

2010 Interim Dividend Circular

(for Hong Kong registered shareholders)

This document is important and requires your immediate attention.

If you are in any doubt about the action you should take with this document, you should immediately seek professional advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

If you have sold or transferred all of your shares before 9.30 a.m. (Hong Kong time) Thursday 19 August 2010 for shareholders registered on the Hong Kong branch register, please pass this document and any accompanying form to the person who arranged the sale or transfer so that they can pass these documents on to the person who now holds the shares. If you have sold or transferred some, but not all, of your shares before 9.30 a.m. (Hong Kong time) Thursday 19 August 2010 for shareholders registered on the Hong Kong branch register, you should contact the person who arranged the sale or transfer without delay for advice on the action you should take.

Please keep hold of this document as the 'Dividend Terms and Conditions' apply to all future dividend payments unless we inform you otherwise. You will not be sent another copy of the 'Dividend Terms and Conditions' unless there has been a change to the terms and conditions. The 'Dividend Terms and Conditions' can also be downloaded from our website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/.

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This document is for shareholders registered on the Hong Kong branch register only. CDP holders should refer to the document '2010 Interim Dividend Circular (for CDP shareholders)', which can be downloaded from our website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/. Shareholders on the UK register and the Irish branch register should refer to the Evergreen Scrip Dividend Scheme booklet, which can be downloaded from our website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/.

18 August 2010



PRUDENTIAL

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PRUDENTIAL

PRUDENTIAL PLC
12 ARTHUR STREET
LONDON EC4R 9AQ

HARVEY MCGRATH
CHAIRMAN

18 August 2010

Dear Shareholder,

I am writing to tell you about the 2010 interim dividend of 6.61 pence per ordinary share (the "**Dividend**") and to explain the options available to you to receive the Dividend in cash or new fully paid ordinary shares ("**new shares**") under our Evergreen Scrip Dividend Scheme.

We have been operating the Evergreen Scrip Dividend Scheme since 2007. It has been an economical way for our shareholders to increase their shareholding in the Company without paying dealing costs and stamp duty and, therefore, we are keen to continue offering a scrip dividend alternative (although shareholders who hold their ordinary shares through CCASS should note the comments made in relation to stamp duty reserve tax at page 9 below).

I have set out below key dates and information in respect of the Dividend, in particular the scrip dividend alternative. This should be read in conjunction with the '**Dividend Terms and Conditions**' which follow this letter and can also be viewed and downloaded from the Company's website www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/. You will find enclosed with this document a Scrip Dividend Mandate Form (the "**Mandate**").

Key Dates

The timetable for the Dividend is as follows:

Thursday 12 August 2010	Announcement of the 2010 interim dividend
Wednesday 18 August 2010	Despatch date for the 2010 Interim Dividend Circular and Scrip Dividend Mandate Form
9.30 a.m. (local time) Thursday 19 August 2010	Ordinary shares quoted ex dividend for shareholders on The Stock Exchange of Hong Kong Limited (" Hong Kong Stock Exchange ") (" Ex Dividend Date ")
Friday 20 August 2010	Record date for the 2010 interim dividend (" Record Date ")
Wednesday 25 August 2010	Announcement of scrip reference price
4.00 p.m. (local time) on Wednesday 1 September 2010	Final date for shareholders on our Hong Kong branch register to submit Scrip Dividend Mandate Forms (" Election Deadline Date ")
Wednesday 22 September 2010	Postal date for dividend cheques and share certificates
Friday 24 September 2010	Payment date (" Dividend Payment Date ") and where applicable CCASS accounts are credited with new shares
Friday 24 September 2010	First day of dealings in new shares on the Hong Kong Stock Exchange

Key Information

To be entitled to the Dividend you need to have held ordinary shares in the Company at 4.30 p.m. in Hong Kong on the Record Date.

Cash dividend

If you wish to receive the Dividend in cash, you do not need to take any action. Your dividend will be paid to you in Hong Kong Dollars as you hold your shares on the Hong Kong branch register.

