that it will at least be able to maintain the level of total dividends in this financial year.

Material Events or Transactions

A total of 1,125,000 new shares were issued in the six months to 28 February 2017 at a premium to net asset value, thereby enhancing the net asset value per share. Your Board will continue to issue shares where there is demand and where it is NAV enhancing for shareholders to do so. Since the period end a further 275,000 shares have been issued.

Manager

Your Board has noted Henderson Group plc's proposed merger with the US based Janus Capital Inc which is expected to complete at the end of May 2017. The combined business will have an extended presence in the Asia Pacific region which should be positive for shareholders and your Board will monitor developments with interest.

Outlook

The global market outlook remains uncertain as worries around the implications of the Trump presidency, escalation of Sino/US tension over North Korea and territorial disputes in the South China Sea could negatively impact Asian markets. In addition, the UK's withdrawal from the European Union could impact currency markets and dictate the returns derived for a sterling based investor. That said, Asian markets have performed well over the last twelve months with positive economic growth across the region and we expect this to continue through 2017.

John Russell
Chairman
24 April 2017

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Fund Manager's Report

Performance

Despite a period of uncertainty Asia Pacific equity markets continued their positive trend returning 11.9% in sterling terms over the period as measured by the FTSE All World Asia Pacific ex Japan Index. Although most of the weakness in sterling resulting from the UK's decision to leave the European Union occurred in the Company's last financial year, continued uncertainty in this regard resulted in a further 5.8% fall of sterling against Asian currencies in this reporting period bolstering both capital and income returns.

Market Review

The last six months have proven to be quite a difficult period for income focused strategies. The improvement in global growth prospects, rising inflation and the expectation of higher interest rates has prompted a switch from defensives to cyclical growth and from high yield to value. Although the portfolio has exposure to some of these improving trends, the high yield part of the portfolio has suffered on a relative basis under these conditions. Over the six month period to the end of February 2017, the Company's net asset value rose by 7.3% on a total return basis, underperforming the regional index by 4.6%.

The period was dominated by the surprise election of Donald Trump as US President in November 2016. Global markets, which had been weak in the previous three months, embraced the change with the new President's focus on tax reform, deregulation and infrastructure spending seen as a positive catalyst for growth. At the time of writing, details on these plans are still few and far between but markets still travel in hope with most global indices at or close to all-time highs. Fortunately, pre-election rhetoric in areas which are of more direct concern to Asia Pacific have also not been implemented. The much heralded 'Border Tax' and the labelling of China as a currency manipulator have yet to come to fruition suggesting that a degree of pragmatism has set in now the President occupies the Oval Office.

Within Asia there are encouraging signs both top down and bottom up. The Chinese economy has stabilised with broad indicators of growth such as industrial production, purchasing managers' surveys and housing activity showing improving trends. This momentum is likely to continue into the important Communist Party Congress later in the year which marks the halfway stage of Xi Jinping's tenure where changes to the political elite are expected to cement Xi's influence. Elsewhere, improving exports have helped Korea and Taiwan while Hong Kong and Australia benefited from renewed Chinese demand for property and commodities respectively. The most notable disappointment was India where growth expectations have been revised lower following Prime Minister Modi's shock decision to remove 500 and 1000 rupee notes from circulation in November 2016. This attempt to reduce counterfeiting and fraud and bring more Indians under the formal financial and tax system has had limited success, but has resulted in a cash squeeze which has impacted economic growth and corporate earnings.

The best performing markets over the period were Singapore, Taiwan, Australia and Korea with Indonesia, The Philippines, Malaysia and Thailand the laggards. This clear performance divide between north and south Asia should have benefited the portfolio which is well weighted in the four best performing markets with less exposure to most of the ASEAN region. The sector performance, however, is a better indication of the changes in style which dominated the period with the best performing sectors being materials, energy, technology and financials while the laggards were utilities, telecommunications, healthcare and consumer staples. Although the dividend growth part of the portfolio is well weighted in materials, energy and technology the relatively light position in banks and the heavy weighting in telecommunications proved particularly detrimental. At the stock level there were some notable successes with Netease rising 52%, Rio Tinto 44% and KB Financial 29%. The detractors were Korea Electric Power, which fell 19%, Bharti Infratel 15%, Guangdong Investment 14% and CapitalLand Mall Trust 10%.

