

Company number: 95064

# **HENDERSON FAR EAST INCOME LIMITED**

## **HALF-YEAR REPORT (unaudited) for the half-year ended 28 February 2018**

**HENDERSON FAR EAST INCOME LIMITED**  
**Unaudited Results for the Half-Year Ended 28 February 2018**

Financial Highlights	As at 28 February 2018	As at 31 August 2017		
Net asset value per ordinary share	369.93p	375.19p		
Share price	369.00p	380.00p		
Net assets	£449,196,000	£442,482,000		
(Discount)/premium	(0.3%)	1.3%		
<b>Total return performance</b>	<b>6 months</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>
	%	%	%	%
Net asset value total return <sup>1</sup>	1.4	11.2	35.0	39.4
FTSE All-World Asia Pacific ex Japan Index (total return) <sup>2</sup>	2.5	13.4	44.6	53.5
FTSE All-World Asia Pacific Index (total return) <sup>3</sup>	4.2	12.2	47.6	66.1
Share price total return <sup>4</sup>	(0.2)	11.0	32.1	39.5
<b>Dividends paid during the period</b>				
Fourth interim (paid 30 November 2017)	5.3p			
First interim (paid 28 February 2018)	5.3p			

<sup>1</sup> Net asset value (NAV) total return (including dividends reinvested)

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

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

<sup>4</sup> 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

## CHAIRMAN'S STATEMENT

In recent months we have benefited from renewed investor interest in the Asia Pacific region primarily as a result of renewed global confidence in the outlook for Asian economies as compared to the US and the UK. The flow of funds from west to east has been significant and your Company has shared in this trend with a higher level of new share issuance at a premium to net asset value which benefits all shareholders.

### Performance

In the six months to 28 February 2018, the net asset value total return of the Company was 1.4% whilst the share price total return was -0.2% reflecting the reduction in the premium to net asset value at which the shares have traded over the period. The FTSE All-World Asia Pacific ex Japan Index returned 2.5% over the same period as growth stocks continued to outperform value and yield.

### Dividends

On 30 November 2017, the Company paid a fourth interim dividend of 5.30p per share in respect of the year ended 31 August 2017 making a total of 20.8p for the year, an increase of 4.0% over the previous year. In respect of the current financial year, a first interim dividend of 5.30p per share was paid on 28 February 2018 and a second interim dividend of the same amount was declared on 19 April 2018 and will be paid on 31 May 2018. 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 3,493,000 new shares were issued in the six months to 28 February 2018 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 NAV enhancing for shareholders to do so. Since the period end a further 900,000 shares have been issued.

In February of this year the Company's £35m revolving multi-currency loan facility with Commonwealth Bank of Australia expired and was replaced with a new £45m facility with Sumitomo Mitsui Banking Corporation. At the period end £32.7m had been drawn down.

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**Outlook**

Weaker and more volatile global markets are reflecting concerns about geopolitical issues that threaten global economic growth, prosperity and peace. Recent changes in the staffing of the US Administration have signalled further moves in the direction of trade restrictions and a more aggressive foreign policy. Much of the world is committed to free trade thus creating significant tensions with a protectionist US. How this will play out is not possible to predict. China's response to US imposed tariffs is probably the best indicator of the likely outcome. The EU and China will respond with their own tariffs on US imports and the negative effects on the US will be forthcoming. This will be a difficult call for China and their political and diplomatic skills will largely drive the outcome. If the response is too soft there will be negative reactions in China, if too strong it may prompt an even more aggressive US response. Overall it still seems likely that a level of compromise will be reached. Failure to do so will have negative repercussions everywhere. So far US tariff increases appear to have had a minimal impact on global growth but the Company's portfolio has maintained a high domestic focus as a cushion in the event that further measures are implemented. Despite these uncertainties Asian earnings have shown continual upgrades over the past year and the underlying fundamentals of the region continue to improve providing attractive opportunities for investors.

**John Russell**  
**Chairman**  
**19 April 2018**

**FUND MANAGER'S REPORT**

**Review**

Asia Pacific ex Japan markets continued their strong performance over the six months to February 2018, although the returns were mitigated by the strength of sterling. The FTSE All World Asia Pacific ex Japan index returned 8.7% in local currency terms (2.5% in sterling terms) as global and regional economic strength, combined with a positive corporate earnings trajectory, pushed markets higher.