The applicable Sterling/Hong Kong Dollar exchange rate was fixed on 11 August 2010 and is published on the Company's website <http://www.prudential.co.uk/prudential-plc/investors/>.

If you wish to receive the Dividend in cash, and you have an existing Mandate in place, you must provide notice of cancellation of your Mandate in writing to our registrars so as to be received no later than the Election Deadline Date.

Scrip dividend

To qualify for the scrip dividend alternative you need to have held a minimum number of ordinary shares on the Record Date. This number is calculated by dividing the scrip reference price by the Dividend and then rounding it up to a whole share.

If you held less than the minimum number of ordinary shares you will not qualify to receive the scrip dividend in respect of the Dividend and instead it will be paid to you in cash unless you have a Mandate in place at the Election Deadline Date, in which case your Dividend will be carried forward, without interest, and included in the calculation for the next dividend payment.

If you qualify for the scrip dividend and you wish to receive your Dividend in new shares, then if you do not have a Mandate in place, you must submit a Mandate so that it is received by our registrars no later than the Election Deadline Date.

The scrip reference price will be calculated on Wednesday 25 August 2010 as the average middle-market price of the Company's shares on the London Stock Exchange over a five-day dealing period commencing on Wednesday 18 August 2010 (the date the Company's ordinary shares are quoted ex dividend on the London Stock Exchange). The scrip reference price will be announced via the Hong Kong Stock Exchange website and published on our website <http://www.prudential.co.uk/prudential-plc/investors/>. The scrip reference price for the Dividend was not known on the latest practicable date prior to the publication of this document.

Please note that we will not issue fractions of a new share and, therefore, you will only receive a whole number of new shares in respect of the scrip dividend alternative. Any cash balance left over after calculating your scrip dividend entitlement will be carried forward, without interest, and included in the calculation for the next dividend payment.

Admission of new shares

The Company will apply to the UK Listing Authority and to the Listing Committee of the Hong Kong Stock Exchange for the new shares to be listed and to the London Stock Exchange for the new shares to be admitted to trading on the London Stock Exchange ("**Admission**"). Subject to Admission and the listing approval from the Hong Kong Stock Exchange, share certificates in respect of shareholdings held in certificated form (where they are usually registered in your own name) will be posted to you on 22 September 2010. If your shares are held in uncertificated form through CCASS (where they are registered in the name of a nominee) your stock account will be credited with the appropriate number of new shares on 24 September 2010.

Dealing in the new shares is expected to commence on 24 September 2010 on the Hong Kong Stock Exchange. However, if Admission is not granted, the Company will not issue any new shares and you will receive your Dividend in cash instead.

The new shares issued in respect of the scrip dividend alternative will have the same rights as the existing ordinary shares of the Company.

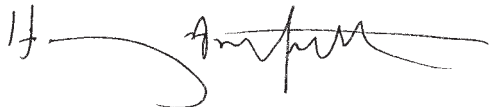
Helpline

If you have any questions about the dividend arrangements, please call Computershare Hong Kong Investor Services Limited ("**Computershare**"), between 9.00 a.m. and 6.00 p.m. (local time) Monday to Friday, excluding public holidays. The telephone number for Computershare is 2862 8555. The helpline will not be able to give you advice on the merits of the scrip dividend scheme or any financial advice. If you need financial advice you will need to contact an independent professional adviser.

This document and the Mandate are both available to view and download from the Company's website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/.

I would remind you that if you wish to receive new shares instead of cash in respect of the Dividend your Mandate must be received by our registrars no later than 4.00 p.m. on Wednesday, 1 September 2010 the Election Deadline Date.