Although Asian markets have performed well over the last twelve months there are still reasons to remain optimistic. Economic growth in China and the rest of the region is showing encouraging signs and we expect this to continue through 2017. More importantly, this is flowing through into corporate earnings which are showing the most positive revisions since 2009. Although a degree of this is the

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highly cyclical materials and commodity sectors recovering off a low base, there are encouraging signs that the breadth is widening to other areas such as industrials, consumer discretionary and financials. This improving earnings picture keeps valuations at attractive levels despite the move higher in prices. The most compelling strategy in Asia continues to be dividends. Asian companies continue to produce impressive amounts of free cash flow and, with investment constrained by conservatism and lack of opportunity, we expect dividend pay-out ratios to rise progressively over the coming years from the current low levels. This provides the back drop for dividend growth to outstrip earnings growth in the years ahead.

Portfolio Review

The strength of dividend pay-out of companies owned in the portfolio is reflected in the Company's revenue performance. Investment income rose 16.7% over the same period a year ago while option premium was a more modest 5.8% higher. Clearly these numbers were boosted by the weakness of sterling but remain impressive all the same.

The portfolio retains its 50/50 split between high yield and dividend growth. High yield tends to be focused in the more developed markets and dividend growth in the developing markets. The only exception to this is Korea where improving corporate governance and a greater awareness of shareholder requirements is likely to lead to much higher dividend pay-outs over time and is why we are overweight despite it being one of the lowest yielding markets in the region. Although the high yield part of the portfolio has been a drag on recent performance we retain exposure to telecommunications and Real Estate Investment Trusts as their dividend yield premiums over bonds and cash have actually expanded over the period (prices have corrected more than interest rates have risen) which makes them quite compelling at these levels. Other favoured sectors are technology, where we have large positions in Netease, Samsung Electronics preferred shares and Hon Hai Precision and energy where we are positive on refiners (SK Innovation and Star Petroleum) and beneficiaries of lower gas prices (PTT). At the country level we are positive on the prospects for Korea, Singapore and China while remaining cautious of India, The Philippines and Indonesia where valuations are elevated.

Outlook

The risks to expectations are numerous. Upcoming elections in Europe, rising tensions surrounding North Korea and the South China Sea and the potential for protectionist policies from the US are clear worries. The Company's performance could also be impacted by the UK's success at negotiating an attractive exit from Europe which will dictate the value of sterling. The biggest risk in the short term, however, is that market valuations in the US and some other western markets have reached multi cycle highs despite considerable uncertainty. A pull back is probably overdue which could cause increased volatility in global markets. The proposition for Asia Pacific remains an attractive one and we remain well positioned to take advantage should the increased volatility provide attractive opportunities.

Mike Kerley
Fund Manager
24 April 2017

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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 2016. 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

The Company's current related parties are its Directors and Henderson. There have been no material transactions between the Company and its Directors during the period and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the period end.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Henderson affecting the financial position 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 (“IAS 34”);
- (b) the interim management report includes a fair review of the information required by Disclosure Guidance 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 Guidance 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.

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

24 April 2017

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Investment Portfolio
As at 28 February 2017