In a period dominated by political and geopolitical uncertainty the positive returns generated are encouraging and reflect an improvement in the underlying fundamentals of the Asia Pacific region. For the first time since 2009 Asian earnings have seen continual upgrades which has helped Asia Pacific ex Japan outperform its developed market peers. Earnings growth in excess of 20% was witnessed for 2017 and, encouragingly, this momentum has continued, with mid teen earnings growth forecast for both 2018 and 2019.

The best performing market was Thailand which rose 14.9% in sterling terms as the strength of the energy sector outweighed uncertainty concerning subdued economic growth, high levels of bad debt within the banking sector and uncertainty over next year's elections. After a sustained period of underperformance Malaysia outperformed helped by the recovery in the oil price, as Malaysia is the only oil exporter in the region. In addition Malaysia is seen as a key spoke in the wheel of China's One Belt One Road policy and a primary beneficiary of Chinese inbound investment. Singapore completed the list of ASEAN outperformers as the economy is showing signs of recovery especially in the shipping and oil services sector while property prices are beginning to improve following a prolonged period of government policy inspired weakness.

The Chinese market again outperformed its regional peers. The 19<sup>th</sup> communist party congress in October 2017 heralded the start of Xi Jinping's second 5 year term and reinforced the policies from his first term. In his three hour long speech Xi outlined his desire to remove poverty by 2021 and to turn China into a fully developed nation by 2049. Policies to reform the state owned enterprises, counter corruption, improve the environment and promote Chinese goods both at home and abroad were at the centre of these ambitions while the One Belt One Road initiative would increase China's standing both regionally and globally.

The worst performing market was India where the February 2018 budget received a mixed response as the government attempted to balance the need for increased spending on infrastructure against the demands of a higher oil price. The target fiscal deficit of 3.3% of GDP rose from 3% in 2017/18 and caused some concern when based on an oil price some way below the current level. This, combined with the possibility of increased government spending leading into key state elections, caused some weakness in the rupee.

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### **Unaudited Results for the Half-Year Ended 28 February 2018**

Technology was the standout performer at the sector level. Tencent, the Chinese social media, gaming and e-commerce behemoth rose considerably over the period, dominating returns. Defensive sectors underperformed with telecoms in particular lagging.

#### **Performance**

Over the period the NAV total return was 1.4% in sterling terms, just over 1% behind the index performance. The biggest contributor to underperformance was style with growth continuing to outperform value and yield. Companies like Tencent epitomise the growth style, with strong earnings growth, high valuations and zero dividend yield and as a result do not suit this Company's style or objectives. In addition, with interest rates rising the appetite for stocks with high yields reduces impacting the Company's holdings of telecoms and real estate property trusts.

Despite these style headwinds there were some notable successes at the stock level. PTT, the Thai energy company rose 42% while Dali Foods (34%), Anhui Conch Cement (34%) and Huayu Automotive (22%) in China all significantly outperformed the country and regional indices.

#### **Revenue and Dividends**

The Company's revenue is down 5% compared to the same period last year. The 6% rise in sterling during the period is the main cause but there is also a contribution from portfolio mix. At this time last year the Company had a higher weighting to Australia which partly pays dividends in the Company's first half while in 2018 the portfolio is more exposed to China which pays dividends mostly in the Company's second half. In summary the Company's revenue which is usually split one-third to two-thirds in favour of the second half is more back-end weighted in this financial year.

The dividend story for Asia remains a compelling one. Strong earnings growth and cash flow generation are resulting in more progressive dividend policies from the companies we invest in and the market in general. In the last six months Korean companies in particular such as Samsung Electronics, KB Financial and Macquarie Korea Infrastructure have announced higher dividends than the market was expecting which has been beneficial for the Company's revenue but also for capital performance as these announcements were well received by the market.

#### **Activity**

The increase in weighting in China was partly due to market performance but also due to the addition of a few new names. Over the period we added energy company Petrochina, cement company Anhui Conch, Agricultural Bank of China and, finally, software outsourcer and cloud developer Chinasoft. These purchases are a mixture of private and state owned enterprises which we believe are beneficiaries of underlying growth trends and reform. These investments were partly funded by the sales of Jiangsu Expressway and China Mobile.

Elsewhere we added BHP Billiton to the portfolio in expectation of more efficient capital management and higher dividends and also added another oil refiner – S-Oil of South Korea. After a number of years with zero weighting in Malaysia we added Public Bank to the portfolio as a beneficiary of the improving economic environment.

