Schroders

Schroder Oriental Income Fund Limited

Half Year Report and Accounts for the six months ended 28 February 2018

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Investment objective

The investment objective of the Company 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.

Investment policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government, quasi-government, corporate and high yield bonds and preferred shares.

Equity-related investments which the Company may hold include investments in other collective investment undertakings (including real estate investment trusts and related stapled securities), warrants, depositary receipts, participation certificates, guaranteed performance bonds, convertible bonds, other debt securities, equity-linked notes and similar instruments (whether or not investment grade) which give the Company access to the performance of underlying equity securities, particularly where the Company may be restricted from directly investing in such underlying equity securities or where the Manager considers that there are benefits to the Company in holding such investments instead of directly holding the relevant underlying equity securities. Such investments may be listed or traded outside the Asia Pacific region. Such investments may subject the Company to credit risk against the issuing entity. The Company may also participate, subject to regulatory and tax implications, in debt-to-equity conversion programmes.

The Manager may consider writing calls over some of the Company's holdings, as a low risk way of enhancing the returns from the portfolio, although it has not written any to date. The Company may only invest in derivatives for the purposes of efficient portfolio management. The Board has set a limit such that covered calls cannot be written over portfolio holdings representing in excess of 15% of gross assets. Investors should note that the types of equity-related investments listed above are not exhaustive of all of the types of securities and financial instruments in which the Company may invest, and the Company will retain the flexibility to make any investments unless these are prohibited by the investment restrictions applicable to the Company.

Although the Company has the flexibility to invest in bonds and preferred shares as described above, the intention of the Directors is that the assets of the Company which are invested (that is to say, which are not held in cash, money funds, debt securities, interest bearing gilts or treasuries) will predominantly comprise Asia Pacific equities and equity-related investments.

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Financial Highlights

Total returns for the six months ended 28 February 2018[1]

0.9%

Net asset value ("NAV") per share

0.3%

Share price

[1]Source: Morningstar. Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

Other financial information

	28 February 2018	31 August 2017	% Change
Shareholders' funds (£'000)	**639,177**	635,466	+0.6
NAV per share (pence)	**255.05**	258.63	(1.4)
Share price (pence)	**256.00**	261.00	(1.9)
Share price premium to NAV per share (%)	**0.4**	0.9	
Gearing (%)[1]	**6.6**	2.0	

[1]Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net asssets.

Interim Management Report – Chairman's Statement

Performance

While the Company's returns benefited from the depreciation of sterling against other currencies after the Brexit referendum, this was partly reversed during the first half of this year, resulting in a more modest net asset value total return of 0.9%. The share price itself produced a total return of 0.3%, reflecting a fall in the price over the period.

Sterling's rise against dollar-based currencies also contributed to a decline of 9.0% in revenue earnings per share over the period, which has had a material drag on income in sterling terms, more than offsetting rises in local currency terms. However, the first half of the Company's financial year tends to provide a minority proportion of the full year's income, so we wait to see how future exchange rate movements affect the full year's outcome.

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

Dividends

During the period, the Company paid two interim dividends for the year ending 31 August 2018, amounting to 3.40 pence per share (2017: 3.30 pence per share).

Share capital

Demand for the Company's shares has remained strong and your Board has continued to actively issue shares. During the period under review, the Company issued 4,905,000 ordinary shares at a small premium to the prevailing net asset value in order to provide liquidity to the market. At the period end, the Company's share capital comprised 250,608,024 ordinary shares. No shares were held in treasury. 3,265,000 further shares have been issued since the period end.

Gearing

The Company has in place a multi-currency revolving credit facility of £100 million equivalent, which was drawn in US dollars during the period. This is an increase from the previous facility size of £75 million to enable gearing to remain at a similar level to prior periods, given the growth in the Company's assets. Gearing stood at 2.0% at the beginning of the period and had increased to 6.6% as at 28 February 2018. Average gearing during the period was 4.9%. The level of gearing continues to be monitored closely by the Board, in conjunction with the Manager.