Yours sincerely



Harvey McGrath

Chairman

As at the date of this document, the executive Directors of Prudential plc are Mr. Cheick Tidjane Thiam (Group Chief Executive), Mr. Nicolaos Andreas Nicandrou ACA, Mr. Robert Alan Devey, Mr. Clark Preston Manning Jr. FSA MAAA, Mr. Michael George Alexander McLintock, Mr. Barry Lee Stowe; and the independent non-executive Directors of Prudential plc are Mr. Harvey Andrew McGrath (Chairman), Mr. Keki Bomi Dadiseth FCA, Mr. Michael William Oliver Garrett, Ms. Ann Frances Godbehere FCGA, Ms. Bridget Ann Macaskill, Ms. Kathleen Anne O'Donovan ACA, Mr. James Hood Ross and Lord Andrew Turnbull KCB CVO.

Dividend Terms and Conditions

All references to 'dividend' in this document are to any dividend announced by Prudential plc including any interim dividend or final dividend but not including any dividend in specie.

This document does not apply to CDP holders, who should refer to the document '2010 Interim Dividend Circular (for CDP shareholders)', which can be downloaded from our website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/.

1. Summary

To be entitled to the dividend you must hold ordinary shares in the Company at 5.00 p.m. in London or 4.30 p.m. in Hong Kong (as appropriate) on the Record Date.

You may choose to receive your dividend in cash or in new fully paid ordinary shares ("**new shares**") under the Evergreen Scrip Dividend Scheme.

If you choose to receive your dividend in shares, you must submit a Scrip Dividend Mandate Form ("**Mandate**") in accordance with this document or have an existing Mandate in place by the Election Deadline Date.

If you choose to receive a cash dividend, you do not need to take any action. Your dividend will be paid to you in:

- Sterling if you hold your shares on the UK register or the Irish branch register; and
- Hong Kong Dollars if you hold your shares on the Hong Kong branch register.

2. Evergreen Scrip Dividend Scheme

You may choose to receive your dividend in new shares instead of cash.

The number of new shares that you are entitled to receive under the Evergreen Scrip Dividend Scheme is based on the scrip reference price. The scrip reference price is the average of the middle market price for the Company's ordinary shares on the London Stock Exchange for the five-day dealing period commencing the day on which the Company's shares were first quoted ex-dividend on the London Stock Exchange.

To qualify for the scrip dividend you need to have held a minimum number of shares on the Record Date. This number is calculated by dividing the scrip reference price by the cash dividend amount and then rounding it up to a whole share.

If you held less than the minimum number of shares on the Record Date and/or the value of your cash dividend (including any residual cash balances brought forward from previous dividends) is less than the scrip reference price, you will not qualify to receive the scrip dividend and your dividend will be paid to you in cash unless you have an existing Mandate in place to receive the scrip dividend, in which case your cash dividend payment will be carried forward, without interest, and included in the calculation for the next dividend payment.

If the value of your cash dividend (including any residual cash balances brought forward from previous dividends) is more than the scrip reference price, and you already have an existing Mandate in place, you will receive the scrip dividend.

We will not issue fractions of a new share and, therefore, you can only receive a whole number of new shares. Any cash balance left over after calculating your scrip dividend

entitlement will be carried forward, without interest, and included in the calculation for the next dividend payment.

For your protection, the directors may (and absent mitigating circumstances intend to) cancel Mandates and pay a cash dividend instead, if, by the Election Deadline Date, the middle market price for the Company's ordinary shares on the London Stock Exchange has fallen by 15 per cent. or more from the scrip reference price.

All new shares issued as scrip dividend will automatically increase your shareholding on which the next entitlement to a scrip dividend will be calculated.

3. Deciding whether to elect for, or continue to elect for, the scrip dividend

When deciding whether you want to receive your dividend in cash or in new shares, please remember that the price of the Company's shares can go down as well as up and that the value of the Company's shares on the date on which the then prevailing Sterling/Hong Kong Dollar exchange rate is used for calculating the Hong Kong Dollar cash dividend may be higher or lower than the scrip reference price (due to share price movements and/or exchange rate movements). Whether or not it is to your advantage to elect to receive new shares instead of a cash dividend is a matter for individual decision by each shareholder. Prudential plc does not accept any responsibility for your decision. If you are not sure what to do, please contact an independent professional adviser.