These purchases were funded by the sales of CTCI, Powertech and Quanta Computer in Taiwan and a reduction in the position in Samsung Electronics following a very strong period of performance.

#### **Outlook**

The weighting in China has increased ten percentage points from the same period last year and remains the best combination of value, income and income growth in the region. Banks, with the exception of those in Australia, are also an increasingly important part of the portfolio. They are cheap relative to history, with good dividends and, importantly for an income focused portfolio, have a positive correlation to rising interest rates. This provides a natural hedge to the higher yield part of the portfolio which is adversely impacted by such a move. Our bank exposure is focused on China, Hong Kong, Korea, Singapore and Malaysia. Other notable exposure is the energy sector where we retain our positive view on refining margins in the face of strong demand and a lack of new supply while consumer stocks across the region retain appeal as disposable incomes continue to rise.

We are cautiously optimistic on the region. The element of caution comes mainly from outside the region with geopolitical and political tensions running high across the world, while sky high valuations in many asset

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classes call for a degree of caution. The rise in US interest rates and the potential for removal of quantitative easing from the central banks of Japan and the EU at some point this year could also provide headwinds for equity market performance. For this reason gearing will be used for the facilitation of new ideas rather than being directional.

Asia Pacific markets have risen in the last eighteen months but kept broadly in line with earnings growth, thereby keeping the price to earnings (PE) valuation at an attractive level versus its own history and its developed market peers. Corporate earnings growth is expected to be robust and the potential for sustainable and growing dividends is extremely attractive as companies continue to generate cash flow and slowly adopt a more shareholder friendly dividend culture over time.

**Mike Kerley**  
**Fund Manager**  
**19 April 2018**

**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
- Accounting, legal and regulatory
- Operational
- Financial

Information on these risks and how they are managed is given in the Annual Report for the year ended 31 August 2017. 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 Janus 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 Janus 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 Janus 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 Janus Henderson.

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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**  
**19 April 2018**

**Investment Portfolio**  
As at 28 February 2018

<b>Company</b>	<b>Country of incorporation</b>	<b>Sector</b>	<b>Valuation at 28 February 2018 £'000</b>	<b>% of Portfolio</b>
China Construction Bank	China	Financials	16,917	3.65
Samsung Electronics <sup>1</sup>	South Korea	Technology	15,733	3.40
Agricultural Bank of China	China	Financials	14,087	3.04
Taiwan Semiconductor Manufacturing <sup>2</sup>	Taiwan	Technology	13,279	2.87
Dali Foods	China	Consumer Goods	13,081	2.82
Huayu Automotive Systems <sup>3</sup>	China	Consumer Goods	12,560	2.71
Bank of China	China	Financials	12,113	2.61
Petrochina	China	Oil & Gas	12,080	2.61
China Yangtze Power <sup>3</sup>	China	Utilities	11,963	2.59
KB Financial Group	South Korea	Financials	11,953	2.58
<b>Top Ten Investments</b>			<b>133,766</b>	<b>28.88</b>
Macquarie Group	Australia	Financials	11,855	2.56
Rio Tinto Ltd	Australia	Basic Materials	11,485	2.48
HSBC Holdings	UK (Hong Kong)	Financials	11,465	2.47
PTT	Thailand	Oil & Gas	11,426	2.47
Star Petroleum Refining	Thailand	Oil & Gas	11,168	2.41
Macquarie Korea Infrastructure Fund	South Korea	Financials	10,975	2.37
BHP Billiton Limited	Australia	Basic Materials	10,719	2.31
Spark New Zealand	New Zealand	Telecommunications	10,443	2.25
China Resources Land	China	Property	10,322	2.23
Public Bank	Malaysia	Financials	10,257	2.22
<b>Top Twenty Investments</b>			<b>243,881</b>	<b>52.65</b>
Spark Infrastructure	Australia	Utilities	9,852	2.13
S-Oil	South Korea	Oil & Gas	9,623	2.08
Hon Hai Precision Industry	Taiwan	Technology	9,531	2.06
Lend Lease	Australia	Property	9,298	2.01
Suncorp	Australia	Financials	9,176	1.98
Taiwan Cement	Taiwan	Industrials	9,153	1.98
Advanced Semiconductor Engineering	Taiwan	Technology	9,106	1.96
Mapletree Greater China Commercial Trust	Hong Kong	Property	8,992	1.94
Ascendas REIT	Singapore	Property	8,803	1.90
AMP	Australia	Financials	8,793	1.89
<b>Top Thirty Investments</b>			<b>336,208</b>	<b>72.58</b>
Scentre Group	Australia	Property	8,647	1.87
SK Telecom <sup>2</sup>	South Korea	Telecommunications	8,579	1.85