Board refreshment

Your Board continues to review its composition and its plans for succession and refreshment.

As I noted in my previous Chairman's Statement, Fergus Dunlop retired from the Board at the last Annual General Meeting, which was held during the period.

I am pleased to welcome Alexa Coates to the Board following her appointment as a Director on 9 February 2018. Alexa is a qualified accountant who brings significant financial experience and expertise to the Board and will succeed Peter Rigg as Chairman of the Audit and Risk Committee with effect from 1 June 2018. Peter will remain a member of the Board and Chairman of the Management Engagement Committee.

Having had the privilege of serving as Chairman of the Board since the Company's launch in 2005, I intend to retire by this year's Annual General Meeting and expect to be succeeded by one of my fellow Board members.

In light of the above changes, a process will commence later in the year, led by the Nomination Committee, to recruit an additional Director.

Change in independent auditor

As announced on 14 February 2018, following a competitive tender process, the Board approved the appointment of PricewaterhouseCoopers CI LLP as the Company's Recognised Auditors for the current financial year, ending 31 August 2018. The appointment of PricewaterhouseCoopers as auditor for the next financial year, ending 31 August 2019, will be subject to approval by shareholders at the Company's next Annual General Meeting, to be held in December 2018.

The Board would like to thank Ernst & Young LLP, which formally ceased to hold office as the Company's auditor on 25 May 2018, for services provided to the Company during its tenure in office. In accordance with legislative requirements, a copy of Ernst & Young's resignation letter, including a statement of its reasons for ceasing to hold office, is being circulated to all shareholders.

Outlook

I mentioned earlier the effect currency movements have had on the Company's earnings, with sterling having reversed some of the falls seen after the EU referendum. Both periods emphasise how sensitive the Company's income is in the short-term to movements in sterling.

The reassuring consistency through both periods, however, is that, overall, the companies in our portfolio have, in local currency terms, continued to increase their dividends. That is one of the key measures for us: we believe that we have the investment strategy – and the income reserve – to meet our goals provided the portfolio companies continue to do this. And whilst acknowledging that there will always be macro-economic uncertainties, I believe the economies of the Asian region continue to provide a dynamic environment which is supportive of the Company's objectives. I look forward with confidence to the second half of the financial year.

Robert Sinclair
Chairman

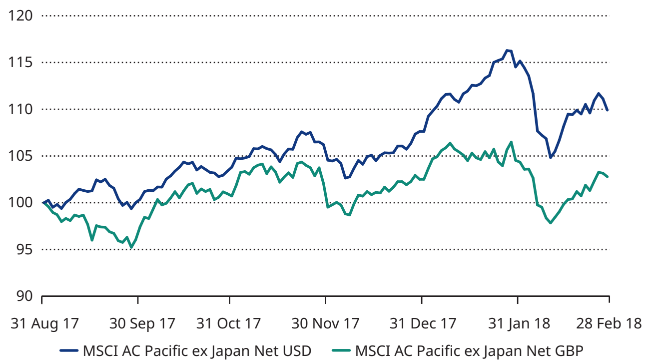
30 May 2018

Interim Management Report – Manager's Review

The net asset value per share of the Company recorded a total return of 0.9% over the six months to end February 2018, lagging the reference index total return of 2.8%.

Although regional markets managed approximately a 10% return in US dollar terms, this was translated to a 2.8% return for UK-based investors by the strength of sterling, particularly in the wake of the interim agreement on the Brexit process announced in early December.