Company	Country of incorporation	Sector	Valuation at 28 February 2017 £'000	% of portfolio
Samsung Electronics ⁽¹⁾	South Korea	Technology	18,805	4.44
Netease ⁽²⁾	China	Technology	18,077	4.27
Taiwan Semiconductor Manufacturing ⁽²⁾	Taiwan	Technology	14,645	3.46
Rio Tinto Ltd	Australia	Basic Materials	12,666	2.99
PTT	Thailand	Oil & Gas	11,822	2.79
Macquarie Korea Infrastructure Fund	South Korea	Financials	11,403	2.69
Macquarie Group	Australia	Financials	10,809	2.55
Spark New Zealand	New Zealand	Telecommunications	10,320	2.44
Hon Hai Precision Industry	Taiwan	Technology	10,188	2.40
Telekomunikasi Indonesia	Indonesia	Telecommunications	10,150	2.40
Top Ten Investments			128,885	30.43
Australia & New Zealand Banking Group	Australia	Financials	10,112	2.39
Insurance Australia Group	Australia	Financials	9,940	2.35
Ancor	Australia	Industrials	9,705	2.29
Ascendas REIT	Singapore	Property	9,697	2.29
HKT Trust & HKT	Hong Kong	Telecommunications	9,672	2.28
Mapletree Greater China Commercial Trust	Hong Kong	Property	9,487	2.24
AMP	Australia	Financials	9,212	2.17
Fairfax Media	Australia	Consumer Services	9,181	2.17
SK Telecom ⁽²⁾	South Korea	Telecommunications	8,816	2.08
SK Innovation	South Korea	Basic Materials	8,816	2.08
Top Twenty Investments			223,523	52.77
Industrial & Commercial Bank of China	China	Financials	8,763	2.07
Bank of China	China	Financials	8,637	2.04
Taiwan Cement	Taiwan	Industrials	8,630	2.04
KB Financial Group	South Korea	Financials	8,460	2.00
Zhengzhou Yutong Bus Co ⁽³⁾	China	Industrials	8,454	1.99
Korea Electric Power	South Korea	Utilities	8,435	1.99
HSBC Holdings	UK	Financials	8,422	1.99
Mapletree Commercial Trust	Singapore	Property	8,307	1.96
Huayu Automotive Systems 'A Shares' ⁽³⁾	China	Consumer Goods	8,243	1.94
Jiangsu Expressway	China	Industrials	8,127	1.92
Top Thirty Investments			308,001	72.71
Scentre Group	Australia	Property	8,122	1.92
Digital Telecommunications	Thailand	Telecommunications	8,055	1.90
Lend Lease	Australia	Property	8,045	1.90
Dexus Property Group	Australia	Property	7,983	1.88
China Yangtze Power 'A Shares' ⁽³⁾	China	Utilities	7,872	1.86
Advanced Semiconductor Engineering	Taiwan	Technology	7,805	1.84
Kangwon Land	South Korea	Consumer Services	7,696	1.82
Anta Sports Products	China	Consumer Goods	7,695	1.82
Singapore Telecommunications	Singapore	Telecommunications	7,547	1.78
Star Petroleum Refining	Thailand	Oil & Gas	7,476	1.76

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Top Forty Investments			386,297	91.19
Spark Infrastructure	Australia	Utilities	7,432	1.75
CTCI Corporation	Taiwan	Industrials	7,398	1.75
Singapore Post	Singapore	Industrials	6,910	1.63
Melco Crown Entertainment ⁽²⁾	China	Consumer Services	6,442	1.52
China Mobile	China	Telecommunications	5,773	1.36
Bharti Infratel ⁽³⁾	India	Telecommunications	5,346	1.26
China Forestry Holdings	China	Basic Materials	-	-
Anta Sports Products Apr 17 Put 21.6365 (Expiry 10/04/17)	China	Consumer Goods	(64)	(0.02)
Melco Crown Entertainment May 17 Put 15.7889 (Expiry 17/05/17)	China	Consumer Services	(224)	(0.05)
SK Innovation Apr 17 Call 167458.89908 (Expiry 10/04/17)	South Korea	Basic Materials	(225)	(0.05)
Top Fifty Investments			425,085	100.34
Netease Apr 17 Call 257.98 (Expiry 10/04/17)	China	Technology	(1,429)	(0.34)
Total Investments			423,656	100.00

⁽¹⁾ Preferred Shares

⁽²⁾ American Depositary Receipts

⁽³⁾ Participation Notes

Sector and Geographic Exposure as a percentage of the investment portfolio excluding cash