4. Actions to take to receive your dividend in new shares

If you have a Mandate in place to receive your dividends in new shares and want to continue receiving your dividends in the same way, no further action is required. We will automatically give you your dividend in new shares.

If you do not have a Mandate in place and you wish to receive your dividend in new shares, you must complete a Mandate and return it to our registrars by the Election Deadline Date. See page 5 for further details on how to do this. See page 6 for the contact details of our registrars.

If your Mandate is not received by our registrars by the Election Deadline Date, your dividend will be paid to you in cash.

Once your new shares have been issued, a statement will be sent to you, along with your new share certificate (if applicable), showing you the number of new shares allotted, the scrip reference price and the total cash equivalent of the new shares for tax purposes.

If you move your shareholding between our registers or to an account with CDP, your existing Mandate will automatically terminate. If you wish to receive your dividend in new shares, you must complete a new Mandate for the relevant register and return it to our registrars.

5. Actions to take to receive your dividend in cash

If you hold your shares on the UK register or the Irish branch register, you will automatically receive your cash dividend in Sterling provided you do not have a Mandate in place to receive your dividend in new shares.

If you hold your shares on the Hong Kong branch register, you will automatically receive your cash dividend in Hong Kong Dollars provided you do not have a Mandate in place to receive your dividend in new shares.

The cash dividend is quoted in Sterling, therefore, if you hold your shares on the Hong Kong branch register, the amount that you will receive in Hong Kong Dollars will be calculated by using the forward Sterling/Hong Kong Dollar exchange rate quoted by the WM Company on the day the dividend is approved by the Board. The Sterling/Hong Kong Dollar exchange rate will be published on the Company's website <http://www.prudential.co.uk/prudential-plc/investors/> on or around that date.

If you have a Mandate in place to receive your dividend in new shares, but wish to receive your dividend in cash, you can cancel your Mandate at any time up to the Election Deadline Date. See below for further details on how to do this.

6. General Information

a) Scrip Dividend Mandate Form

Scrip Dividend Mandate Forms are available to download on the Company's website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/. Alternatively, please contact our registrars (contact details below) and one will be sent to you.

Please remember to include your Shareholder Reference Number which can be found on your share certificate issued by the UK registrar.

Mandates must be completed in respect of your total shareholding. The Company may at its discretion permit partial elections where a shareholder is acting on behalf of more than one beneficial owner (a nominee shareholder). Please contact our registrars (contact details below) in relation to partial elections. The partial elections will remain in force for all future dividends unless cancelled for shareholders on the UK register.

Submitting mandate forms by post

Your Mandate must be returned to our registrars (contact details below). If our registrars do not receive your Mandate form by the Election Deadline Date, we will send you your dividend in accordance with your existing Mandate (if applicable).

All Mandates are sent at your own risk. We are not able to acknowledge receipt.

b) Multiple and Joint Shareholdings

If your shareholding is recorded in the Company's register of members in more than one share account then, unless you make arrangements with our registrars to have your holdings consolidated before the Election Deadline Date, they will be treated as separate holdings and you should complete a separate Mandate for each holding. Equally, if you are submitting your Mandate electronically, you will need to do this for each shareholder account.

If you wish to consolidate your holdings to avoid this happening in the future, please write to our registrars quoting the Shareholder Reference Numbers shown on your share certificates issued by the UK registrar.

Please note that consolidation of holdings is not available to shareholders on the Hong Kong branch register.

If you have a joint shareholding, please ensure that all shareholders sign the Mandate.

c) If you have recently purchased or sold shares

If you purchased shares on or after the Ex Dividend Date you will not be entitled to the dividend on them.

If you sold some of your shares before the Ex Dividend Date, you will be entitled to the dividend (and, if applicable, the scrip dividend) on the remainder of your shares.

