

Schroder

Oriental Income Fund Limited

Half-Yearly Report to 28 February 2011



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

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Financial Highlights

	28 February 2011	31 August 2010	% Change
Shareholders' funds (£'000)	250,443	219,199	14.3
Shares in issue ('000)	166,280	160,435	3.6
Net asset value per ordinary share	150.62p	136.63p	10.2
Net asset value per ordinary share (excluding undistributed current year revenue)	148.55p	133.07p	11.6
Share price	148.75p	136.25p	9.2
Premium (based on NAV excluding undistributed current year revenue)	0.1%	2.4%	
	For the six months ended 28 February 2011	For the six months ended 28 February 2010	
NAV total return*	11.9%	18.7%	
Share price total return*	8.9%	25.1%	
MSCI AC Pacific ex Japan Total Return (sterling adjusted) Index*	10.1%	16.6%	

*Source: Morningstar (www.morningstar.co.uk)

Ten Largest Investments

As at 28 February 2011

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	13,891	5.55
Australia & New Zealand Banking Group Australian banking group	8,271	3.30
Ascendas Real Estate Investment Trust Singapore based REIT	8,143	3.25
Taiwan Semiconductor Manufacturing Taiwanese manufacturer of semiconductor products	8,038	3.21
Glow Energy Supplier of electricity and steam power based in Thailand	7,015	2.80
Fletcher Building New Zealand based building materials	6,337	2.53
Suncorp Australian bank and general insurance group	6,211	2.48
Semirara Mining Coal producer in the Philippines	6,193	2.47
Venture Contract manufacturing services to electronics companies worldwide	5,730	2.29
Westpac Banking Australian banking group	5,113	2.04
Total	74,942	29.92

At 31 August 2010, the ten largest investments represented 32.37% of shareholders' funds.

Interim Management Report

Chairman's Statement

Performance

During the six-month period to 28 February 2011, the Company's net asset value produced a total return of 11.9% and the share price produced a total return of 8.9%.

The net asset value out-performed the reference MSCI AC Pacific ex Japan Total Return (Sterling adjusted) Index, which produced a total return of 10.1% for the period ended 28 February 2011.

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

Dividends

I am pleased to report that the Directors have declared a first interim dividend of 2.65p per share (2010: 2.60p) for the year ending 31 August 2011, representing an increase of 1.9% on the first interim dividend paid last year. This dividend was paid on 15 April 2011 to shareholders on the register on 1 April 2011. A second interim dividend for the year ending 31 August 2011 will be declared later in 2011, as in previous years.

Share Capital

The Company's shares traded at a slight premium to underlying net asset value for much of the period, the average premium during the period being 0.84%.

The Board has continued to implement its active policy on discount management and premium control and a total of 5,845,000 ordinary shares were issued at a slight premium to net asset value during the six months to 28 February 2011, to provide liquidity to the market. Following these issues, there are a total of 166,279,500 ordinary shares in issue.

Gearing

The Company has a multi-currency credit facility of £25 million with Scotiabank Europe PLC. During the period, the average net gearing represented 6.35% 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.

Outlook

While it is satisfying to report on a six-month period when the net asset value per share increased by over 10%, it is also encouraging that the Company's dividend-paying capacity looks healthy and that post-tax earnings were more than a fifth higher than in the equivalent period four years ago. Despite one of the sharpest cyclical slowdowns in global economic activity since the 1970s, aggregate profits of Asian companies have returned to their previous peak, and dividends have generally matched this.

This and the Company's revenue reserves allow some comfort that the Board will be able to maintain its target of progressive increases in its own dividend, even if the global macro economic environment remains worrying. There are new challenges to the region (for example short term supply dislocation after the devastating earthquake and tsunami in Japan), but the Manager continues to see the potential for Asian companies to increase their dividends above the rate of inflation.

