

Schroder

Oriental Income Fund Limited

Half-Year Report for the six months ended 28 February 2013



Schroders

Investment Objective

The Company's investment objective is to provide a total return for investors primarily through investments in equities and equity-related investments of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields.

Directors

Robert Sinclair (Chairman)
Fergus Dunlop
Peter Rigg
Christopher Sherwell

Advisers

Investment Manager

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Company Secretary and Administrator

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 0207 658 3206

Registered Office

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Stockbrokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Auditors

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Registrar

Northern Trust International Fund
Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
London EC2M 3NS

Custodian

JP Morgan Chase Bank, N.A.
1 Chaseside
Bournemouth
Dorset BH7 7DB

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Financial Highlights

	For the six months ended 28 February 2013
Total returns (including dividends reinvested)	
Net asset value ("NAV") per Ordinary share (based on ex-income NAV) ¹	25.6%
Share price ¹	27.9%
MSCI AC Pacific ex Japan (sterling adjusted) Index ²	21.7%

	28 February 2013	31 August 2012	% Change
Shareholders' funds (£'000)	371,487	290,324	+28.0
NAV per Ordinary share	200.49p	165.18p	+21.4
Share price	205.00p	164.00p	+25.0
Share price premium to NAV per share excluding undistributed current year revenue	3.8%	2.1%	

¹Source: Morningstar.²Source: Thomson Financial Datastream.

Ten Largest Investments

As at 28 February 2013

Company and Activities	Market Value of Holding £'000	% of Shareholders' Funds
Fortune Real Estate Investment Trust Singapore based REIT, with shopping malls in Hong Kong	21,515	5.79
Taiwan Semiconductor Taiwanese manufacturer of semiconductor products	19,148	5.15
Glow Energy Thai supplier of electricity and steam power	11,441	3.08
Hanjaya Mandala Sampoerna Leading tobacco company in Indonesia	10,062	2.71
Australia and New Zealand Banking Australian Bank	9,987	2.69
Hopewell Property and toll road operator	9,884	2.66
Sydney Airport Airport Services provider	9,686	2.61
Swire Pacific Hong Kong based diversified industrial company	9,681	2.60
Venture Contract manufacturing services provider in Singapore	9,387	2.53
LG Chemical Household and cosmetic goods manufacturer	9,254	2.49
Total	120,045	32.31

At 31 August 2012, the ten largest investments represented 34.42% of shareholders' funds.

Interim Management Report

Chairman's Statement

Performance

The six-month period to 28 February 2013 was positive for investors in Asia and particularly for investors in the Company. The MSCI AC Pacific ex Japan (sterling adjusted) Index, produced a total return of 21.7% for the period ended 28 February 2013, while the Company's net asset value and share price exceeded this with total returns of 25.6% and 27.9% respectively.

Further details of investment performance, as well as portfolio activity, policy and outlook, may be found in the Investment Manager's Review.

Dividends

The Directors have declared a first interim dividend of 2.95p per share (2012: 2.70p) for the year ending 31 August 2013, representing an increase of 9.3% on the first interim dividend paid last year. This dividend will be paid on 3 May 2013 to shareholders on the register on 12 April 2013.

Since launch, dividends on the Ordinary shares have been paid twice a year in respect of the six months to 28 February (or 29 February if the relevant year is a leap year) and 31 August. All dividends have been paid as interim dividends. It is the Board's intention that commencing with the three month period to 31 May 2013 dividends will be paid on a quarterly basis. Therefore dividends on the Ordinary shares will in future be paid, as interim dividends, quarterly in respect of the calendar quarters to 28 February (or 29 February if the relevant year is a leap year), 31 May, 31 August and 30 November.

The first quarterly interim dividend will be in respect of the three month period to 31 May 2013 and is expected to be declared in early June 2013. The Board does not envisage that the move to quarterly dividends will have any impact as to the quantum of dividends that it expects to pay in respect of a financial year. For the avoidance of doubt, the final dividend in respect of the 2013 financial year, being the quarterly dividend in respect of the three months to 31 August 2013 will therefore not necessarily be at the same level as the second interim dividend paid in respect of the 2012 financial year.

Share Capital

The Company's shares traded above asset value for most of the period under review, as demand remained strong, and the average premium during the period was 2.8%.