Performance of the MSCI AC Pacific ex Japan net dividends reinvested index in GBP and USD – 31 August 2017 to 28 February 2018

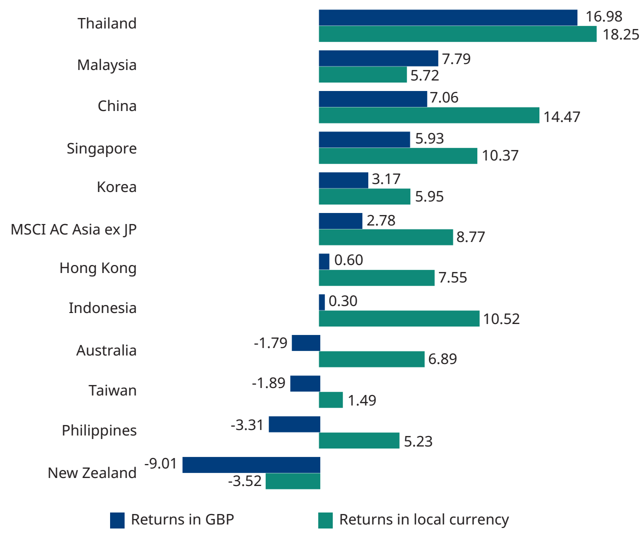


Source: Thomson Reuters as at 28 February 2018. Rebased to 100 at 31 August 2017.

Local returns were supported in the final months of 2017 by the continuation of the benign conditions seen for the whole of the year. Global leading indicators remained robust, Asian exports grew in both volume and value terms, and profits continued to be revised upwards, particularly in the information technology sector. Although there were indications of a tightening bias among developed world central banks (and rises in the Fed funds interest rate) these did not appear to unduly concern markets.

The tone changed quite markedly in the New Year. Benign conditions of consistently strong markets and low volatility were rudely interrupted. A degree of complacency doubtless set the scene for subsequent volatility as global leading indicators began to roll over, trade friction started to take centre stage, and the profits season (while strong) did not materially exceed what had become slightly ambitious expectations.

Country returns of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index in GBP and local currency – 31 August 2017 to 28 February 2018



Source: Schroders, Factset.

Relative performance between countries has been more determined by sector specifics rather than macro-economic cycles; arguably the one exception has been the Philippines where a rising current account deficit threatens to call time on what has been a multi-year up-cycle. Strength in Thailand reflected heavy weightings in energy, Singapore banks led the way on hopes of better loan growth, lower credit costs and higher interest rates, and performance in China reflected strength in the giant internet names and the health care sector.

Positioning and performance

As noted above, the modest, but positive, total return in the Company's net asset value was behind that of the reference index. Continued outperformance by highly priced (and low yielding) sectors such as health care and the internet names has remained a headwind, but to a much lesser degree than last year. Telecoms continued to underperform, but the Company's stocks did relatively well, while good performance from stocks held among banks and the consumer discretionary sector offset shortfalls and overweighting in real estate. Selection among materials was disappointing.

Hong Kong, Australia, Taiwan and Singapore remain significant exposures in the Company's portfolio, although it is interesting to note that China has joined them with exposure rising above 10% in the first half. Although it remains a small exposure in absolute terms, we added to Japan along with one holding in India.

Interim Management Report – Manager's Review

Although the paucity of yield warrants a continued underweighting in information technology, it is second only to financials in terms of aggregate portfolio exposure.

Investment outlook

The second half of the financial year has continued in a similar vein to the close of the first six months. Geopolitical concerns feature largely; while US-China trade tensions take centre stage, with political uncertainty in Europe (Italy, UK EU negotiations), Russian sanctions and the fate of the Iran nuclear deal are all adding to risk aversion.

Perhaps more fundamental are the signs of tightening dollar liquidity. Concern over the direction of Federal Reserve policy has been exacerbated by the recent US fiscal package which implies significant loosening of policy at a time when the economy is already growing strongly. Meanwhile, economic indicators elsewhere (notably Europe) appear to have softened, giving a less co-ordinated pattern of global expansion.

