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## Invesco Asia Trust plc Â

### Combination with Asia Dragon Trust plc

#### Transaction highlights

- Transfer of certain of Asia Dragon's assets to Invesco Asia in exchange for issue of new ordinary shares in Invesco Asia (to be renamed Invesco Asia Dragon Trust plc) through a scheme of reconstruction and winding-up of Asia Dragon under section 110 Insolvency Act 1986.
- Invesco Asia's investment strategy, which seeks to identify undervalued Asian and Australasian companies and has an emphasis on total return, is to remain unchanged.
- Introduction of a new competitive management fee structure for Invesco Asia Dragon, coupled with the greater economies of scale on an enlarged portfolio of more than £800m, will allow the Company to target an Ongoing Charges Ratio of less than 70bps in future financial years.
- Invesco Asia will maintain its current policy of paying an annual dividend equal to 4.0 per cent. of its NAV, and move from semi-annual to quarterly dividend payments.
- Combined vehicle to offer improved secondary market liquidity, and expected eligibility for inclusion in FTSE 250 Index in due course.
- Invesco Asia's investment manager, Invesco Fund Managers Limited, to make a significant contribution to help absorb direct transaction costs. Invesco Asia shareholders will not suffer any Net Asset Value dilution from the direct costs of a successful transaction.
- Asia Dragon shareholders will have the option of a partial cash exit for up to 25% of Asia Dragon's issued share capital in aggregate at a 2% discount to Asia Dragon's FAV per Share.
- Introduction of triennial unconditional tender offers for up to 100 per cent. of issued share capital at a 4.0 per cent. discount to prevailing NAV, with the first tender expected to be put forward in 2028.
- Shareholder meetings expected to be held by early February 2025 with the Transaction completing shortly thereafter.

Neil Rogan, Chairman of Invesco Asia, said:

"This combination is transformational for the Company and both sets of shareholders. For Asia Dragon's shareholders, it gives continuity of mandate with a very strong investment house, proven and experienced managers, a repeatable investment process and a fantastic long-term performance record. For our own shareholders, apart from the lower fees and greater liquidity, it brings the scale to add to our existing buy ratings that will spur future growth. Our proposed discount management policy is bold, and provides the opportunity for us to break free from the persistent discounts and locked registers from which so many Asian and Emerging Markets trusts have suffered. Our aim is to make this the go-to Asian trust, trading on a premium rating, growing organically and also through further combinations."

Fiona Yang and Ian Hargreaves, Co-Portfolio Managers of Invesco Asia, added:

"This comes at an exciting moment to invest in Asia, with valuation disparities across the region offering abundant opportunities for the active investor. We are delighted that the strength of our investment proposition has helped to secure this opportunity for the Company, and we are confident in our ability to continue to secure the attractive long-term investment returns that we have delivered for Invesco Asia shareholders so far."

#### Introduction

The Board of Invesco Asia Trust plc (the "Invesco Asia" or the "Company") is pleased to announce that the Company has entered into Heads of Terms with Asia Dragon Trust plc (the "Asia Dragon") in respect of a proposed combination of the two companies to create Invesco Asia Dragon Trust plc (the "Invesco Asia Dragon"). This follows a comprehensive strategic review by the board of Asia Dragon of its future as announced in May 2024.

The combination will be undertaken through a scheme of reconstruction and winding-up of Asia Dragon under section 110 of the Insolvency Act 1986 (the "Scheme"), and the associated transfer of certain of Asia Dragon's assets to the Company in exchange for the issue of new ordinary shares in Invesco Asia (the "New Invesco Asia Shares") (the "Transaction"). Invesco Asia's manager, Invesco Fund Managers Limited (the "IFML"), will have overall responsibility for managing the assets of the

combined Invesco Asia Dragon, maintaining the same approach of seeking to identify undervalued Asian and Australasian companies, and emphasising total return with the aim of paying enhanced dividends, that has served the Company very well to date.

