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28 October 2024

Asia Dragon Trust plc

Legal Entity Identifier: 549300W4KB0D75D1N730

Result of Strategic Review

Proposed combination with Invesco Asia Trust plc

Introduction

The Board of Asia Dragon Trust plc ("**Asia Dragon**" or the "**Company**") is pleased to announce that it has concluded its strategic review and has agreed heads of terms with the Board of Invesco Asia Trust plc ("**Invesco Asia**") in respect of a proposed combination of Asia Dragon with Invesco Asia (the "**Proposals**").

The Asia Dragon Board was pleased by the interest it received from a large number of high-quality management groups, which were evaluated by the Board, with the assistance of Stanhope Consulting. The Asia Dragon Board gave consideration to retaining the existing manager; appointing a new external third-party manager; and entering into a combination with another investment trust. The Asia Dragon Board would like to thank all those who participated in the process.

The Board was impressed by the distinctive and disciplined value-oriented investment approach employed by Invesco Fund Managers Limited ("**IFML**") which has delivered attractive returns for Invesco Asia shareholders over the long term. Furthermore, the Board believes Invesco Asia's active core Asia (ex-Japan) investment strategy, alongside its policy of paying an annual dividend equal to 4 per cent. of its NAV, will appeal to Asia Dragon shareholders.

The combination, if approved by each company's shareholders, will be effected by way of a scheme of reconstruction and winding up of Asia Dragon under section 110 of the Insolvency Act 1986 and the associated transfer of part of the assets and undertaking of Asia Dragon to Invesco Asia in exchange for the issue of new ordinary shares in Invesco Asia ("**New Invesco Asia Shares**") (the "**Scheme**").

The Scheme will include a partial cash exit opportunity for up to 25% of Asia Dragon's issued share capital, and the enlarged Invesco Asia will introduce a triennial unconditional tender offer for up to 100 per cent. of its issued share capital alongside its existing discount management policy targeting an average discount of less than 10 per cent. of NAV (calculated on a cum-income basis) over each financial year. Invesco Asia has also agreed a new

management fee structure that will result in a lower blended management fee for Asia Dragon shareholders.

Following implementation of the Scheme, the enlarged Invesco Asia will continue to be managed by IFML under Invesco Asia's existing investment objective and investment policy.

The Proposals will be subject to approval by the shareholders of both Asia Dragon and Invesco Asia in addition to regulatory and tax approvals. Asia Dragon and Invesco Asia have each received an irrevocable undertaking from City of London Investment Management Limited representing 30 per cent. of Asia Dragon's issued share capital and 21 per cent. of Invesco Asia's issued share capital (in each case excluding treasury shares) and letters of intent or indications of support from shareholders representing a further 25 per cent. of Asia Dragon's issued share capital and 17 per cent. of Invesco Asia's issued share capital (in each case excluding treasury shares), to support the Proposals.

Rationale and Benefits of the Scheme

The Asia Dragon Board believes the Scheme presents an attractive proposal for the Company and its shareholders for the following reasons:

- **Strong Long-Term Investment Performance:** Invesco Asia has delivered a total return of 49.4 per cent. over the five years to 30 September 2024, representing outperformance of 23.2 per cent. against the MSCI AC Asia ex Japan Index which has delivered a five-year total return of 26.2 per cent.
- **Unconstrained Investment Approach:** Invesco Asia has a highly rated and experienced investment team with an unconstrained investment approach and a focus on valuation whereby the managers seek to identify stocks that have become dislocated from fair value with a potential catalyst for change.
- **Aligned Investment Exposure:** The Scheme will allow shareholders to continue their investment in a core Asia (ex-Japan) equity strategy.
- **Increased Dividend:** Asia Dragon shareholders will benefit from a significant increase in dividend as a result of Invesco Asia's policy of paying a distribution of 4 per cent. of NAV per annum which will move from semi-annual to four quarterly payments each equal to 1 per cent. of NAV.
- **Depth of Resource:** Invesco Ltd, a global asset manager with \$1.8 trillion of AUM, including \$15.9 billion in Asia and EM Equities (as at 30 September 2024), will remain as the investment manager of the combined entity. Invesco Asia will continue to benefit from the expertise of its portfolio managers, Fiona Yang and Ian Hargreaves, and from the depth of resource and experience offered by the wider Asian & Emerging Markets Equities Team.
- **Partial Cash Exit:** The Scheme will provide Asia Dragon shareholders with the opportunity to elect to exit part or all of their holding in Asia Dragon for cash, subject to an overall limit of 25 per cent. of the issued share capital of Asia Dragon (excluding shares held in treasury) (the "**Cash Exit**").
- **Continued Scale:** The combination with Invesco Asia will allow Asia Dragon shareholders to continue to participate in a vehicle of scale, with the enlarged Invesco Asia expected to be a constituent of the FTSE 250, notwithstanding the potential substantial return of capital by Asia Dragon pursuant to the Cash Exit.