Robert Sinclair

Chairman
27 April 2011

Interim Management Report (continued)

Investment Manager's Review

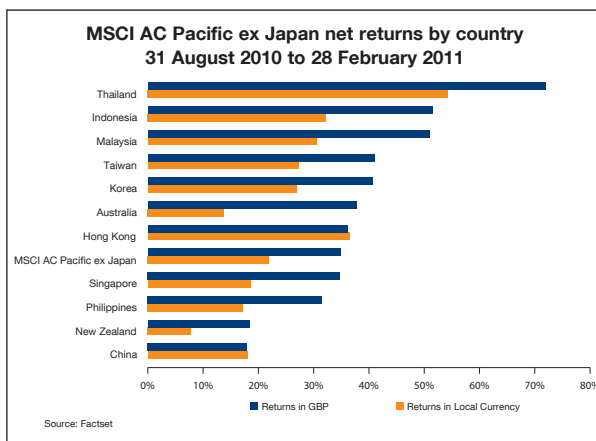
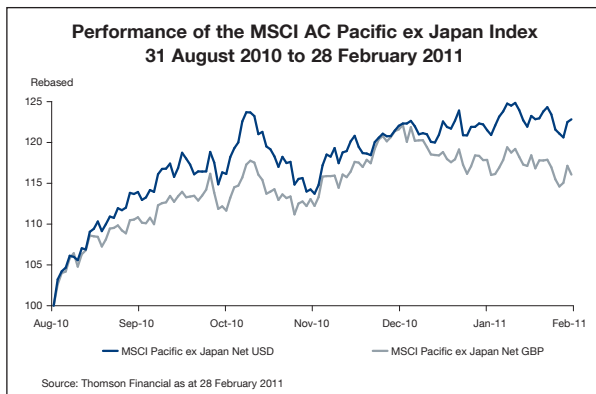
The net asset value of the Company recorded a total return of 11.9% over the six months to end February 2011. An interim dividend of 2.65p has been announced.

Regional markets have continued to make progress over the review period, though most of the return was seen in the latter part of calendar 2010. The rise was at first spurred by widespread anticipation of a further round of monetary easing by the US Federal Reserve (duly confirmed in early November). This was accompanied by the continued loose fiscal stance in the United States. The ensuing months have seen a sustained upgrading in consensus growth forecasts for the developed economies, and most particularly the United States and the core European bloc.

With the improving external picture, it is perhaps unsurprising that Korea and Taiwan have benefitted from high exposures to information technology, autos, chemicals and shipbuilding. However, the outstanding performers were the emerging ASEAN markets of Thailand, Indonesia and Malaysia.

The rest of Asia has made more sedate progress, with some markets undergoing significant corrections in early 2011. Stronger global growth, while good for exports, exacerbated the already present concerns over regional inflationary pressures amid elevated commodity prices and exchange rates generally below long-term equilibrium. While the measures taken by regional authorities to raise interest rates and restrain credit growth are sound from a longer-term point of view, they dampened equity returns over the period. These risks were major factors behind China and India being relative laggards.

Sentiment across the region has also been impacted by geo-political events outside it, most notably the unrest in the Middle East (which triggered precautionary media restraint in China) and, just after the end of the period, the tragic events in Northern Japan.



Performance and Portfolio Activity

The Company's NAV total return of 11.9% outperformed the return of 10.1% by the reference benchmark, the MSCI AC Pacific ex Japan index. The main contributors were stock selection in Singapore, Taiwan, Indonesia, and the Philippines, partly offset by poor selection in Australia (underweight large-cap miners) and Korea. The impact of country allocation was modestly negative due to the underweighting of Korea and the overweight in Singapore offset partly by correct

Interim Management Report (continued)

underweighting of China. In sector terms, good selection in consumer, material and financial sectors was partly offset by shortfalls in energy and industrials.

In terms of changes over the period, we have added to Thailand (particularly during recent weakness), Singapore and Korea funded by sales in Hong Kong and Australia. In sector terms we have added to the consumer bank and information technology sectors funded by reductions in real estate, other financials and materials.

Investment Outlook

That events in the Middle East and Japan have shaken equity markets is not surprising; perhaps more so is that the reaction has not been more negative. Traditional safe-havens (the dollar, gold, US treasuries) have also signalled a relatively muted response.

The pessimistic interpretation of this is that investors do not sufficiently appreciate the gravity of these events. Clearly, the risks of a spike up in oil prices cannot, of course, be wholly discounted. However, we tend to the more constructive view that the resilience of markets is a reflection of the underlying strength of the global economy, continued encouraging momentum to corporate earnings, and reasonable valuations.