If you purchased or sold shares before the Ex Dividend Date, you should contact the person who arranged the purchase or sale without delay. Appropriate arrangements can then be made to transfer the dividend.

d) Payment of your dividends into a bank account

We can also arrange for cash dividend payments to be paid directly into a bank account.

If you are a shareholder on the UK register, you must complete a Cash Dividend Mandate and return it to Equiniti in accordance with the instructions on the form. The form is available from the Company's website http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/.

For shareholders registered on the Hong Kong branch register, you may receive payment of your dividends into your bank account if you update your Mandate after registering as a member on Computershare's website <https://www-uk.computershare.com/investor/formscatalogue.asp>.

e) Payment of cash balances

Any accumulated cash balances will be sent to you (or your estate), without interest, if:

- you sell or transfer all of your shares;
- you choose to receive your dividend in cash;
- you cancel your existing Mandate;
- you write to our registrars and ask them to send it to you; or
- you die.

7. Cancelling your Mandate

You may cancel your existing Mandate by giving notice of cancellation in writing to our registrars who must receive your notice by the Election Deadline Date. If they do not receive your notice by this date you will receive your dividend payment in accordance with your existing Mandate.

We will automatically cancel your existing Mandate if you sell or transfer all of your shares, but only with effect from the registration of the relevant transfer. We will also automatically cancel your existing Mandate if we are advised of your death.

8. Delivery and listing of new shares

The Company will apply to the UK Listing Authority and to the Listing Committee of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") for the new shares to be listed, and to the London Stock Exchange for the new shares to be admitted to trading on the London Stock Exchange. Subject to admission of new shares to the premium segment of the Official List of the UK Listing Authority and to listing approval from Hong Kong Stock Exchange, share certificates in respect of shareholdings held in certificated form (where they are usually registered in your own name) will be posted to you, at your own risk, one business day

before the dividend payment date. If your shares are held in uncertificated form through CREST or CCASS (where they are registered in the name of a nominee) your stock account will be credited with the appropriate number of new shares on the dividend payment date (unless, in the case of shares held through CREST, the Company is unable to do so under the provisions of the Uncertificated Securities Regulations 2001 or the facilities and requirements of CREST, in which case the new shares will be issued in certificated form and share certificates will be posted).

Dealing in the new shares is expected to begin on the relevant dividend payment date. However, if permission for the new shares to be listed and admitted to trading on the London Stock Exchange and Hong Kong Stock Exchange is not granted, the Company will not issue any new shares and you will receive all of your dividend in cash.

The new shares will have the same rights as the existing ordinary shares you hold.

9. Cancellation or modification of the scrip dividend

The operation of the Evergreen Scrip Dividend Scheme is always subject to the directors' decision to offer the scrip dividend alternative. If the directors decide not to offer the scrip dividend alternative in respect of any particular dividend, a cash dividend will be paid to you instead. If the directors offer a scrip dividend alternative in respect of any future dividends and you have submitted a Mandate in accordance with this document, you will be issued scrip dividend on the terms of this document.

Mandates may be modified at any time by the Company. In the case of any modification, existing Mandates (unless otherwise specified by the Company) will be deemed to remain valid under the modified arrangements unless and until you cancel your Mandate by giving notice of cancellation in writing to our registrars who must receive your notice by the Election Deadline Date.

10. Overseas shareholders

If you are resident outside the UK, Ireland or Hong Kong, you may only treat this document as an invitation for you to receive the scrip dividend if such invitation could be made to you where you are resident without the Company having to meet any registration or other legal requirements.

It is your responsibility to make sure that any legal requirements are met and/or that any necessary agreements (including any government or other consents) are obtained.

An individual holding ordinary shares cannot elect to receive American Depositary Receipts from a scrip dividend as part of this invitation and no American Depositary Receipts will be issued in respect of new shares.

The scrip dividend is not available to holders of American Depositary Receipts.

11. Registrars' Contact Details and Shareholder Helpline

All written communications should be sent to:

UK Registrar

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom.