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Digital Telecommunications	Thailand	Telecommunications	8,319	1.80
Mapletree Commercial Trust	Singapore	Property	8,276	1.79
ING Life Insurance	South Korea	Financials	8,253	1.78
HKT Trust & HKT	Hong Kong	Telecommunications	8,052	1.74
Anhui Conch Cement	China	Industrials	7,994	1.72
Netease <sup>2</sup>	China	Technology	7,828	1.69
Ancor	Australia	Industrials	7,697	1.66
SK Innovation	South Korea	Basic Materials	7,366	1.59
<b>Top Forty Investments</b>			<b>417,219</b>	<b>90.07</b>
Fairfax Media	Australia	Consumer Services	7,081	1.53
Telekomunikasi Indonesia	Indonesia	Telecommunications	7,069	1.53
Zhengzhou Yutong Bus Co. <sup>3</sup>	China	Industrials	7,064	1.52
United Overseas Bank	Singapore	Financials	6,840	1.48
Anta Sports Products	China	Consumer Goods	6,213	1.34
Chinasoft International	China	Technology	5,741	1.24
NWS	Hong Kong	Industrials	4,916	1.06
Quanta Computers	Taiwan	Technology	1,573	0.34
China Forestry Holdings	China	Basic Materials	-	-
Chinasoft International Apr 18 Put (Expiry 09/04/18)	China	Technology	(41)	(0.01)
<b>Top Fifty Investments</b>			<b>463,675</b>	<b>100.10</b>
China Construction Bank Apr 18 Call (Expiry 30/04/18)	China	Financials	(62)	(0.02)
Anta Sports Products May 18 Call (Expiry 28/05/18)	China	Consumer Goods	(197)	(0.04)
SK Innovation Apr 18 Call (Expiry 10/04/18)	South Korea	Basic Materials	(203)	(0.04)
<b>Total Investments</b>			<b>463,213</b>	<b>100.00</b>

(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 2018	28 February 2017		28 February 2018	28 February 2017
	%	%		%	%
Financials	28.6	20.2	China	29.7	20.4
Technology	13.6	16.1	Australia	20.4	24.4
Property	11.7	12.2	South Korea	15.6	17.0
Oil & Gas	9.6	4.6	Taiwan	9.2	11.5
Telecommunications	9.2	15.5	Hong Kong*	7.2	6.5
Industrials	8.0	11.6	Thailand	6.7	6.4
Consumer Goods	6.8	3.7	Singapore	5.2	7.7
Basic Materials	6.3	5.0	New Zealand	2.3	2.4
Utilities	4.7	5.6	Malaysia	2.2	-
Consumer Services	1.5	5.5	Indonesia	1.5	2.4
			India	-	1.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* Includes HSBC Holdings

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**Condensed Statement of Comprehensive Income**

	Half-year ended 28 February 2018 (Unaudited)			Half-year ended 28 February 2017 (Unaudited)			Year ended 31 August 2017 (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	7,897	-	7,897	8,551	-	8,551	27,702	-	27,702
Other income	1,108	-	1,108	960	-	960	2,563	-	2,563
(Loss)/gain on investments held at fair value through profit or loss	-	(256)	(256)	-	22,408	22,408	-	45,754	45,754
Net foreign exchange gain/(loss) excluding gain/(loss) on investments	-	905	905	-	(835)	(835)	-	(1,498)	(1,498)
<b>Total income</b>	<b>9,005</b>	<b>649</b>	<b>9,654</b>	<b>9,511</b>	<b>21,573</b>	<b>31,084</b>	<b>30,265</b>	<b>44,256</b>	<b>74,521</b>
<b>Expenses</b>									
Management fees	(973)	(973)	(1,946)	(892)	(892)	(1,784)	(1,865)	(1,865)	(3,730)
Other expenses	(247)	(247)	(494)	(192)	(192)	(384)	(421)	(421)	(842)
<b>Profit/(loss) before finance costs and taxation</b>	<b>7,785</b>								
Finance costs	(105)	(105)	(210)	(87)	(87)	(174)	(169)	(169)	(338)
<b>Profit/(loss) before taxation</b>	<b>7,680</b>	<b>(676)</b>	<b>7,004</b>	<b>8,340</b>	<b>20,402</b>	<b>28,742</b>	<b>27,810</b>	<b>41,801</b>	<b>69,611</b>
Taxation	(639)	-	(639)	(652)	-	(652)	(2,400)	-	(2,400)
<b>Profit for the period and total comprehensive income</b>	<b>7,041</b>	<b>(676)</b>	<b>6,365</b>	<b>7,688</b>	<b>20,402</b>	<b>28,090</b>	<b>25,410</b>	<b>41,801</b>	<b>67,211</b>
<b>Earnings per ordinary share basic and diluted (note 2)</b>	<b>5.88p</b>	<b>(0.57p)</b>	<b>5.31p</b>	<b>6.67p</b>	<b>17.72p</b>	<b>24.39p</b>	<b>21.94p</b>	<b>36.09p</b>	<b>58.03p</b>