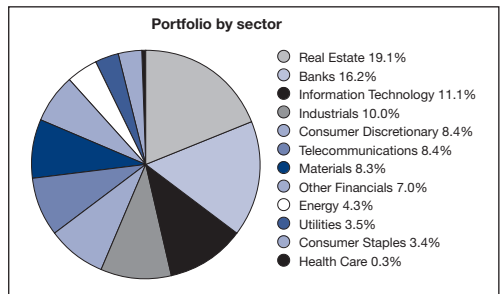
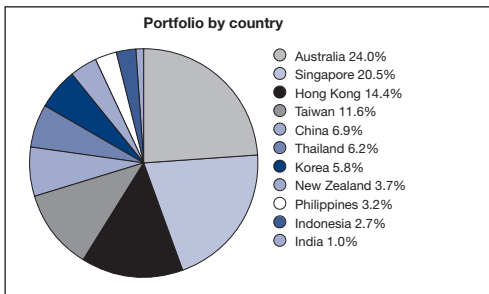
However, although global growth for 2011 will be respectable, it is tough to envisage further upside surprises in expectations for the developed world. The debt overhang remains a formidable challenge and normalization of policy interest rates has barely begun (initiated recently by the ECB). At the margin, inflationary pressures (mainly food and oil prices) are building and likely to squeeze discretionary consumer spending even in the higher income economies of the West.

Investors' attention has, to some extent, shifted from Asian markets given the perception of better prospects elsewhere, and also specific challenges faced by these economies such as relatively full capacity utilization, cost inflation and rising interest rates. As in more developed markets, these economies face headwinds from the commodity squeeze (indeed it is all the more powerful in lower-income economies) but we would contend that it is more fully recognised by investors. There have been sizeable outflows from emerging and smaller Asian markets, the region has underperformed, and valuations are now back to relatively attractive levels. As the momentum of developed economies fades once more, we believe investors will focus back upon the attractions of less developed markets such as Asia which offer superior long-term growth prospects.

We continue to focus on companies offering relatively secure growth prospects with strong balance sheets, shareholder-focused management and attractive dividend prospects. We see plenty of opportunities as the region offers an attractive and broad range of higher-yield equity opportunities. With dividend cover back up to levels seen prior to the global financial crisis, we see around 10-15% earnings growth as likely to be fully reflected in regional dividend growth.

Consequently, the portfolio remains geared, albeit modestly, and its major exposures are Hong Kong, Singapore, Australia and Taiwan. Key sector overweightings are financials, telecommunications and consumer cyclicals.

Sector and Country Weights



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 11 and 12 of the Company's published Annual Report and Accounts for the year ended 31 August 2010. These risks and uncertainties have not materially changed during the six months ended 28 February 2011.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, 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 33 of the Company's published Annual Report and Accounts for the year ended 31 August 2010. There has been no material transactions with the Company's related parties during the six months ended 28 February 2011.

Director's 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 FSA's Disclosure and Transparency Rules.

Statement of Comprehensive Income

	(Unaudited) For the six months ended 28 February 2011			(Unaudited) For the six months ended 28 February 2010			(Audited) For the year ended 31 August 2010			
Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Gains on investments held at fair value through profit or loss	-	23,838	23,838	-	27,853	27,853	-	45,694	45,694	
Other currency gains/(losses)	-	1,019	1,019	-	(1,014)	(1,014)	-	(797)	(797)	
Income	2	4,337	6	4,343	3,628	-	3,628	11,936	-	11,936
Investment management and performance fees	3	(274)	(638)	(912)	(207)	(482)	(689)	(444)	(3,192)	(3,636)
Administrative expenses		(252)	(4)	(256)	(214)	(3)	(217)	(457)	(8)	(465)
Net profit before finance costs and taxation		3,811	24,221	28,032	3,207	26,354	29,561	11,035	41,697	52,732
Finance costs										
Interest payable and similar charges	3	(58)	(132)	(190)	(83)	(192)	(275)	(166)	(383)	(549)
Net profit on ordinary activities before taxation		3,753	24,089	27,842	3,124	26,162	29,286	10,869	41,314	52,183
Taxation on ordinary activities		(310)	-	(310)	(243)	-	(243)	(1,093)	-	(1,093)
Profit for the period and Total Comprehensive Income		3,443	24,089	27,532	2,881	26,162	29,043	9,776	41,314	51,090
Net profit per ordinary share	4	2.10p	14.68p	16.78p	1.86p	16.92p	18.78p	6.25p	26.42p	32.67p

The Total column of this statement represents the Company's Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company does not have any other comprehensive income and hence the net profit for the period, as disclosed above, is the same as the Company's total comprehensive income.