The Board has continued to implement its active policy on discount management and premium control. A total of 9,525,000 ordinary shares were issued at a slight premium to net asset value during the six months to 28 February 2013, to provide liquidity to the market. A further 4,275,000 ordinary shares have been issued since the end of the period. Following these issues, there are a total of 189,564,500 Ordinary shares in issue.

Further to the announcement made on 22 March 2013, and following a positive response from investors the Board confirms that it will proceed with an equity issue. The documentation required for this issue is in the process of being finalised, however the Board anticipates that the issue will be structured as a pre-emptive open offer giving existing shareholders the right to subscribe for two C shares at 100 pence for every five Ordinary shares held as well as an additional placing and offer for subscription. It is expected that formal documentation will be sent to shareholders in early May. A further announcement will be made in due course.

Gearing

The Company has a multi-currency credit facility of £25 million. During the period, the average net gearing represented 4.3% of net assets and the Directors continue to monitor the level of gearing to ensure that it is utilised in accordance with the guidelines imposed by the Board.

Interim Management Report (continued)

Outlook

It is rare to be reporting on a period when the net asset value return is 25.6%, not least when it happens in six months. The scale of the gain highlights a risk. Almost everything has gone in the Company's favour, including market sentiment towards equities, the portfolio's stock selection, and sterling. This cannot always be the case, and the recent rate of gain must be above any realistic assessment of long-term future returns.

There is equally cause for satisfaction in the underlying performance of many of the companies in the portfolio. Dividend income from the holdings, the crux of the Company's strategy, continues to grow well. That remains an important reassurance for the longer term outlook.

Robert Sinclair

Chairman

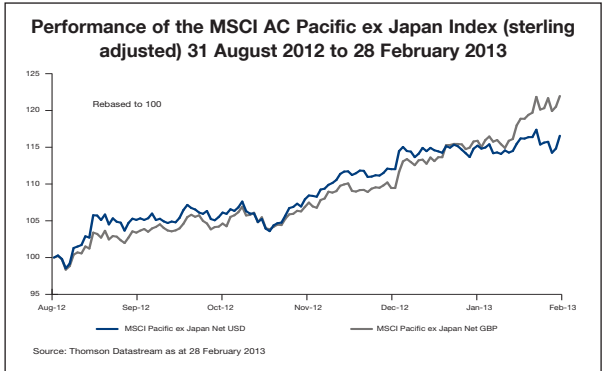
30 April 2013

Interim Management Report (continued)

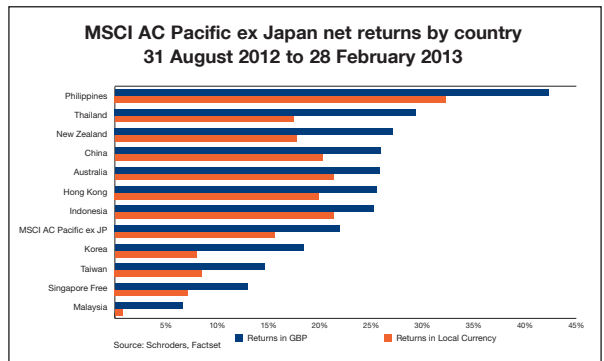
Investment Manager's Review

The net asset value of the Company recorded a return of +25.6% over the six month period to end February 2013. A first interim dividend of 2.95p has been declared, a 9.3% increase on last year.

Regional markets have made reasonable progress over the first half of your Company's financial year registering a 21.7% rise in sterling terms. Most of the local currency gains were made in the latter months of calendar 2012. Equity markets benefited from a more positive tone in global sentiment, underpinned by the relaxation of the strains in the eurobloc (thanks to the promise of vigorous action from the European Central Bank to underwrite peripheral sovereign bond markets) and greater optimism over growth in the United States despite the uncertainty surrounding resolution of the fiscal impasse. Although the region has been rather trendless thus far in 2013, the weakness of sterling has enhanced returns to UK based investors.



An improved global environment was echoed closer to home by developments in China. Confirmation of the new leadership in the fourth quarter (potentially in place for the next ten years) coincided with a stabilisation in growth and recovery in leading indicators. Growth in the fourth quarter came out ahead of expectations at 7.9%, the strongest showing since the first quarter buoyed by strong infrastructure investment and a recovery in credit growth. Investors have responded to the seemingly better outlook and, having been a serial underperformer, the Chinese equity market outperformed over the period, registering a 26% return in sterling terms, helping Hong Kong to record a similar rise.