## Benefits of the Combination

The combination is expected to result in substantial benefits for Invesco Asia shareholders, Asia Dragon shareholders electing for New Invesco Asia Shares and future investors in Invesco Asia Dragon:

- **Continued access to the market leading resources of Invesco:** Invesco, a global asset manager with US 1.8 trillion of AUM, including US 15.9 billion in Asia and EM Equities (as at 30 September 2024), will remain as the investment manager of the combined Invesco Asia Dragon. Invesco Asia will continue to benefit from the expertise of its Co-Portfolio Managers, Fiona Yang and Ian Hargreaves, and from the depth of resource and experience offered by the wider Asian & Emerging Markets Equities Team.
- **Strong investment performance track record:** Invesco Asia's long-term performance record is strong, with NAV total returns of 14.3%, 49.4% and 153.7% over three, five and ten years respectively (to 30 September 2024), outperforming the Company's benchmark<sup>[1]</sup> total returns of 2.4%, 26.2% and 99.4% over the corresponding periods.
- **Larger scale and FTSE 250 inclusion:** Invesco Asia Dragon is expected to have net assets of more than £800 million on completion of the Transaction (based on the last published net asset values of the two companies as at the date of this announcement). It is also expected that Invesco Asia Dragon will be eligible for inclusion in the FTSE 250 Index and will benefit from improved secondary market liquidity.
- **Lower management fees:** The Invesco Asia Board and IFML have agreed a new management fee structure for Invesco Asia Dragon (see further below) which will result in a more competitive blended fee rate for the combined entity and its shareholders than is currently afforded to Invesco Asia's and Asia Dragon's respective shareholders.
- **Lower ongoing charges:** The new reduced management fee structure and the economies of scale which the combination will bring will allow Invesco Asia Dragon to target an ongoing charges basis points ratio of less than 70bps in future financial years<sup>[2]</sup>, a material improvement on Invesco Asia's current ongoing charge ratio of 103bps.
- **Increased frequency of dividend payments:** 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 equal dividends of 1 per cent. each every three months).
- **Significant contribution to costs from IFML:** IFML has agreed to make a significant contribution to the costs of the Transaction. The value of the contribution will be applied initially to meet Invesco Asia's direct transaction costs, meaning that Invesco Asia shareholders will suffer no Net Asset Value dilution from the direct costs of the Transaction, with any excess applied for the benefit of all shareholders in the combined Invesco Asia Dragon.
- **Unconditional tender offers:** The introduction of unconditional tender offers every three years for up to 100% of the issued share capital of the enlarged vehicle, replacing the continuation votes and performance-related conditional tender offers currently utilised by Invesco Asia, provides the Invesco Asia Board with a strong discount management tool; and at the same time it constitutes an effective and attractive initiative for shareholders and potential new investors alike, unlocking the ability to buy and hold shares in the Company with the certainty that the size of their shareholding can be adjusted periodically thereafter, regardless of relative performance or share rating.

<sup>[1]</sup> The benchmark index of the Company was changed on 1 May 2015 to the MSCIACAsia ex Japan Index from the MSCIACAsia Pacific ex Japan Index (both indices total return, net of withholding tax, in sterling terms).

<sup>[2]</sup> Based upon the last published net asset values of Invesco Asia and Asia Dragon as at the date of this announcement. Ongoing charges ratio for the financial year ending 30 April 2026 is expected to be materially lower than 70bps, reflecting the management fee waiver to be provided by IFML to represent its costs contribution to the Transaction; without any management fee waiver, the ongoing charges ratio for the following financial year is still anticipated to be less than 70bps.

## The Transaction

### Overview

The combination will be implemented through a scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of Asia Dragon and the transfer of certain of its assets (consisting of investments which are in accordance with Invesco Asia's investment policy, as well as cash, cash equivalents and other appropriate securities) into Invesco Asia Dragon in exchange for the issue of New Invesco Asia Shares to Asia Dragon shareholders who elect (or are deemed to have elected) to roll over into Invesco Asia Dragon (the "**Rollover Option**", which is the default option for the Transaction).