The final piece in the jigsaw is the recent reversal in dollar weakness. In the short-term, this has been supportive to the Company's net asset value in sterling terms, but may presage downward pressures on Asian stock markets. We have already seen a degree of currency and bond weakness in the more vulnerable markets; these are mainly outside Asia such as Brazil and South Africa, but signs of it spreading to less resilient Asian markets such as Indonesia, Thailand and India need to be monitored.

While not wishing to sound complacent, we are not unduly pessimistic for the balance of the year. Although some countries are more vulnerable to a tightening of global liquidity than others, overall the external balances across Asia are reasonably strong, partly thanks to the degree of effective tightening in policy that followed the "Taper Tantrum" of Spring 2013.

This financial strength is (with inevitable exceptions) also true of the general state of Asian corporate balance sheets, not least the companies to which the Company's portfolio is primarily exposed. This should provide some resilience in the face of interest rate rises, but also provides some re-assurance as to the sustainability of dividends, even as viewed by the characteristically conservative eyes of Asian management and major shareholders.

Furthermore, if rising interest rates are a function of stronger global activity, then Asian economies and companies remain well placed to benefit given currently disciplined capital spending and competitive capacity. This of course pre-supposes that the era of generally free and open trade is not nearing an inglorious and painful end. Resolution will require pragmatism and compromise from the US and China; should it, as we believe, result in more accessible Chinese domestic markets, that is a win-win for all concerned, not least entrepreneurial regional companies.

More broadly, the fortunes of China weigh heavily on regional sentiment. It is clear that the Beijing authorities are keen to dampen credit growth in aggregate, and make what growth there is less dependent on the opaque and poorly regulated "alternative" funding sources outside the banking system. The multiple of credit growth to nominal growth in China has been lower for the longest period since the credit explosion in the wake of the Global Financial Crisis. Should they succeed in engineering a relatively soft landing, we would view this as very positive for the region as a whole. There are risks, which cause us to continue avoiding sectors and companies very geared into the "old" commodity and investment-heavy growth model.

Sector and country weights

Portfolio by sector

	Portfolio weight (%)
Banks	24.0
Information Technology	19.6
Real Estate	15.6
Materials	10.5
Telecommunications	10.5
Consumer Discretionary	9.9
Industrials	5.9
Energy	3.7
Other Financials	3.1
Consumer Staples	1.7
Utilities	1.7
Fixed Income	0.4
Health Care	–
Gearing	(6.6)
Total	**100.0**

Source: Schroders as at 28 February 2018.

Interim Management Report – Manager's Review

Portfolio by country

	Portfolio weight (%)
Hong Kong	27.9
Australia	17.9
Taiwan	13.7
China	13.4
Singapore	10.1
South Korea	8.9
Thailand	7.6
Japan	3.7
New Zealand	1.6
India	0.9
Malaysia	0.6
Indonesia	0.3
Philippines	–
Gearing	(6.6)
Total	**100.0**

Source: Schroders as at 28 February 2018.

Schroder Unit Trusts Limited
30 May 2018

Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Interim Management Report

Investment Portfolio at 28 February 2018

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 52.4% (28 February 2017: 49.9%, 31 August 2017: 52.8%) of total investments.

	£'000	%
Hong Kong		
HSBC	**29,383**	**4.4**
Fortune Real Estate Investment Trust	**25,654**	**3.8**
Swire Pacific	**17,350**	**2.6**
Standard Chartered	**16,120**	**2.4**
Hopewell	**11,983**	**1.8**
Kerry Properties	**11,619**	**1.7**
HKT Trust and HKT	**11,448**	**1.7**
PCCW	7,922	1.2
BOC Hong Kong	6,616	1.0
Sun Hung Kai Properties	6,332	0.9
Prada	5,791	0.9
Texwinca	4,438	0.7
Sands China	4,267	0.6
Pacific Textiles	4,089	0.6
CK Hutchison	3,629	0.5
FIH Mobile	3,224	0.5
Jardine Strategic[1]	2,240	0.3
Hang Lung	1,947	0.3
Li & Fung	1,619	0.2
Giordano	903	0.1
Total Hong Kong	**176,574**	**26.2**
Australia		
BHP Billiton[2]	**18,311**	**2.7**
National Australia Bank	**17,882**	**2.6**
Australia & NZ Banking	**12,253**	**1.8**
Transurban	10,384	1.5
Iluka Resources	8,677	1.3
Woolworths	8,461	1.3
Mirvac	6,676	1.0
Orica	6,258	0.9
Amcor	6,223	0.9
Incitec Pivot	5,085	0.8
Suncorp	4,634	0.7
Brambles	4,550	0.7
Sydney Airport	3,740	0.6
Total Australia	**113,134**	**16.8**