- **Periodic Exit Opportunity:** Following completion of the Proposals, Invesco Asia will introduce a triennial unconditional tender offer of up to 100 per cent. of the issued share capital of Invesco Asia, with the first tender offer expected to take place in 2028.
- **Discount Management Policy:** Invesco Asia will maintain its stated average discount target of less than 10 per cent. of NAV calculated on a cum-income basis over the financial year.
- **Competitive Management Fee:** IFML has agreed that, with effect from the admission to listing and trading of the New Invesco Asia Shares (“**Admission**”), the management fee payable by Invesco Asia to IFML will be reduced to 0.75 per cent. on the initial £125m of net assets; 0.6 per cent. of net assets between £125m and £450m; and 0.5 per cent. on net assets in excess of £450m. The new Invesco Asia fee structure will result in a lower blended management fee than is currently payable by Asia Dragon.
- **Shareholder Register:** The Proposals will allow a number of shareholders to consolidate their holdings across the two companies while also creating a more diversified shareholder base through a combination of the balance of the two share registers.
- **Contribution to Costs:** IFML has agreed to make a cost contribution to the Proposals equivalent to the management fees payable on the assets transferred from Asia Dragon to Invesco Asia for a period of nine months and based on Invesco Asia’s proposed new management fee structure.

Summary of the Scheme

The Proposals will be effected by way of a scheme of reconstruction of Asia Dragon under section 110 of the Insolvency Act 1986, resulting in the voluntary winding up of Asia Dragon and the transfer of part of Asia Dragon’s assets and undertaking to Invesco Asia on a Formula Asset Value (“**FAV**”) for FAV basis. In accordance with customary practice for such transactions involving investment trusts, the City Code on Takeovers and Mergers is not expected to apply to the Proposals. However, the Proposals will be subject to other regulatory and tax approvals. The Proposals will also be subject to, *inter alia*, approval by the shareholders of each of Asia Dragon and Invesco Asia.

Under the Scheme, Asia Dragon shareholders will be entitled to elect to receive in respect of some or all of their Asia Dragon shares:

- New Invesco Asia Shares (the “**Rollover Option**”); and/or
- cash (the “**Cash Option**”).

The Cash Option is limited to 25 per cent. of Asia Dragon’s shares in issue (excluding treasury shares). Should total elections for the Cash Option exceed 25 per cent. of Asia Dragon’s shares in issue (excluding treasury shares), excess elections for the Cash Option will be scaled back into New Invesco Asia Shares on a *pro rata* basis.

The Cash Option will be offered at a discount of 2 per cent. to the Asia Dragon FAV (the “**Cash Discount**”). Each Asia Dragon shareholder who elects, or is deemed to elect, for the Cash Option will receive an amount in cash equal to their *pro rata* share of the realisation proceeds of the cash pool created pursuant to the Scheme to reflect the number of Asia Dragon shares held by such shareholder that have been elected, or are deemed to have been elected for the Cash Option.

The Cash Discount will be applied for the benefit of: (i) initially those Asia Dragon shareholders electing to roll over into Invesco Asia to meet Asia Dragon’s direct transaction costs (including

any amount payable on termination of Asia Dragon's investment management agreement and any explicit costs of portfolio realignment incurred by Asia Dragon); and (ii) then for the benefit of the enlarged Invesco Asia.

New Invesco Asia Shares will be issued as the default option under the Scheme in the event that Asia Dragon shareholders do not make a valid election under the Scheme, or only elect for the Cash Option in respect of a proportion of their shares, or to the extent elections for the Cash Option are scaled back as a result of the Cash Option being oversubscribed.

Costs of the Proposals and IFML Contribution

Each company intends to bear its own costs incurred in relation to the Proposals and the direct costs will be reflected in the FAV for each company.

IFML has agreed to make a contribution to the costs of the Scheme by means of a reduction in the management fee payable by Invesco Asia to IFML. The fee reduction will constitute a waiver of the management fee that would otherwise be payable to IFML in respect of the assets transferred by Asia Dragon to Invesco Asia pursuant to the Scheme for the first nine months following the completion of the Scheme (the "**IFML Contribution**"). The IFML Contribution will be applied for the benefit of: (i) initially Invesco Asia to meet its direct transaction costs; and (ii) then the shareholders of the enlarged Invesco Asia following implementation of the Scheme.