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 Transaction. The Transaction will be subject to, *inter alia*, the approval of Invesco Asia shareholders and of Asia Dragon shareholders, in addition to necessary regulatory and tax approvals.

Subject to, and conditional on, the Scheme becoming unconditional and the Transaction completing successfully, qualifying Asia Dragon shareholders will be entitled to elect to receive in respect of some, or all, of their Asia Dragon shares:

- (i) New Invesco Asia Shares; and/or
- (ii) a cash distribution (the "**Cash Option**") which, on an aggregate basis will be 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 on a *pro rata* basis.

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.

The Cash Option will be offered at a discount of 2 per cent. to the Asia Dragon Formula Asset Value (the "FAV") per Share (the "Cash Discount"). The Asia Dragon FAV will be the NAV of Asia Dragon as at the calculation date for the Scheme adjusted for the liquidators' retention, dividends declared but unpaid (if applicable) and any costs of the Transaction not already accrued.

Conditional on completion of the Transaction and with effect from the effective date of the Scheme, the Invesco Asia Board has agreed with IFML a reduction in the management fee payable by Invesco Asia to IFML under the terms of the investment management agreement between Invesco Asia and IFML dated 22 July 2014, as amended. Further details of the new management fee arrangements are set out below. IFML has also agreed to make a contribution (the "IFML Costs Contribution") to the costs of the Transaction by way of a waiver of the new management fee which would otherwise have been payable to IFML in respect of the value of the assets transferred by Asia Dragon to Invesco Asia pursuant to the Scheme, and based on the value of those assets as at the calculation date for the Scheme, for the nine months following the effective date of the Scheme. (For illustrative purposes, based upon the net asset values of Invesco Asia and Asia Dragon as at 24 October 2024, and assuming that the Cash Option were taken up in full, the value of the IFML Costs Contribution would amount to approximately £2.28m.)

Each company will bear its own costs in relation to the Transaction. The benefit of the IFML Costs Contribution will be first applied to Invesco Asia's direct transaction costs, with any amount remaining thereafter being for the benefit of all shareholders in Invesco Asia Dragon, through an offset against management fees incurred following the Transaction. The benefit of the discount on the Cash Option will be first applied to Asia Dragon's direct transactional costs, with any excess remaining thereafter again being applied for the benefit of all shareholders in Invesco Asia Dragon.

New Invesco Asia Shares will be issued to Asia Dragon shareholders on a Rollover FAV-to-FAV per share basis. Invesco Asia's FAV will be its net asset value as at the calculation date for the Scheme, adjusted for any costs of the Transaction not already accrued, the allocation of the benefit of the IFML Costs Contribution to meet its direct transaction costs, and any dividends and distributions declared but unpaid as at the date of the FAV calculation. Asia Dragon's Rollover FAV will be its FAV (as described above) adjusted for the allocation of the Cash Discount to meet its direct transaction costs.

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#### *Dividends*

Invesco Asia Dragon will maintain its current policy of paying an aggregate 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 (1 per cent. every three months).

It is the intention of the Invesco Asia Board to pay a dividend of 7.80p per ordinary share (being 2 per cent. of the NAV per share as at 30 September 2024) next month; and then to pay dividends of 3.90p per ordinary share (being 1 per cent. of the NAV per share as at 30 September 2024) in each of February and late April/early May next year. The February 2025 dividend will have a record date falling immediately prior to completion of the Transaction, so that the first dividend to which Asia Dragon shareholders electing for the Rollover Option will be entitled will be the dividend paid in late April/early May 2025.

The date by reference to which the 4 per cent. figure is calculated will also be changed, from the last business day in September to the last business day in April of each year.