	£'000	%
China		
Midea (LEPO) 22/6/2018	**19,632**	**2.9**
China Construction Bank[3]	**13,412**	**2.0**
China Petroleum & Chemical[3]	**12,661**	**1.9**
China Yangtze Power A shares	7,793	1.2
Industrial & Commercial Bank of China[3]	7,293	1.1
Qingdao Haier A shares	6,566	1.0
China Mobile[3]	6,351	0.9
Petrochina[3]	6,200	0.9
China Pacific Insurance[3]	3,503	0.5
361 Degrees International[3]	1,161	0.2
Total China	**84,572**	**12.6**
Taiwan		
Taiwan Semiconductor Manufacturing	**37,261**	**5.5**
Far EasTone Telecommunications (including GDR)	**12,730**	**1.9**
Asustek Computer	10,867	1.6
Novatek Microelectronics	9,689	1.4
Hon Hai Precision Industry	9,451	1.4
Mega Financial	3,574	0.5
Taiwan Mobile	3,351	0.5
Total Taiwan	**86,923**	**12.8**
Singapore		
Venture	**18,863**	**2.8**
Oversea-Chinese Banking	**11,259**	**1.7**
NetLink NBN Trust	9,054	1.3
Frasers Commercial Trust (REIT)	5,560	0.8
Mapletree Commercial Trust (REIT)	5,543	0.8
Soilbuild Business Space (REIT)	4,220	0.6
Mapletree Greater China Commercial Trust (REIT)	3,965	0.6
Far East Hospitality Trust (REIT)	2,449	0.4
Ascott Residence Trust (REIT)	2,190	0.3
Comfortdelgro	1,370	0.2
Total Singapore	**64,473**	**9.5**

Interim Management Report

Investment Portfolio at 28 February 2018

	£'000	%
South Korea		
Samsung Electronics preference shares	**29,172**	**4.3**
LG Chemical preference shares	9,523	1.4
Hyundai Motor preference shares	8,275	1.2
SK Innovation	4,805	0.7
Amorepacific preference shares	2,595	0.4
Hyosung	2,087	0.3
Total South Korea	**56,457**	**8.3**
Thailand		
Intouch (including NVDR)	**15,149**	**2.2**
Bangkok Bank (including NVDR)	10,141	1.5
CPN Retail Growth Property Fund	9,114	1.3
BTS Rail Mass Transit Growth Infrastructure	6,776	1.0
Glow Energy	3,313	0.5
Supalai	3,087	0.5
L.P.N Development	806	0.1
Total Thailand	**48,386**	**7.1**
Japan		
Sumitomo Mitsui Financial	**11,315**	**1.7**
Tokai Tokyo Securities	5,637	0.8
Fuji Media	2,906	0.4
Sumitomo Forestry	2,609	0.4
MCUBS MidCity Investment REIT	1,546	0.2
Total Japan	**24,013**	**3.5**

	£'000	%
New Zealand		
Fletcher Building	10,151	1.5
Total New Zealand	**10,151**	**1.5**
India		
Infosys	5,497	0.8
Total India	**5,497**	**0.8**
Malaysia		
Bursa Malaysia	3,989	0.6
Total Malaysia	**3,989**	**0.6**
Total Equities And Warrants	**674,169**	**99.7**
Fixed Interest Securities		
Indonesia Government Bond 8.375% 15/03/2024	2,360	0.3
Total Fixed Interest Securities	**2,360**	**0.3**
Total Investments[4]	**676,529**	**100.0**