Sector Exposure	Portfolio as at	Portfolio as at	Geographic Exposure	Portfolio as at	Portfolio as at
	28 February	29 February		28 February	29 February
	2017	2016		2017	2016
	%	%		%	%
Financials	20.2	19.2	Australia	24.4	21.4
Technology	16.1	12.0	China	20.4	14.1
Telecommunications	15.5	21.7	South Korea	17.0	15.5
Property	12.2	15.4	Taiwan	11.5	9.8
Industrials	11.6	9.2	Singapore	7.7	7.9
Utilities	5.6	9.7	Hong Kong*	6.5	11.2
Consumer Services	5.5	4.3	Thailand	6.4	3.1
Basic Materials	5.0	5.0	Indonesia	2.4	2.7
Oil & Gas	4.6	-	New Zealand	2.4	2.4
Consumer Goods	3.7	3.5	India	1.3	8.0
			Malaysia	-	2.0
			Japan	-	1.9
Total	100.0	100.0	Total	100.0	100.0

* Includes HSBC Holdings

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Condensed Statement of Comprehensive Income

	Half-year ended 28 February 2017 (Unaudited)			Half-year ended 29 February 2016 (Unaudited)			Year ended 31 August 2016 (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	8,551	-	8,551	7,327	-	7,327	25,974	-	25,974
Other income	960	-	960	907	-	907	2,489	-	2,489
Gains on investments held at fair value through profit or loss	-	22,408	22,408	-	13,654	13,654	-	75,636	75,636
Net foreign exchange loss excluding gains/(losses) on investments	-	(835)	(835)	-	(964)	(964)	-	(2,275)	(2,275)
Total income	9,511	21,573	31,084	8,234	12,690	20,924	28,463	73,361	101,824
Expenses									
Management fees	(892)	(892)	(1,784)	(724)	(724)	(1,448)	(1,565)	(1,565)	(3,130)
Other expenses	(192)	(192)	(384)	(207)	(207)	(414)	(403)	(403)	(806)
Profit before finance costs and taxation	8,427	20,489	28,916	7,303	11,759	19,062	26,495	71,393	97,888
Finance costs	(87)	(87)	(174)	(64)	(64)	(128)	(142)	(143)	(285)
Profit before taxation	8,340	20,402	28,742	7,239	11,695	18,934	26,353	71,250	97,603
Taxation	(652)	-	(652)	(683)	-	(683)	(2,228)	-	(2,228)
Profit for the period and total comprehensive income	7,688	20,402	28,090	6,556	11,695	18,251	24,125	71,250	95,375
Earnings per ordinary share basic and diluted (note 2)	6.67p	17.72p	24.39p	5.76p	10.28p	16.04p	21.13p	62.41p	83.54p

The total column of this statement represents the Condensed Statement of Comprehensive Income of the Company, prepared in accordance with IAS 34.

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 shareholders of Henderson Far East Income Limited. There are no minority interests.

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Condensed Statement of Changes in Equity

Half-year ended 28 February 2017 (Unaudited)

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2016	109,471	180,471	75,759	21,158	386,859
Total comprehensive income:					
Profit for the period	-	-	20,402	7,688	28,090
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(11,753)	(11,753)
Shares issued	3,860	-	-	-	3,860
Share issue costs	(16)	-	-	-	(16)
Total equity at 28 February 2017	113,315	180,471	96,161	17,093	407,040

Half-year ended 29 February 2016 (Unaudited)

	Stated capital £'000	Distributable reserve £'000	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	109,471	180,471	16,204	15,043	321,189

Year ended 31 August 2016 (Audited)

	Stated capital £'000	Distributable reserve £'000	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 year	-	-	71,250	24,125	95,375
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(22,606)	(22,606)
Shares issued	6,294	-	-	-	6,294
Share issue costs	(25)	-	-	-	(25)
Total equity at 31 August 2016	109,471	180,471	75,759	21,158	386,859