Selected ASEAN markets, however, have led the way. The Philippines continue to be rewarded for successful structural reform, strong inward investment and rising real estate values. Similarly Thailand has continued to prosper reflected in both rising equity prices and currency. Despite the high weighting in materials (which have performed very poorly over the period), Australia also matched the Index as higher yield stocks did particularly well given falling domestic interest rates and defensive earnings characteristics.

Although no market gave negative returns, the disappointing markets were Malaysia due to political concerns surrounding the imminent general election, and the export sensitive markets of Taiwan and Korea which faced potentially stiffer competitive headwinds given the decline in the Japanese yen.

Interim Management Report (continued)

Company Positioning and Performance

The Company generated a total return of +25.6% over the first half, ahead of the reference index. The main contribution came from stock selection in Singapore, Hong Kong and Indonesia along with lesser positive impacts in Taiwan and China. There was a small negative impact from stock selection in Thailand. Country positioning was negative with overweights in Singapore and underweights in China offsetting the positive impact of underweights in Malaysia, Korea, and Taiwan.

Australia, Hong Kong, Singapore and Taiwan remain the main areas of exposure in the portfolio. Within this group, however, we have added to Australia and Hong Kong at the expense of Singapore. Among lesser exposures, the commitment to Thailand has increased. In sector terms, financials remains the largest component of the portfolio, though within that we have shifted some exposure from real estate to banks. We have increased the weight in materials, telecommunications and information technology at the expense of industrials.

Investment Outlook

Asian markets have started the second half of the Company's fiscal period in subdued mood. A re-emergence of concerns over Europe, slower data out of the United States and a firmer trend in the US dollar have all contributed to a more cautious mood. Doubts have also re-emerged over the sustainability of growth in China given the reliance upon credit growth fuelling infrastructure and real estate spending rather than supporting more productive areas of the economy.

However, the overall case for equity income in Asia remains persuasive. The region remains rich in higher yielding equities and they are to be found across a wide spread of both countries and sectors. Corporate balance sheets (outside China) are in good shape and have shown few signs of stress. Furthermore, conversion of earnings into cash flow has improved to levels comparable to developed markets once allowance is made for the higher capital expenditure requirements in sectors such as industrials and technology.

There are few signs that income as a characteristic has become expensive within the region as a whole, a fact borne out by the portfolio which has a valuation and return profile similar to the index and stronger balance sheets than the average. Furthermore, regional equity markets' dividend and earnings yield premia relative to local interest rates are generally high by historic standards which provide further re-assurance on valuations. With interest rates likely to stay low, and liquidity ample (further augmented by the new found activism of the Bank of Japan), the equity income theme in Asia is likely to remain well supported.

**Portfolio by country
at 28 February 2013**

	Portfolio Weight (%)
Australia	23.1
Hong Kong	22.6
Singapore	16.3
Taiwan	11.9
Thailand	9.2
Korea	7.5
New Zealand	3.9
Indonesia	2.6
China	2.0
Malaysia	0.9
India	–
Philippines	–

Source: Schroders as at 28 February 2013.

**Portfolio by sector
at 28 February 2013**

	Portfolio Weight (%)
Real Estate	21.5
Information Technology	14.8
Industrials	12.4
Telecommunications	10.3
Consumer Discretionary	9.6
Materials	9.6
Banks	9.5
Other Financials	5.1
Consumer Staples	4.2
Utilities	3.0
Energy	–
Health Care	–

Schroder Investment Management Limited

30 April 2013

Interim Management Report (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: financial risk; gearing; strategic risk; and accounting, legal and regulatory risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 13 and 14 of the Company's published Annual Report and Accounts for the year ended 31 August 2012. These risks and uncertainties have not materially changed during the six months ended 28 February 2013.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure projections; that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Related Party Transactions

Details of related party transactions can be found on page 34 of the Company's published Annual Report and Accounts for the year ended 31 August 2012. There have been no material transactions with the Company's related parties during the six months ended 28 February 2013.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with The Companies (Guernsey) Law 2008 and with International Financial Reporting Standards ('IASB') and the Interim Management Report as set out above includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.