[1]Listed in Singapore
[2]Listed in UK
[3]Listed in Hong Kong
[4]Total investments comprises:

Equities, including LEPOs, GDRs and NVDRs	615,490	91.1
Preference shares	49,565	7.3
Collective investment funds	9,114	1.3
Government bonds	2,360	0.3
Total investments	**676,529**	**100.0**

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategy and competitiveness risk; investment management risk; financial and currency risks; accounting, legal and regulatory risk; custodian and depositary risk; and service provider risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 14 and 15 of the Company's published Annual Report and Accounts for the year ended 31 August 2017. These risks and uncertainties have not materially changed during the six months ended 28 February 2018.

Going concern

The Directors believe, having considered the Company's investment objective, risk management policies, capital management policies and procedures, expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary, 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 that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2018.

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 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Statement of Comprehensive Income

	(Unaudited) For the six months ended 28 February 2018			(Unaudited) For the six months ended 28 February 2017			(Audited) For the year ended 31 August 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value through profit or loss	**–**	**(2,951)**	**(2,951)**	–	58,359	58,359	–	94,537	94,537
Net foreign currency gains/(losses)	**–**	**2,314**	**2,314**	–	(2,177)	(2,177)	–	(963)	(963)
Income from investments	**10,084**	**16**	**10,100**	10,521	404	10,925	28,197	446	28,643
Other income	**–**	**–**	**–**	2	–	2	11	–	11
Total income/(loss)	**10,084**	**(621)**	**9,463**	10,523	56,586	67,109	28,208	94,020	122,228
Management fee	**(670)**	**(1,563)**	**(2,233)**	(599)	(1,398)	(1,997)	(1,258)	(2,935)	(4,193)
Performance fee	**–**	**–**	**–**	–	(3,953)	(3,953)	–	(6,355)	(6,355)
Other administrative expenses	**(421)**	**(2)**	**(423)**	(372)	(2)	(374)	(775)	(5)	(780)
Profit/(loss) before finance costs and taxation	**8,993**	**(2,186)**	**6,807**	9,552	51,233	60,785	26,175	84,725	110,900
Finance costs	**(135)**	**(312)**	**(447)**	(115)	(269)	(384)	(223)	(518)	(741)
Profit/(loss) before taxation	**8,858**	**(2,498)**	**6,360**	9,437	50,964	60,401	25,952	84,207	110,159
Taxation (note 4)	**(581)**	**8**	**(573)**	(704)	–	(704)	(2,013)	(36)	(2,049)
Net profit/(loss) and total comprehensive income	**8,277**	**(2,490)**	**5,787**	8,733	50,964	59,697	23,939	84,171	108,110
Earnings/(loss) per share (note 5)	**3.33p**	**(1.00)p**	**2.33p**	3.66p	21.37p	25.03p	9.94p	34.97p	44.91p

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. The Company has no other items of other comprehensive income, and therefore the net profit/(loss) for the period is also the total comprehensive income for the period.

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 2018 (unaudited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2017	170,076	39	150,374	288,008	26,969	635,466
Issue of shares	12,655	–	–	–	–	12,655
Net (loss)/profit	–	–	–	(2,490)	8,277	5,787
Dividends paid in the period (note 6)	–	–	–	–	(14,731)	(14,731)
At 28 February 2018	**182,731**	**39**	**150,374**	**285,518**	**20,515**	**639,177**

For the six months ended 28 February 2017 (unaudited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2016	150,251	39	150,374	203,837	24,161	528,662
Issue of shares	4,909	–	–	–	–	4,909
Net profit	–	–	–	50,964	8,733	59,697
Dividends paid in the period (note 6)	–	–	–	–	(12,886)	(12,886)
At 28 February 2017	**155,160**	**39**	**150,374**	**254,801**	**20,008**	**580,382**