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 the Company. There are no minority interests.



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**Condensed Statement of Changes in Equity**

**Half-year ended 28 February 2018 (Unaudited)**

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Total equity at 31 August 2017</b>	<b>121,784</b>	<b>180,471</b>	<b>117,560</b>	<b>22,667</b>	<b>442,482</b>
<b>Total comprehensive income:</b>					
(Loss)/profit for the period	-	-	(676)	7,041	6,365
<b>Transaction with owners, recorded directly to equity:</b>					
Dividends paid	-	-	-	(12,736)	(12,736)
Shares issued	13,138	-	-	-	13,138
Share issue costs	(53)	-	-	-	(53)
<b>Total equity at 28 February 2018</b>	<b>134,869</b>	<b>180,471</b>	<b>116,884</b>	<b>16,972</b>	<b>449,196</b>

**Half-year ended 28 February 2017 (Unaudited)**

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

**Year ended 31 August 2017 (Audited)**

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Total equity at 31 August 2016</b>	<b>109,471</b>	<b>180,471</b>	<b>75,759</b>	<b>21,158</b>	<b>386,859</b>
<b>Total comprehensive income:</b>					
Profit for the year	-	-	41,801	25,410	67,211
<b>Transaction with owners, recorded directly to equity:</b>					
Dividends paid	-	-	-	(23,901)	(23,901)
Shares issued	12,362	-	-	-	12,362
Share issue costs	(49)	-	-	-	(49)
<b>Total equity at 31 August 2017</b>	<b>121,784</b>	<b>180,471</b>	<b>117,560</b>	<b>22,667</b>	<b>442,482</b>

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**Condensed Balance Sheet**

	28 February 2018 (Unaudited) £'000	28 February 2017 (Unaudited) £'000	31 August 2017 (Audited) £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss (note 8)	463,716	425,598	465,266
<b>Current assets</b>			
Other receivables	12,730	3,140	3,421
Cash and cash equivalents	16,874	2,905	10,241
	<u>29,604</u>	<u>6,045</u>	<u>13,661</u>
<b>Total assets</b>	<u>493,320</u>	<u>431,643</u>	<u>478,927</u>
<b>Current liabilities</b>			
Written options	(503)	(1,942)	(3,671)
Other payables	(10,961)	(1,694)	(941)
Bank loans and overdrafts	(32,660)	(20,967)	(31,833)
	<u>(44,124)</u>	<u>(24,603)</u>	<u>(36,445)</u>
<b>Net assets</b>	<u>449,196</u>	<u>407,040</u>	<u>442,482</u>
<b>Equity attributable to equity shareholders</b>			
Stated share capital	134,869	113,315	121,784
Distributable reserve	180,471	180,471	180,471
Retained earnings:			
Capital reserves	116,884	96,161	117,560
Revenue reserve	16,972	17,093	22,667
<b>Total equity</b>	<u>449,196</u>	<u>407,040</u>	<u>442,482</u>
<b>Net asset value per ordinary share</b> (note 3)	<u>369.93p</u>	<u>351.93p</u>	<u>375.19p</u>