Statement of Comprehensive Income

	(Unaudited)			(Unaudited)			(Audited)		
	For the six months			For the six months			For the year		
	ended 28 February 2013			ended 29 February 2012			ended 31 August 2012		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments held at fair value through profit or loss	-	71,342	71,342	-	22,290	22,290	-	23,242	23,242
Net foreign currency losses	-	(772)	(772)	-	(250)	(250)	-	(308)	(308)
Income from investments	6,798	-	6,798	5,451	200	5,651	15,044	200	15,244
Other income	17	-	17	19	-	19	41	-	41
Gross return	6,815	70,570	77,385	5,470	22,240	27,710	15,085	23,134	38,219
Management fee	(382)	(890)	(1,272)	(288)	(672)	(960)	(599)	(1,397)	(1,996)
Performance fee	-	(3,714)	(3,714)	-	(844)	(844)	-	(1,583)	(1,583)
Other administrative expenses	(262)	(3)	(265)	(245)	(4)	(249)	(476)	(7)	(483)
Profit before finance costs and taxation	6,171	65,963	72,134	4,937	20,720	25,657	14,010	20,147	34,157
Finance costs	(165)	(383)	(548)	(49)	(111)	(160)	(224)	(522)	(746)
Profit before taxation	6,006	65,580	71,586	4,888	20,609	25,497	13,786	19,625	33,411
Taxation (note 5)	(448)	-	(448)	(250)	-	(250)	(1,052)	-	(1,052)
Net profit and total comprehensive income	5,558	65,580	71,138	4,638	20,609	25,247	12,734	19,625	32,359
Earnings per share (note 6)	3.08p	36.40p	39.48p	2.75p	12.23p	14.98p	7.44p	11.47p	18.91p

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

Statement of Changes in Equity

For the six months ended 28 February 2013 (unaudited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2012	34,709	39	150,374	87,641	17,561	290,324
Issue of shares	17,352	-	-	-	-	17,352
Net profit	-	-	-	65,580	5,558	71,138
Dividends paid in the period	-	-	-	-	(7,327)	(7,327)
At 28 February 2013	52,061	39	150,374	153,221	15,792	371,487

For the six months ended 29 February 2012 (unaudited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2011	19,918	39	150,374	68,016	15,723	254,070
Issue of shares	6,871	-	-	-	-	6,871
Net profit	-	-	-	20,609	4,638	25,247
Dividends paid in the period	-	-	-	-	(6,237)	(6,237)
At 29 February 2012	26,789	39	150,374	88,625	14,124	279,951

For the year ended 31 August 2012 (audited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2011	19,918	39	150,374	68,016	15,723	254,070
Issue of shares	14,791	-	-	-	-	14,791
Net profit	-	-	-	19,625	12,734	32,359
Dividends paid in the year	-	-	-	-	(10,896)	(10,896)
At 31 August 2012	34,709	39	150,374	87,641	17,561	290,324

Balance Sheet

	(Unaudited) 28 February 2013 £'000	(Unaudited) 29 February 2012 £'000	(Audited) 31 August 2012 £'000
Non current assets			
Investments at fair value through profit or loss	386,363	286,764	299,377
Current assets			
Receivables	9,948	4,188	1,160
Cash and cash equivalents	13,322	14,423	15,893
	23,270	18,611	17,053
Total assets	409,633	305,375	316,430
Current liabilities			
Bank loans	(25,089)	(20,345)	(23,654)
Payables	(13,057)	(5,079)	(2,452)
	(38,146)	(25,424)	(26,106)
Net assets	371,487	279,951	290,324
Equity attributable to equity holders			
Share capital	52,061	26,789	34,709
Capital redemption reserve	39	39	39
Special reserve	150,374	150,374	150,374
Capital reserve	153,221	88,625	87,641
Revenue reserve	15,792	14,124	17,561
Total equity shareholders' funds	371,487	279,951	290,324
Net asset value per share (note 7)	200.49p	163.89p	165.18p

Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2013 £'000	(Unaudited) For the six months ended 29 February 2012 £'000	(Audited) For the year ended 31 August 2012 £'000
Operating activities			
Profit before taxation	71,586	25,497	33,411
Add back interest	548	160	746
Add back exchange loss on foreign currency bank loan	904	385	444
Less gains on investments at fair value through profit or loss	(71,342)	(22,290)	(23,242)
Net purchases of investments at fair value through profit or loss	(15,643)	(3,157)	(14,818)
(Increase)/decrease in receivables	(8,863)	(2,455)	610
Increase/(decrease) in payables	10,798	2,224	(578)
Overseas taxation suffered	(373)	(395)	(1,233)
Net cash outflow from operating activities before interest	(12,385)	(31)	(4,660)
Interest paid	(741)	(150)	(562)
Net cash outflow from operating activities	(13,126)	(181)	(5,222)
Financing activities			
Net bank loan drawn down	530	–	3,250
Issue of shares	17,352	6,871	14,791
Dividends paid	(7,327)	(6,237)	(10,896)
Net cash inflow from financing activities	10,555	634	7,145
(Decrease)/increase in cash and cash equivalents	(2,571)	453	1,923
Cash and cash equivalents at the start of the period	15,893	13,970	13,970
Cash and cash equivalents at the end of the period	13,322	14,423	15,893

Notes to the Accounts

1. Principal activity

The Company carries on business as a Guernsey closed-ended investment company.

2. Financial statements

The financial information for the six months ended 28 February 2013 and 29 February 2012 has not been audited or reviewed by the Company's auditors. These financial statements do not include all of the information required to be included in annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 August 2012.

3. Accounting policies

The accounts have been prepared in accordance with International Financial Reporting Standard ("IFRS") 34 "Interim Financial Reporting" and the accounting policies set out in the statutory accounts of the Company for the year ended 31 August 2012.

Where presentational guidance set out in the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies in January 2009 is consistent with the requirements of IFRS, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

4. Dividends

	(Unaudited) Six months ended 28 February 2013 £'000	(Unaudited) Six months ended 29 February 2012 £'000	(Audited) Year ended 31 August 2012 £'000
Second interim dividend of 4.10p (2012: 3.70p)	7,327	6,237	6,237
First interim dividend of 2.70p	–	–	4,659
	7,327	6,237	10,896

A first interim dividend of 2.95p (2012: 2.70p) per share, amounting to £5,466,000 (2012: £4,659,000) has been declared payable in respect of the six months ended 28 February 2013.

5. Taxation

The Company has been granted an exemption from Guernsey taxation, under the Income Tax (Exempt Bodies) Guernsey Ordinance and is charged an annual exemption fee of £600. The tax charge comprises irrecoverable overseas tax deducted from dividends receivable.

6. Earnings per share

	(Unaudited) Six months ended 28 February 2013 £'000	(Unaudited) Six months ended 29 February 2012 £'000	(Audited) Year ended 31 August 2012 £'000
Net revenue profit	5,558	4,638	12,734
Net capital profit	65,580	20,609	19,625
Net total profit	71,138	25,247	32,359
Weighted average number of shares in issue during the period	180,171,820	168,503,374	171,163,885
Revenue earnings per share	3.08p	2.75p	7.44p
Capital earnings per share	36.40p	12.23p	11.47p
Total earnings per share	39.48p	14.98p	18.91p

7. Net asset value per share

	(Unaudited) 28 February 2013	(Unaudited) 29 February 2012	(Audited) 31 August 2012
Net assets attributable to shareholders (£'000)	371,487	279,951	290,324
Shares in issue at the period end	185,289,500	170,814,500	175,764,500
Net asset value per share	200.49p	163.89p	165.18p

Company Summary

The Company

Schroder Oriental Income Fund Limited is an independent Guernsey resident Company, whose shares are listed on the London Stock Exchange. As at 30 April 2013, the Company had 189,564,500 ordinary shares in issue. The Company's assets are managed and it is administered by Schroders.

It is not intended for the Company to have a limited life and the Articles of Association do not contain any provisions for review of the future of the Company at specified intervals.

Website and Price Information

The Company has a dedicated website, which may be found at www.schroderorientalincomefund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

The Company releases its Net Asset Value on both a cum and ex income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notification and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Northern Trust International Fund Administration Services (Guernsey) Limited, PO Box 255, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website: www.theaic.co.uk.

Dealing Codes

The dealing codes for the shares in the Company are as follows:

ISIN: GB00B0CRWN59

SEDOL: BOCRWN5

Ticker: SOI

www.schroderorientalincomefund.com