The Revenue and Capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Statement of Comprehensive Income and the Statement of Changes in Equity.

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

The notes on pages 11 and 12 form an integral part of these accounts.

Statement of Changes in Equity

For the six months ended 28 February 2011 (Unaudited)

	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
Balance at 31 August 2010	1,605	39	9,313	150,374	44,377	13,491	219,199
Total Comprehensive Income:							
Net profit on ordinary activities	–	–	–	–	24,089	3,443	27,532
Transactions with owners, recorded directly to equity:							
Issue of shares	58	–	8,942	–	–	–	9,000
Ordinary dividend paid						(5,288)	(5,288)
At 28 February 2011	1,663	39	18,255	150,374	68,466	11,646	250,443

For the six months ended 28 February 2010 (Unaudited)

	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
Balance at 31 August 2009	1,534	39	166	150,374	3,063	12,428	167,604
Total Comprehensive Income:							
Net profit on ordinary activities	–	–	–	–	26,162	2,881	29,043
Transactions with owners, recorded directly to equity:							
Issue of shares	29	–	3,551	–	–	–	3,580
Ordinary dividend paid						(4,650)	(4,650)
At 28 February 2010	1,563	39	3,717	150,374	29,225	10,659	195,577

For the year ended 31 August 2010 (Audited)

	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
Balance at 31 August 2009	1,534	39	166	150,374	3,063	12,428	167,604
Total Comprehensive Income:							
Net profit on ordinary activities	–	–	–	–	41,314	9,776	51,090
Transactions with owners, recorded directly to equity:							
Issue of shares	71	–	9,147	–	–	–	9,218
Ordinary dividends paid						(8,713)	(8,713)
At 31 August 2010	1,605	39	9,313	150,374	44,377	13,491	219,199

*The Revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The notes on pages 11 and 12 form an integral part of these accounts.

Balance Sheet

		(Unaudited) At 28 February 2011 £'000	(Unaudited) At 28 February 2010 £'000	(Audited) At 31 August 2010 £'000
	Note			
Non-current assets				
Investments held at fair value through profit or loss		262,154	208,261	237,244
		262,154	208,261	237,244
Current assets				
Other receivables		2,890	3,621	1,548
Cash and cash equivalents		6,671	6,183	4,225
		9,561	9,804	5,773
Total assets		271,715	218,065	243,017
Current liabilities				
Bank loans	5	(19,982)	(21,348)	(21,146)
Other payables		(1,290)	(1,140)	(2,672)
		(21,272)	(22,488)	(23,818)
Net assets		250,443	195,577	219,199
Equity attributable to equity holders				
Called-up share capital	6	1,663	1,563	1,605
Capital redemption reserve		39	39	39
Share premium account		18,255	3,717	9,313
Special reserve		150,374	150,374	150,374
Capital reserve		68,466	29,225	44,377
Revenue reserve		11,646	10,659	13,491
Equity shareholders' funds		250,443	195,577	219,199
Net asset value per ordinary share	7	150.62p	125.16p	136.63p

The notes on pages 11 and 12 form an integral part of these accounts.

Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2011 £'000	(Unaudited) For the six months ended 28 February 2010 £'000	(Audited) For the year ended 31 August 2010 £'000
Cash flows from operating activities			
Net profit before finance costs and taxation	28,032	29,561	52,732
Other currency (gains)/losses	(1,019)	1,014	797
Overseas taxes paid	(332)	(293)	(1,083)
Adjustments for:			
Increase in investments	(24,910)	(35,234)	(64,217)
(Increase)/decrease in receivables	(1,338)	(2,020)	5
(Decrease)/increase in payables	(1,410)	708	2,246
Net cash used in operating activities	(977)	(6,264)	(9,520)
Cash flows from financing activities			
Dividends paid	(5,288)	(4,650)	(8,713)
Issue of shares	9,000	3,580	9,218
Bank overdraft interest paid	(1)	(1)	(1)
Bank loan interest paid	(119)	(259)	(502)
Other finance charges	(23)	–	(49)
Bank loans drawn down	–	6,081	6,080
Net cash from financing activities	3,569	4,751	6,033
Net increase/(decrease) in cash and cash equivalents	2,592	(1,513)	(3,487)
Effect of foreign exchange (losses)/gains	(146)	448	464
Cash and cash equivalents at 1 September 2010	4,225	7,248	7,248
Cash and cash equivalents carried forward	6,671	6,183	4,225

The notes on pages 11 and 12 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared on a going concern basis, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union and are presented in pounds sterling, as this is the principal currency of the primary economic environment in which the Company operates.

The Company's accounting policies have not varied from those described in the Report and Accounts for the year to 31 August 2010.

Implementation of changes to accounting standards in the financial period, as outlined in the 31 August 2010 accounts, had no significant affect on the accounting or reporting of the Company.

2. Income

	(Unaudited) For the six months ended 28 February 2011	(Unaudited) For the six months ended 28 February 2010	(Audited) For the year ended 31 August 2010
	£'000	£'000	£'000
Income from investments:			
Overseas dividends	4,258	3,257	11,341
Income on fixed interest securities	69	322	447
Stock dividends	–	40	128
	4,327	3,619	11,916
Other income:			
Interest on deposits	10	9	20
	4,337	3,628	11,936
Capital:			
Special dividends allocated to capital	6	–	–
	4,343	3,628	11,936

3. Investment management and performance fees and interest payable

The investment management fee and finance costs on borrowings for investment purposes are apportioned 70% to capital and 30% to revenue. No performance fee has been accrued for the period.

4. Profit per ordinary share

	(Unaudited) For the six months ended 28 February 2011	(Unaudited) For the six months ended 28 February 2010	(Audited) For the year ended 31 August 2010
Revenue (£'000)	3,443	2,881	9,776
Capital (£'000)	24,089	26,162	41,314
Total profit (£'000)	27,532	29,043	51,090
Weighted average number of ordinary shares	164,063,616	154,597,898	156,346,281
Revenue	2.10p	1.86p	6.25p
Capital	14.68p	16.92p	26.42p
Total	16.78p	18.78p	32.67p

5. Bank loans

	(Unaudited) At 28 February 2011	(Unaudited) At 28 February 2010	(Audited) At 31 August 2010
US Dollars	32,500,000	32,500,000	32,500,000
Equivalent to	£19,982,000	£21,348,000	£21,146,000

The Company has a multi-currency credit facility of £25,000,000 with Scotiabank Europe PLC. This facility has a revolving 364 day term, is chargeable at a floating rate linked to LIBOR and is secured.

Notes to the Accounts (continued)

6. Called-up share capital

	(Unaudited) At 28 February 2011	(Unaudited) At 28 February 2010	(Audited) At 31 August 2010
	£'000	£'000	£'000
Authorised:			
250,000,000 ordinary shares of 1p each	2,500	2,500	2,500
Allotted, Called-up and Fully paid:			
Balance brought forward: 160,434,500 (2010: 153,334,500) ordinary shares	1,605	1,534	1,534
Shares issued: 5,845,000 (28 February 2010: 2,925,000; 31 August 2010: 7,100,000) ordinary shares	58	29	71
Balance carried forward: 166,279,500 (28 February 2010: 156,259,500; 31 August 2010: 160,434,500) ordinary shares	1,663	1,563	1,605

7. Net asset value per ordinary share

	(Unaudited) At 28 February 2011	(Unaudited) At 28 February 2010	(Audited) At 31 August 2010
Net assets attributable to ordinary shareholders (£'000)	250,443	195,577	219,199
Ordinary shares in issue at end of period	166,279,500	156,259,500	160,434,500
Net asset value per ordinary share	150.62p	125.16p	136.63p

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 27 April 2011, the Company had 166,279,500 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