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Condensed Balance Sheet

	28 February 2017 (Unaudited) £'000	29 February 2016 (Unaudited) £'000	31 August 2016 (Audited) £'000
Non current assets			
Investments held at fair value through profit or loss (note 8)	425,598	332,419	405,131
Current assets			
Other receivables	3,140	10,434	3,321
Cash and cash equivalents	2,905	8,019	5,944
	<u>6,045</u>	<u>18,453</u>	<u>9,265</u>
Total assets	<u>431,643</u>	<u>350,872</u>	<u>414,396</u>
Current liabilities			
Written options	(1,942)	(1,530)	(635)
Other payables	(1,694)	(10,135)	(1,581)
Bank loans	(20,967)	(18,018)	(25,321)
	<u>(24,603)</u>	<u>(29,683)</u>	<u>(27,537)</u>
Net assets	<u>407,040</u>	<u>321,189</u>	<u>386,859</u>
Equity attributable to equity shareholders			
Stated share capital	113,315	109,471	109,471
Distributable reserve	180,471	180,471	180,471
Retained earnings:			
Capital reserves	96,161	16,204	75,759
Revenue reserve	17,093	15,043	21,158
Total equity	<u>407,040</u>	<u>321,189</u>	<u>386,859</u>
Net asset value per ordinary share (note 3)	<u>351.93p</u>	<u>280.43p</u>	<u>337.76p</u>

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Condensed Statement of Cash Flows

	Half-year ended 28 February 2017 (Unaudited) £'000	Half-year ended 29 February 2016 (Unaudited) £'000	Year ended 31 August 2016 (Audited) £'000
Operating activities			
Profit before tax	28,742	18,934	97,603
Add back: interest payable	174	-	285
Gains on investments held at fair value through profit or loss	(22,408)	(13,654)	(75,636)
Net foreign exchange loss excluding foreign exchange gains/(losses) on investments	835	964	2,275
Sales of investments	149,000	122,616	310,929
Purchases of investments	(145,656)	(116,249)	(316,188)
Decrease in prepayments and accrued income	10	773	170
Decrease/(increase) in amounts due from brokers	171	(3,823)	4,093
Increase in other payables	109	1,163	1,153
Increase in amounts due to brokers	-	8,739	
Stock dividends included in investment income	(96)	(134)	(134)
Net cash inflow from operating activities before interest and taxation	10,881	19,329	24,550
Interest paid	(169)	-	(289)
Withholding tax on investment income	(652)	(683)	(2,228)
Net cash inflow from operating activities before interest and taxation	10,060	18,646	22,033
Financing activities			
Net loans repayment	(5,774)	(17,912)	(12,231)
Equity dividends paid	(11,753)	(11,152)	(22,606)
Share issue proceeds	3,860	6,294	6,294
Share issue costs	(16)	(25)	(25)
Net cash outflow from financing	(13,683)	(22,795)	(28,568)
(Decrease) in cash and cash equivalents	(3,623)	(4,149)	(6,535)
Cash and cash equivalents at the start of the period / year	5,944	11,681	11,681
Exchange movements	584	487	798
Cash and cash equivalents at the end of the period / year	2,905	8,019	5,944

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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 Guidance and Transparency Rules of the UK's Financial Conduct Authority.

The Annual Report and Financial Statements for the year ended 31 August 2016 were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The unaudited results for the half-year ended 28 February 2017 have been prepared using the same accounting policies as those applied in the Company's financial statements for the year ended 31 August 2016. The 31 August 2016 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 2016 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 2016 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 28 February 2017 and 29 February 2016 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. Participation notes are fair valued by reference to underlying stocks. The fair value of option contracts is determined by reference to the Black-Scholes model. 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, including exchange gains and losses, are recognised in the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss', including exchange gains and losses. 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 judgements, 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 judgements, estimates or assumptions.

The Company's holdings in Participation Notes are valued at £29.9 million (29 February 2016: £32.6 million, 31 August 2016: £46.0 million). These are valued by reference to the underlying quoted stock. The obligations relating to the options valued at £1,942,000 (liability) (29 February 2016: £1,530,000 (liability), 31 August 2016: £635,000 (liability)) 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.