For the year ended 31 August 2017 (audited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2016	150,251	39	150,374	203,837	24,161	528,662
Issue of shares	19,825	–	–	–	–	19,825
Net profit	–	–	–	84,171	23,939	108,110
Dividends paid in the year (note 6)	–	–	–	–	(21,131)	(21,131)
At 31 August 2017	**170,076**	**39**	**150,374**	**288,008**	**26,969**	**635,466**

Balance Sheet

at 28 February 2018 (unaudited)

	(Unaudited) 28 February 2018 £'000	(Unaudited) 28 February 2017 £'000	(Audited) 31 August 2017 £'000
Non current assets			
Investments at fair value through profit or loss	**676,529**	603,131	654,213
Current assets			
Receivables	**6,120**	5,594	2,908
Cash and cash equivalents	**11,977**	4,623	29,881
	18,097	10,217	32,789
Total assets	**694,626**	613,348	687,002
Current liabilities			
Bank loans	**(54,182)**	(27,848)	(42,416)
Payables	**(1,267)**	(5,118)	(9,120)
	(55,449)	(32,966)	(51,536)
Net assets	**639,177**	580,382	635,466
Equity attributable to equity holders			
Share capital (note 7)	**182,731**	155,160	170,076
Capital redemption reserve	**39**	39	39
Special reserve	**150,374**	150,374	150,374
Capital reserves	**285,518**	254,801	288,008
Revenue reserve	**20,515**	20,008	26,969
Total equity shareholders' funds	**639,177**	580,382	635,466
Net asset value per share (note 8)	**255.05p**	242.21p	258.63p

Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2018 £'000	(Unaudited) For the six months ended 28 February 2017 £'000	(Audited) For the year ended 31 August 2017 £'000
Operating activities			
Profit before finance costs and taxation	**6,807**	60,785	110,900
Deduct/add back net foreign currency gains/losses	**(2,314)**	2,177	963
Add back/deduct losses/gains on investments at fair value through profit or loss	**2,951**	(58,359)	(94,537)
Net purchases of investments at fair value through profit or loss	**(29,418)**	(13,350)	(25,219)
Less amortisation of discount on fixed interest securities	**–**	(16)	–
Decrease in receivables	**499**	129	296
(Decrease)/increase in payables	**(7,484)**	(1,292)	2,341
Overseas taxation paid	**(497)**	(563)	(2,074)
Net cash outflow from operating activities before interest	**(29,456)**	(10,489)	(7,330)
Interest paid	**(452)**	(386)	(739)
Net cash outflow from operating activities	**(29,908)**	(10,875)	(8,069)
Bank loans drawn down	**14,593**	27,794	44,254
Bank loans repaid	**–**	(38,133)	(38,192)
Issue of shares	**12,655**	4,909	19,825
Dividends paid	**(14,731)**	(12,886)	(21,131)
Net cash inflow/(outflow) from financing activities	**12,517**	(18,316)	4,756
Decrease in cash and cash equivalents	**(17,391)**	(29,191)	(3,313)
Cash and cash equivalents at the start of the period	**29,881**	33,859	33,859
Effect of foreign exchange rate changes on cash and cash equivalents	**(513)**	(45)	(665)
Cash and cash equivalents at the end of the period	**11,977**	4,623	29,881

Dividends received during the period amounted to £10,477,000 (period ended 28 February 2017: £9,998,000 and year ended 31 August 2017: £27,608,000) and bond and deposit interest receipts amounted to £106,000 (period ended 28 February 2017: £399,000 and year ended 31 August 2017: £1,005,000).

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 2018 and 28 February 2017 has not been audited or reviewed by the Company's Recognised 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 2017.