**Condensed Statement of Cash Flows**

	Half-year ended 28 February 2018 (Unaudited) £'000	Half-year ended 28 February 2017 (Unaudited) £'000	Year ended 31 August 2017 (Audited) £'000
<b>Operating activities</b>			
Profit before tax	7,004	28,742	69,611
Add back: finance cost	210	174	338
Loss/(gain) on investments held at fair value through profit or loss	256	(22,408)	(45,754)
Net foreign exchange (gain)/loss excluding foreign exchange (gain)/loss on investments	(905)	835	1,498
Sales of investments	160,052	149,000	331,080
Purchases of investments	(161,927)	(145,656)	(342,222)
Decrease in prepayments and accrued income	221	10	(208)
(Increase)/decrease in amounts due from brokers	(9,530)	171	109
Increase in other payables	978	109	(677)
Increase in amounts due to brokers	9,086	-	-
Stock dividends included in investment income	-	(96)	(203)
	<u>-</u>	<u>(96)</u>	<u>(203)</u>

**HENDERSON FAR EAST INCOME LIMITED**  
**Unaudited Results for the Half-Year Ended 28 February 2018**

<b>Net cash inflow from operating activities before interest and taxation</b>	<b>5,445</b>	10,881	13,572
Interest paid	<b>(254)</b>	(169)	(301)
Withholding tax on investment income	<b>(639)</b>	(652)	(2,400)
<b>Net cash inflow from operating activities after interest and taxation</b>	<b>4,552</b>	10,060	10,871
<b>Financing activities</b>			
Net loans repayment	<b>2,063</b>	(5,774)	5,232
Equity dividends paid	<b>(12,736)</b>	(11,753)	(23,901)
Share issue proceeds	<b>13,138</b>	3,860	12,362
Share issue costs	<b>(53)</b>	(16)	(49)
<b>Net cash (outflow)/inflow from financing</b>	<b>2,412</b>	(13,683)	(6,356)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>6,964</b>	(3,623)	4,515
<b>Cash and cash equivalents at the start of the period / year</b>	<b>10,241</b>	5,944	5,944
Exchange movements	<b>(331)</b>	584	(218)
<b>Cash and cash equivalents at the end of the period / year</b>	<b>16,874</b>	2,905	10,241

**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 2017 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 2018 have been prepared using the same accounting policies as those applied in the Company's financial statements for the year ended 31 August 2017. The 31 August 2017 financial statements include details 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 2017 financial statements.

These condensed financial statements do not include all information required for a full set of financials statements. The figures and financial information for the year ended 31 August 2017 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 2018 and 28 February 2017 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.

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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 'Gain or loss 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 £31.6 million (28 February 2017: £29.9 million, 31 August 2017: £30.1 million). These are valued by reference to the underlying quoted stock. The obligations relating to the options valued at £503,000 (liability) (28 February 2017: £1,942,000 (liability), 31 August 2017: £3,671,000 (liability)) are valued by reference to the Black-Scholes model.

**2. Earnings per ordinary share**

The earnings per ordinary share figure is based on the net profit after taxation of £6,365,000 (half-year ended 28 February 2017: profit £28,090,000; year ended 31 August 2017: profit £67,211,000) and on 119,764,056 ordinary shares (half-year ended 28 February 2017: 115,160,564; year ended 31 August 2017: 115,829,263) 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:

	<b>Half-year ended 28 February 2018 (Unaudited) £'000</b>	Half-year ended 28 February 2017 (Unaudited) £'000	Year ended 31 August 2017 (Audited) £'000
Net revenue profit	7,041	7,688	25,410
Net capital profit	(676)	20,402	41,801
Net total profit	<u>6,365</u>	<u>28,090</u>	<u>67,211</u>
Weighted average number of ordinary shares in issue during the period / year	<b>119,764,056</b>	115,160,564	115,829,263
	<b>Pence</b>	Pence	Pence
Revenue earnings per ordinary share	5.88	6.67	21.94
Capital earnings per ordinary share	(0.57)	17.72	36.09
Total earnings per ordinary share	<u>5.31</u>	<u>24.39</u>	<u>58.03</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 £449,196,000 (28 February 2017: £407,040,000; 31 August 2017: £442,482,000) and on 121,428,564 (28 February 2017: 115,660,564; 31 August 2017: 117,935,564) ordinary shares, being the number of ordinary shares in issue at each period end.