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2. Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit after taxation of £28,090,000 (half-year ended 29 February 2016: profit £18,251,000; year ended 31 August 2016: profit £95,375,000) and on 115,160,564 ordinary shares (half-year ended 29 February 2016: 113,782,872; year ended 31 August 2016: 114,161,274) 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 28 February 2017 (Unaudited) £'000	Half-year ended 29 February 2016 (Unaudited) £'000	Year ended 31 August 2016 (Audited) £'000
Net revenue profit	7,688	6,556	24,125
Net capital profit	20,402	11,695	71,250
Net total profit	28,090	18,251	95,375
Weighted average number of ordinary shares in issue during the period / year	115,160,564	113,782,872	114,161,274
	Pence	Pence	Pence
Revenue earnings per ordinary share	6.67	5.76	21.13
Capital earnings per ordinary share	17.72	10.28	62.41
Total earnings per ordinary share	24.39	16.04	83.54

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 £407,040,000 (29 February 2016: £321,189,000; 31 August 2016: £386,859,000) and on 115,660,564 (29 February 2016: 114,535,564; 31 August 2016: 114,535,564) 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 28 February 2017 were £184,000 (half-year ended 29 February 2016: £196,000; year ended 31 August 2016: £597,000). These mainly comprise commission. Sales transaction costs for the half-year ended 28 February 2017 were £349,000 (half-year ended 29 February 2016: £274,000; year ended 31 August 2016: £795,000).

5. Share capital

During the six months under review the Company issued a total of 1,125,000 shares (half-year ended 29 February 2016: 2,190,000; year ended 31 August 2016: 2,190,000) for net proceeds of £3,844,000 (half-year ended 29 February 2016: £6,269,000; year ended 31 August 2016: £6,269,000) net of costs. Since the period end a further 275,000 shares have been issued for net proceeds of £986,000.

6. Dividends

The Company pays dividends on a quarterly basis. On 30 November 2016 a fourth interim dividend of 5.1p per share was paid in respect of the year ended 31 August 2016. A first interim dividend, in respect of the year ended 31 August 2017, of 5.1p per share was paid on 28 February 2017. The second interim dividend of 5.10p per share will be paid on 31 May 2017 to shareholders on the register on 5 May 2017. The Company's shares will be quoted ex-dividend on 4 May 2017. Based on the number of shares in issue on 24 April 2017, the cost of the dividend will be £5,913,000.

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7. Management Fees

Management fees are charged in accordance with the terms of the management agreement at a rate of 0.9% per annum of net assets.

8. 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: value using quoted prices in active markets for identical assets and liabilities.
- Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices in Level 1.
- Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data.

Financial assets and financial liabilities at fair value through profit or loss at 28 February 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity securities designated at fair value through profit or loss	395,683	29,915	-	425,598
- Written options	-	(1,942)	-	(1,942)
Total financial assets and liabilities carried at fair value	395,683	27,973	-	423,656

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 31 August 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	359,116	46,015	-	405,131
- Written options	-	(635)	-	(635)
Total financial assets and liabilities carried at fair value	359,116	45,380	-	404,496

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 28 February 2017 and 29 February 2016.

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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 2016.

Premiums from written options during the half-year ended 28 February 2017 were £948,000 (half-year ended 29 February 2016: £902,000, year ended 31 August 2016: £2,475,000).

The valuation techniques and inputs used for level 2 and level 3 investments are as disclosed in note 1(b).

9. Going concern

The assets of the Company consist almost entirely of securities that are listed and regularly traded and, accordingly, the Directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors and the principal risks, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

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 Siobhan Lavery 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 28 February 2017

Review Report to Henderson Far East Income Limited

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 28 February 2017 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 Guidance 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.

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 28 February 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Andrew P. Quinn
For and on behalf of
KPMG Channel Islands Limited
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 8WQ
24 April 2017

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