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#### *New Management Fee Structure*

As part of the Transaction, and conditional upon the Transaction being implemented, the Invesco Asia Board and IFML have agreed a new competitive management fee structure pursuant to which IFML will be paid an annual fee for its management services to Invesco Asia Dragon, calculated on a monthly basis, as follows:

0.75% on the first £125 million of Invesco Asia Dragon's net asset value;

0.60% on Invesco Asia Dragon's net asset value over £125 million and up to £450 million; and

0.50% on Invesco Asia Dragon's net asset value in excess of £450 million.

The new management fee structure will apply immediately upon completion of the Transaction.

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#### *Invesco Asia Dragon Board*

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.

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#### *Introduction of Unconditional Tender Offers*

Following completion of the Transaction, Invesco Asia Dragon will introduce (in place of the current three-yearly continuation votes and five-yearly performance-related conditional tender offers) triennial unconditional tender offers for up to 100 per cent. of Invesco Asia Dragon's issued share capital at a 4 per cent. discount to prevailing NAV (debt at fair value, cum income) (the "Unconditional Tender Offers"). The first Unconditional Tender Offer is expected to be put forward to Invesco Asia Dragon shareholders in 2028.

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

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#### *Share Buyback Policy*

Following completion of the Transaction, Invesco Asia Dragon will maintain Invesco Asia's stated average discount target of less than 10 per cent. of NAV (calculated on a cum-income basis) over each financial year. Share buybacks will continue to be undertaken where the Invesco Asia Dragon 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 Dragon with its increased size following completion of the Transaction.

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#### *Change of Name*

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

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#### *Shareholder Support*

Asia Dragon and Invesco Asia have each received an irrevocable undertaking from City of London Investment Management Limited, representing 30.3 per cent. of Asia Dragon's issued share capital and 20.7 per cent. of Invesco Asia's issued share capital (in each case excluding treasury shares), to vote in favour of the Transaction; and letters of intent or indications of support for the Transaction from other shareholders representing a further 25.4 per cent. of Asia Dragon's issued share capital and a further 17.3 per cent. of Invesco Asia's issued share capital (in each case excluding treasury shares).

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#### *Expected Timetable*

It is anticipated that documentation in connection with the Transaction will be posted to shareholders by January 2025, with a view to convening general meetings of Invesco Asia and Asia Dragon shareholders by early February 2025 and the Transaction being completed shortly thereafter. Completion of the Transaction will be conditional upon, *inter alia*, approval from the shareholders of both companies, tax approvals and Financial Conduct Authority approval in relation to the publication by Invesco Asia of a prospectus.

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#### *Overseas Shareholders*

Save where an Asia Dragon shareholder provides appropriate evidence to Invesco Asia (in a form determined to be acceptable to Invesco Asia in its sole discretion) that they may lawfully receive the New Invesco Asia Shares in accordance with applicable laws, an overseas Asia Dragon shareholder in a restricted jurisdiction ("**Overseas Asia Dragon Shareholder**") will be deemed to have elected for their basic entitlement in respect of the Cash Option and to receive New Invesco Asia Shares for the remainder of their shareholding. Such New Invesco Asia Shares will be issued to the liquidators as nominees for the relevant Overseas Asia Dragon Shareholder and sold by the liquidators in the market and the net proceeds paid to the relevant Overseas Asia Dragon Shareholder in accordance with the Scheme.

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#### **Enquiries**

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The information in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. The material contained in this announcement is given as at the date of its publication (unless otherwise marked) and is subject to updating, revision and amendment. In particular, any proposals referred to herein are subject to revision and amendment.

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The New Invesco Asia Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an exemption from registration under the Securities Act. The Company does not intend to register any of the securities in the United States or to conduct a public offering of the securities in the United States. Moreover, the New Invesco Asia Shares have not been, nor will they be, registered under the applicable securities laws of Australia, Canada, Japan, the Republic of South Africa, or any member state of the EEA (other than any member state of the EEA where the shares are lawfully marketed). Further, Invesco Asia is not, and will not be, registered under the US Investment Company Act of 1940, as amended.

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The value of shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. Figures refer to past performance and past performance should not be considered a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.

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