Management Fees

As noted above, IFML has agreed that, with effect from Admission, the annual management fee payable by Invesco Asia to IFML will be reduced to 0.75 per cent. on the initial £125m of net assets; 0.6 per cent. of net assets between £125m and £450m; and 0.5 per cent. on net assets in excess of £450m. This is a reduction from the existing Invesco Asia annual management fee of 0.75 per cent. on the initial £250m of net assets, reducing to 0.65 per cent. on net assets in excess of £250m.

Periodic Unconditional Tender Offers

Subject to the completion of the Scheme, Invesco Asia will introduce triennial unconditional tender offers for up to 100 per cent. of the issued share capital of Invesco Asia at a 4 per cent. discount to prevailing NAV (debt at fair value, cum income) ("**Unconditional Tender Offers**"), with the first Unconditional Tender Offer expected to be in 2028.

If any Unconditional Tender Offer were to result in the net asset value of Invesco Asia falling below any minimum size condition established by the Invesco Asia Board in connection with that Unconditional Tender Offer, the Invesco Asia Board would consult with major shareholders on the future of Invesco Asia and, if appropriate, put forward proposals for a strategic review of the options for the Company's future and/or for Invesco Asia's reconstruction, reorganisation or winding up.

Invesco Asia currently has in place a triennial continuation vote ("**Continuation Vote**"), with the next continuation resolution scheduled for September 2025 and a five-yearly performance-related conditional tender offer ("**Conditional Tender Offer**") pursuant to which Invesco Asia would undertake a tender offer for up to 25 per cent. of Invesco Asia's issued share capital at a discount of 2 per cent. to the prevailing NAV per share (after deduction of tender costs) in the event that Invesco Asia's NAV cum-income total return performance over the five-year period to 30 April 2025 failed to exceed the MSCI AC Asia ex Japan Index (net of withholding tax, total return in sterling terms) by 0.5 per cent. per annum over the five years on a cumulative basis.

The periodic Unconditional Tender Offers will replace the Continuation Vote and Conditional Tender Offer.

Discount Management Policy

Invesco Asia has a stated average discount target of less than 10 per cent. of NAV (calculated on a cum-income basis) over each financial year. Share buybacks are undertaken where the Invesco Asia Board considers that such buybacks will be effective, taking into account market factors and the discounts of comparable investment companies, and having regard to the greater latitude afforded to Invesco Asia with its increased size following implementation of the Proposals.

Dividend Policy

Invesco Asia will maintain its current policy of paying an annual dividend equal to 4 per cent. of its NAV; but will increase the frequency of its dividend payments from the current half-yearly basis (2 per cent. in each of November and April) to a quarterly basis (four dividends of 1 per cent. every three months).

Invesco Asia Name

It is intended that Invesco Asia will change its name as part of the Proposals to Invesco Asia Dragon Trust plc. This change of name will become effective as soon as practicable following the effective date of the Scheme.

Board Structure

Following completion of the Transaction, the Invesco Asia Dragon Board will be enlarged by a number of members of the Asia Dragon Board joining the four directors already on the Board of Invesco Asia.

Expected Timetable

A circular providing further details of the Scheme and convening general meetings to approve the Proposals, and a prospectus in respect of the issue of New Invesco Asia Shares in connection with the Scheme, are expected to be posted to Asia Dragon shareholders in January 2025. The Proposals are anticipated to become effective by February 2025.

James Will, Chairman of Asia Dragon, commented:

“The Board undertook a full and robust review process and considered a wide range of options for the Company. The proposal to combine Asia Dragon Trust with Invesco Asia Trust was considered the most attractive outcome for shareholders, providing a partial capital return alongside the continuation of shareholders’ investment in a trust that has delivered strong long-term performance managed by a highly regarded team at Invesco. The combination will create a vehicle of scale with a diversified shareholder base, a significant increase in dividend and a more competitive management fee. Furthermore, the introduction of a triennial unconditional 100 per cent. tender offer alongside ongoing buyback activity provides a compelling approach to discount management that we expect to serve shareholders well over time.”

For further information please contact:

Asia Dragon Trust plc

Contact via FTI Consulting

James Will

Winterflood Securities Limited

Neil Langford
Sophia Bechev

+44 (0) 20 3100 0000

FTI Consulting

Ed Berry
Tom O'Brien

+44 (0)7703 330 199

+44 (0)7746 816 032

Important Information

This announcement contains information that is inside information for the purposes of Article 7 of the UK version of Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended (the Market Abuse Regulation). The person responsible for arranging for the release of this announcement on behalf of Asia Dragon Trust plc is James Will.

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