Irish Branch Registrar

Capita Registrars, PO Box 7117, Dublin 2 or Unit 5, Manor Street Business Park, Manor Street, Dublin 7.

Hong Kong Registrar

Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

Shareholder Helpline

If you have any questions about the dividend arrangements, please call our shareholder helpline between 9.00 a.m. and 6.00 p.m. (local time) Monday to Friday, excluding public holidays. The telephone number for Equiniti Limited is 0871 384 2035, Capita Registrars is +353 1 810 2400 and Computershare Hong Kong Investor Services Limited is +852 2862 8555.

The shareholder helpline will not be able to give you advice on the merits of the scrip dividend scheme or any financial advice. If you need financial advice you will need to contact an independent professional adviser.

12. General

You can view or download this document from the Company's website at http://www.prudential.co.uk/prudential-plc/investors/shareholder_services/forms/. However, if you would like a paper copy of this document and/or the Scrip Dividend Mandate Form, copies will be available from our registrars. To request a copy, please call the shareholder helpline (see above for contact details).

In the case of any conflict between any translation and the English version of this document, the English text shall prevail.

13. Examples

The examples below are for illustrative purposes only.

The following information is assumed in the examples below:

- The cash dividend is 10 pence per share.
- The scrip reference price is £6.50.
- Your holding is 1,000 shares.

Example 1

You wish to receive your dividend in new shares.

If you have not previously put a Mandate in place to receive new shares for all of your future dividends, you will need to complete a Scrip Dividend Mandate Form and return it to our registrars so that it is received by them by the Election Deadline Date.

Cash value of your dividend = 1,000 shares x 10p = £100*

Number of new shares = £100* ÷ £6.50 = 15.38, rounded down to 15 new shares

Value of new shares = 15 x £6.50 = £97.50

Cash balance = £100 - £97.50 = £2.50

In this case the cash balance of £2.50 will be carried forward to the next dividend payment.

- * Add this to any cash balance brought forward from the previous dividend.

Example 2

You wish to receive your dividend in cash.

You do not need to do anything unless you have previously put a Mandate in place to receive new shares for all of your future dividends. You will then need to cancel the Mandate electronically or by writing to our registrars so that it is received by them by the Election Deadline Date.

14. Glossary

Election Deadline Date

The date by which you must submit your scrip dividend mandate form if you wish to receive your dividend in the form of new shares. This is also the date by which you must cancel your existing scrip dividend mandate if you no longer wish to receive your dividend in the form of new shares.

Your mandate must be received by Equiniti Limited, Capita Registrars or Computershare by 4.00 p.m. (local time) on this date.

Ex Dividend Date

The date the Company's shares are quoted ex-dividend on the London Stock Exchange or Hong Kong Stock Exchange (as relevant). If you purchase shares on or after this date you will not be entitled to the dividend.

Record Date

The record date for the dividend. You will receive the dividend on the number of ordinary shares registered in your name at 5.00 p.m. (local time) in London and 4.30 p.m. (local time) Hong Kong (as appropriate) on this date.

Scrip Reference Price

The price of the new ordinary shares offered under the Evergreen Scrip Dividend Scheme calculated as the average middle-market price of the Company's shares on the London Stock Exchange over the five-day dealing period commencing on the Ex Dividend Date.

Appendix: Tax Information

United Kingdom taxation

The following statements are intended to apply only as a general guide to UK tax law and to the current practice of HMRC as at the date of this document, both of which are subject to change at any time, possibly with retrospective effect. They are not advice. Except in so far as express reference is made to the treatment of non-UK residents, the following statements are intended to apply only to shareholders who are resident (or, in the case of an individual, domiciled and resident or ordinarily resident) in the UK for UK tax purposes, who hold their ordinary shares as investments and who are the absolute beneficial owners of such ordinary shares. The statements do not apply to certain classes of shareholders, such as dealers in securities or distributions, broker-dealers, insurance companies, collective investment schemes, persons who hold their shares by virtue of an interest in any partnership and persons who have acquired (or are deemed for tax purposes to have acquired) their shares by reason of office or employment.