3. Accounting policies

The accounts have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory accounts of the Company for the year ended 31 August 2017. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the Association of Investment Companies in November 2014 and updated in February 2018, is consistent with the requirements of International Financial Reporting Standards, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

4. Taxation

The Company has been granted an exemption from Guernsey taxation, under the Income Tax (Exempt Bodies) Guernsey Ordinance for which it is charged an annual exemption fee of £1,200 (2017: same). Taxation comprises irrecoverable overseas withholding tax deducted from dividends receivable.

5. Earnings/(loss) per share

	(Unaudited) Six months ended 28 February 2018	(Unaudited) Six months ended 28 February 2017	(Audited) Year ended 31 August 2017
Net revenue profit (£'000)	8,277	8,733	23,939
Net capital (loss)/profit (£'000)	(2,490)	50,964	84,171
Net total profit	**5,787**	**59,697**	**108,110**
Weighted average number of shares in issue during the period	248,734,488	238,513,520	240,721,945
Revenue earnings per share	3.33p	3.66p	9.94p
Capital (loss)/earnings per share	(1.00)p	21.37p	34.97p
Total earnings per share	**2.33p**	**25.03p**	**44.91p**

Notes to the Accounts

6. Dividends paid

	(Unaudited) Six months ended 28 February 2018 £'000	(Unaudited) Six months ended 28 February 2017 £'000	(Audited) Year ended 31 August 2017 £'000
2017 fourth interim dividend of 4.20p (2016: 3.80p)	10,477	9,068	9,068
First interim dividend of 1.70p (2017: 1.60p)	4,254	3,818	3,818
Second interim dividend of 1.70p	–	–	4,074
Third interim dividend of 1.70p	–	–	4,171
	14,731	12,886	21,131

A second interim dividend of 1.70p (2017: 1.70p) per share, amounting to £4,260,000 (2017: £4,074,000) has been declared payable in respect of the year ending 31 August 2018.

7. Share capital

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 28 February 2018	(Unaudited) Six months ended 28 February 2017	(Audited) Year ended 31 August 2017
Ordinary shares of 1p each, allotted, called-up and fully paid			
Opening balance of shares in issue	245,703,024	237,541,574	237,541,574
Issue of shares	4,905,000	2,081,450	8,161,450
Closing balance of shares in issue	**250,608,024**	239,623,024	245,703,024

8. Net asset value per share

	(Unaudited) 28 February 2018	(Unaudited) 28 February 2017	(Audited) 31 August 2017
Net assets attributable to shareholders (£'000)	639,177	580,382	635,466
Shares in issue at the period end	250,608,024	239,623,024	245,703,024
Net asset value per share	**255.05p**	242.21p	258.63p

Notes to the Accounts

9. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, comprising investments in companies and government bonds and any derivatives, are carried in the balance sheet at fair value. Other financial instruments held by the Company comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash and drawings on the credit facility. For these instruments, the balance sheet amount is a reasonable approximation of fair value. The recognition and measurement policies for financial instruments measured at fair value have not changed from those set out in the statutory accounts of the Company for the year ended 31 August 2017.

At 28 February 2018, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in IFRS 13. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (28 February 2017 and 31 August 2017: same).

10. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any significant events which have not been reflected in the financial statements.

www.schroders.co.uk/orientalincome

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Alexa Coates
Paul Meader
Peter Rigg

Advisers

Alternative Investment Fund Manager (the "Manager")

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Company Secretary and Administrator

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Guernsey GY1 1DB

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment, should be directed to Computershare Investor Services (Guernsey) Limited at the address set out above.

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Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address set out above.

AIFM Directive disclosures

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website www.schroders.co.uk/its.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at www.schroders.co.uk/its.

Dealing codes

ISIN: GB00B0CRWN59
SEDOL: B0CRWN5
Ticker: SOI

Global Intermediary Identification Number (GIIN)

1TVP6A.99999.SL.83

Legal Entity Identifier (LEI)

5493001U9X6P8SS0PK40

The Company's privacy notice is available on its webpage.

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