**HENDERSON FAR EAST INCOME LIMITED**  
**Unaudited Results for the Half-Year Ended 28 February 2018**

**4. Transaction costs**

Purchase transaction costs for the half-year ended 28 February 2018 were £189,000 (half-year ended 28 February 2017: £184,000; year ended 31 August 2017: £484,000). These mainly comprise commission. Sales transaction costs for the half-year ended 28 February 2018 were £275,000 (half-year ended 28 February 2017: £349,000; year ended 31 August 2017: £731,000).

**5. Share capital**

During the six months under review the Company issued a total of 3,493,000 shares (half-year ended 28 February 2017: 1,125,000; year ended 31 August 2017: 3,400,000) for net proceeds of £13,085,000 (half-year ended 28 February 2017: £3,844,000; year ended 31 August 2017: £12,313,000) net of costs. Since the period end a further 900,000 shares have been issued for net proceeds of £3,293,000.

**6. Dividends**

The Company pays dividends on a quarterly basis. On 30 November 2017 a fourth interim dividend of 5.3p per share was paid in respect of the year ended 31 August 2017. A first interim dividend, in respect of the year ended 31 August 2018, of 5.3p per share was paid on 28 February 2018. The second interim dividend of 5.3p per share will be paid on 31 May 2018 to shareholders on the register on 4 May 2018. The Company's shares will be quoted ex-dividend on 3 May 2018. Based on the number of shares in issue on 19 April 2018, the cost of the dividend will be £6,483,000.

**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 the first £400,000,000 of net assets and 0.75% per annum of the balance of net assets greater than £400,000,000.

**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

<b>Financial assets and financial liabilities at fair value through profit or loss at 28 February 2018</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments including derivatives:</b>				
- Equity securities designated at fair value through profit or loss	432,129	31,587	-	463,716
- Written options	-	(503)	-	(503)
<b>Total financial assets and liabilities carried at fair value</b>	<b>432,129</b>	<b>31,084</b>	<b>-</b>	<b>463,213</b>
<b>Financial assets and financial liabilities at fair value through profit or loss at 28 February 2017</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments including derivatives:</b>				
- Equity securities designated at fair value through profit or loss	395,683	29,915	-	425,598
- Written options	-	(1,942)	-	(1,942)
<b>Total financial assets and liabilities carried at fair value</b>	<b>395,683</b>	<b>27,973</b>	<b>-</b>	<b>423,656</b>

**HENDERSON FAR EAST INCOME LIMITED**  
**Unaudited Results for the Half-Year Ended 28 February 2018**

Financial assets and financial liabilities at fair value through profit or loss at 31 August 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	435,122	30,144	-	465,266
- Written options	-	(3,671)	-	(3,671)
<b>Total financial assets and liabilities carried at fair value</b>	<b>435,122</b>	<b>26,473</b>	<b>-</b>	<b>461,595</b>

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 2018 and 28 February 2017 and the year ended 31 August 2017.

The Company's holdings in options and Participation Notes 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 2017.

Premiums from written options during the half-year ended 28 February 2018 were £1,072,000 (half-year ended 28 February 2017: £948,000, year ended 31 August 2017: £2,532,000).

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. Net debt reconciliation

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
<b>Net debt as at 31 August 2017</b>	10,241	(31,833)	(21,592)
Cash flows	6,964	(2,063)	4,901
Exchange movements	(331)	1,236	905
<b>Net debt as at 28 February 2018</b>	<b>16,874</b>	<b>(32,660)</b>	<b>(15,786)</b>

### 11. Half-Year Report

An abbreviated version of the Half-Year Report, the 'Update', will be posted to shareholders in April 2018. The Update will also be available on the Company's website, [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com), and in hard-copy format from the Company's registered office, IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP.

### 12. General Information

#### a) Company Objective

The Company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation, from a diversified portfolio of investments from 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.

**HENDERSON FAR EAST INCOME LIMITED**  
**Unaudited Results for the Half-Year Ended 28 February 2018**

*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 IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP.

*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](http://www.hendersonfareastincome.com).

**INDEPENDENT REVIEW REPORT TO HENDERSON FAR EAST INCOME LIMITED**

**Conclusion**

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 2018 of the Company 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.

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 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

**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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

**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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

**HENDERSON FAR EAST INCOME LIMITED**  
**Unaudited Results for the Half-Year Ended 28 February 2018**

**The purpose of our review work and to whom we owe our responsibilities**

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of 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.

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

19 April 2018

For further information, please contact:

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