Shareholders who are in any doubt as to their tax position or who are resident or domiciled in or subject to tax in a jurisdiction other than the UK should consult their own professional advisers immediately.

(A) Individuals

(i) Income tax

A shareholder who is an individual and who receives new shares instead of a cash dividend from the Company will be subject to tax on the amount (the "gross amount") which is equal to the cash equivalent of those new shares grossed up by income tax at the dividend ordinary rate (currently 10 per cent.). The gross amount will be regarded as the top slice of the individual's income and the individual will be subject to tax on it as dividend income.

The individual will also be treated as having paid tax at the dividend ordinary rate on the gross amount (except to the extent that the individual is not taxable on the gross amount as a result of the availability of a relief or allowance). The tax which the individual will be deemed to have paid will therefore discharge the individual's liability to tax in respect of the gross amount, unless and except to the extent that the gross amount falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross amount at the dividend upper rate (currently 32.5 per cent.) less the tax which the individual will be treated as having paid at the dividend ordinary rate. So, for example, an individual receiving new shares with a cash equivalent of £90 will be treated as having paid tax of £10. If the individual is not liable to income tax at the higher rate, that individual's liability in respect of the scrip dividend will be 10 per cent. of the gross amount of £100, or £10. Consequently, that individual's liability will be discharged in full by the tax of £10 which that individual will be treated as having paid and so that individual will have no further liability to tax in respect of the scrip dividend. If that individual is liable to income tax at the higher rate, that individual's tax liability in respect of the scrip dividend will be 32.5 per cent. of the gross amount of £100, or £32.50. After taking into account the tax of £10 which that individual will be treated as having paid, this will leave a net tax charge of £22.50.

The "cash equivalent" of any new shares received in lieu of a cash dividend will be the amount of the cash dividend foregone unless the difference between that amount and the market value of the new shares received in lieu of the cash dividend calculated on the first day of dealing on the London Stock Exchange is equal to or greater than 15 per cent. of that market value, in which case the cash equivalent will be that market value.

Shareholders should note that the UK Finance Act 2009 introduced a new rate of income tax of 50 per cent. (the "additional rate") which applies with effect from 6 April 2010 to taxable income above £150,000 and for dividends otherwise liable to tax at the additional rate to be taxable at the rate of 42.5 per cent. Consequently, in the case of a shareholder who receives new shares pursuant to the Evergreen Scrip Dividend Scheme or a dividend from the Company after 6 April 2010 and who is liable to income tax at the additional rate, the shareholder will be subject to tax on the gross dividend or, in the case of new shares, the gross amount at the new rate of 42.5 per cent., to the extent that the gross dividend or, in the case of new shares, the gross amount falls above the threshold for the additional rate of income tax. After setting off the tax credit comprised in the gross dividend or, in the case of new shares, the gross amount the shareholder will, accordingly, have to account for income tax equal to 32.5 per cent. of the gross dividend or, in the case of new shares, the gross amount.

A UK resident shareholder who is an individual who is not liable to income tax in respect of the gross dividend or, in the case of new shares, the gross amount will not be entitled to any payment from HMRC in respect of any part of the tax that is deemed to have been paid.

(ii) Capital gains tax

A shareholder who is an individual and who receives new shares instead of a cash dividend from the Company will be treated as having acquired those new shares for an amount equal to the cash equivalent.

(B) Corporation tax

To the extent that a company which is resident (for tax purposes) in the United Kingdom receives new shares instead of a cash dividend from the Company, the issue of the new shares should be treated as a bonus issue for which there is no acquisition cost. Consequently, the calculation of any chargeable gain or allowable loss on a future disposal of, or of part of, that company's enlarged holding should fall to be made by reference to the base cost of the original holding only.

(C) Shareholders resident (for tax purposes) outside the United Kingdom

Shareholders who are not resident (or, where appropriate, not ordinarily resident) for tax purposes in the UK should generally have no further UK tax to pay upon receipt of new shares. Such shareholders will not have any entitlement to a tax credit upon receipt of such new shares. Shareholders who are not resident (for tax purposes) in the UK will not generally be subject to UK tax on chargeable gains on a disposal of their new shares. However, shareholders who are individuals who are temporarily resident (for tax purposes) outside the UK may, in certain circumstances, be subject to UK tax in respect of gains realised while they are not resident in the UK.

(D) Trustees

Trustees who are liable to income tax at the rate currently applicable to trusts of 50 per cent. will be liable to pay tax on dividend income received at the rate of 42.5 per cent. Where such trustees elect to receive new shares, the same grossing up procedure as outlined for individuals will apply. Thus, such trustees will be treated as having received gross income of an amount which, when reduced by income tax at the rate of 10 per cent., is equal to the cash equivalent.

Hong Kong taxation

This section addresses certain tax consequences of the Evergreen Scrip Dividend Scheme for holders of Prudential Shares on the Hong Kong branch register under the laws of Hong Kong and the published practice of the Hong Kong Inland Revenue Department (which are both subject to change at any time), as currently understood. The following summary of the tax position in Hong Kong is based on current law and practice, is subject to changes therein and does not constitute legal or tax advice.

This summary provides a general outline of the material tax considerations that may be relevant to a decision to participate in the Evergreen Scrip Dividend Scheme and does not deal with all possible Hong Kong tax consequences applicable to all categories of investors.

(A) Dividends

No tax will be payable in Hong Kong in respect of dividends Prudential pays to shareholders whether paid in cash or new shares. Dividends distributed to Prudential's shareholders will be free of withholding taxes in Hong Kong.

(B) Capital gains

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where the trading gains are derived from or arise in Hong Kong will be chargeable to Hong Kong profits tax.

Stamp duty and SDRT

(A) Hong Kong stamp duty

No Hong Kong stamp duty should generally be payable on the issue of new shares pursuant to the Evergreen Scrip Dividend Scheme.

(B) United Kingdom stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will generally be payable on the issue of new shares under the Evergreen Scrip Dividend Scheme to shareholders save as described below.

The issue of new shares to, (a) a person whose business is or includes the provision of clearance services (or their nominee or agent) or (b) a person whose business is or includes issuing depositary receipts (or their nominee or agent), may give rise to UK stamp duty or SDRT at the higher rate of 1.5% of the issue price, the consideration payable or, in certain circumstances, the value of the new shares unless, in the case of an issue to a person falling within paragraph (a) (or their nominee or agent), that person has made an election under section 97A of the Finance Act 1986 which has effect in relation to such securities.

On 1 October 2009, the European Court of Justice ruled that such a charge, when levied in respect of an issue of shares by a limited liability company incorporated under English law into a clearance service, was prohibited by Article 11(a) of Council Directive 69/335/EEC. On the same day, HMRC announced that, with immediate effect, the 1.5% charge to SDRT on the issue of shares into a clearance service within the EU would no longer be applied. On 9 December 2009, HMRC extended this to the issue of shares into a depositary system within the European Union. There may be further implications of this decision, in particular for the issue of shares into systems outside the EU. The law in this area may be particularly susceptible to change. Section 54 of the Finance Act 2010 has removed certain exemptions which applied to transfers from clearance systems or issuers of depositary receipts based in the EU to clearance systems or issuers of depositary receipts based outside the EU.

The Company understands that it is HMRC's practice to treat CCASS as though it has made an election under section 97A of the Finance Act 1986 in respect of shares registered on the Hong Kong branch register of the Company. Consequently the Company does not expect any SDRT to arise on the issue of new shares under the Evergreen Scrip Dividend Scheme into CCASS since any such shares are expected to be registered on the Company's Hong Kong branch register.



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