



Prosper
Information Guide

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Prosper

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HOW PROSPER WORKS

Type of Contract: Prosper is a unit-linked, whole-of-life regular contribution Policy issued by Scottish Provident International Life Assurance Limited (“SPILA”) which is based in the Isle of Man.

Prosper is an investment-linked insurance plan under Class C linked long term business as defined in the Insurance Companies Ordinance (“ICO”) offered by SPILA as an authorised insurance company under the ICO in Hong Kong.

Prosper has been designed to meet the medium to long term financial planning needs of investors who want gross roll-up on their savings. As well as providing access to a wide range of funds from leading investment managers, Prosper incorporates a number of features that make saving easy - whatever your investment objective.

The investor becomes the owner of a life assurance Policy whose benefits are directly linked to the value of the chosen investments held in Prosper. The value of Prosper is based on the underlying investments and may go down as well as up. The underlying investments of Prosper are the property of SPILA. Where a fund invests in overseas securities, the unit prices may rise and fall purely on account of exchange rate fluctuations.

Availability: Prosper is available to Hong Kong residents aged between 18 and 75, provided they are not subject to any legislation which prohibits this type of investment. However, SPILA reserves the right to offer Prosper to residents of other jurisdictions acceptable to SPILA from time to time. Prosper is not available to citizens of the United States[†]. In addition, if you purchase a Policy and later become resident in the United States[†], there will be restrictions placed on your Policy while you are resident there. These include the inability to make additional contributions and the inability to switch the funds placed with SPILA among the investment options, as otherwise permitted under the Policy.

Contract Basis: Prosper can be taken out by individuals, a company or trustees. The Policy is available on either a single life or joint life last survivor basis. Up to six lives assured can be covered under the Policy. Benefits are paid out on the death of the life assured, if there is only one, or the last surviving life assured if there is more than one. The benefits payable on death will be 101% of the encashment value of the Policy at that time, or 100.1% where the sole or last surviving life assured is age 75 or above.

Where the Policy is effected on a joint life basis, at least one of the lives assured must be under the age of 76 at Policy outset. The Policy is open ended i.e. there is no fixed contract term, although the contribution term is defined at outset.

Currency: Prosper can be denominated in Sterling, Euros, US Dollars, Hong Kong Dollars or Japanese Yen. The currency, which is chosen at Policy outset, will be used to specify the amount of money invested and to determine charges and Policy limits. Valuations will be provided in the currency selected.

Multiple Policy Facility: In order to give you maximum flexibility, the Policy is set up as 100 separate identical policies. The investor may increase the number of policies at outset, as required. The minimum number of policies is 1, the maximum is 999. Whilst the policies together make up the whole of the Policy, they can be treated individually. There is no stated minimum contribution per individual Policy, however, the contribution must be divisible by the major currency unit in which the Policy is denominated (e.g. Sterling). For Yen denominated policies, the contribution must be divisible by 120.

Benefits from the Policy may be taken in any freely convertible currency. Any currency conversion necessary in the operation will be calculated using exchange rates applicable at the time.

Contributions: Contributions to Prosper are made on a regular basis. Regular contributions can be paid either on a monthly, quarterly, half-yearly or yearly basis. In addition, ad hoc single contributions can be paid at any time.

The current minimum contributions are shown in the table below.

CURRENCY	FREQUENCY				
	Yearly	Half-yearly	Quarterly	Monthly	Ad hoc single contributions
GBP	6,000	3,000	1,500	500	6,000
EUR	9,000	4,500	2,250	750	9,000
USD	12,000	6,000	3,000	1,000	12,000
HKD	90,000	45,000	22,500	7,500	90,000
JPY	1,020,000	510,000	255,000	85,000	1,020,000

These limits may be varied by SPILA from time to time.

Contribution Term: The policyholder selects a Target Contribution Term (TCT) or Target Retirement Age (TRA), throughout which payments will be expected. The TCT or TRA must be a minimum of 3 years from Policy commencement. If a TCT or TRA is not stated by the investor at Policy outset, it is assumed that the contribution term of the Policy will be either 10 years or age 60, whichever is the furthest away. On joint life policies age 60 will be assumed on the youngest life.

[†] United States means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

Investment Funds Available: Prosper can be linked to a wide range of investment funds which are offered by SPILA, and these funds only. Details of the current range of funds are given in the 'Prosper - Fund Menu'. Should any fund, to which a Policy is linked, close to investment, notice of 3 months will be given by SPILA, or shorter notice as approved by the SFC, to the policyholder, and a new fund choice offered.

There is no limit of the number of funds that can be selected, however, the minimum investment in to each fund per contribution is GBP100 (or currency equivalent) e.g. a contribution of GBP500 per month can only be split across a maximum of five investment funds.

Allocation of Units and Unit Pricing: The benefits under Prosper are based on the value of units allocated in the chosen investment fund. Each investment fund is divided into units of equal value which are valued regularly.

Some funds may be distributor funds and dividends will be allocated in the form of additional units of the distributor fund. The number of additional units will depend on the number of units held at the ex-dividend date of the fund.

For some funds only one price is quoted. The single price will be used to both allocate units and encash units. Other funds have both bid and offer prices quoted. The spread between the bid and offer prices relates to the purchase and/or redemption fees imposed by managers of the underlying funds. The offer price is used to allocate units and will be rounded up by not more than 1%. The bid price is used when encashing units and will be rounded down by not more than 1%. All unit allocation is rounded (to the nearest) three decimal places. Any rounding adjustments for unit allocation or unit pricing accrue to the Company.

A percentage of each contribution, as specified by the investor, is allocated to units in the chosen funds at the offer price. The amount allocated depends on the size and frequency of the contributions as shown in the table below.

ANNUALISED CONTRIBUTIONS					ALLOCATION PERCENTAGE
£	EUR	USD	HKD	JPY	
Up to 11,999 12,000 plus	Up to 17,999 18,000 plus	Up to 23,999 24,000 plus	Up to 179,999 180,000 plus	Up to 2,039,999 2,040,000 plus	100% 101%

Where contributions vary, allocation rates will be determined independently for each contribution based on the above table. Further details regarding the calculation of units, including any roundings, can be found in 'Prosper - Policy Terms & Conditions'.

FEES AND CHARGES

Establishment Fee:	An Establishment Fee of 5% will be taken immediately from each contribution paid.
Percentage Administration Fee:	A Percentage Administration Fee of 1% pa, based on Policy value, will be taken from the Policy quarterly in arrears by unit cancellation at bid price.
Paid Up Fee:	Where a Policy is made paid-up during the first three years of Policy commencement a Paid-Up Fee of GBP10/EUR15/USD20/HKD150/JPY1,700 per month will be applied. This fee will cease if contributions recommence and continue for the duration of the remainder of the first 3 years.
Initial Charge:	Units in your chosen fund are purchased at the offer price and encashed or cancelled at the bid price. The difference between the bid and offer prices is determined by the relevant investment manager. Investments into the funds will be made on discounted terms, which reduce the level of bid offer spread. Initial Charges currently range from 0% to 0.50%. Details of all the initial charges are published in 'Prosper - Fund Menu'.
Annual Management Charge:	SPILA applies no fund charges. Annual management charges will be taken directly from the fund by the relevant external fund management group and reflected in the unit price. Annual Management Charges currently range from 0.65% to 2.00%. Details of all the annual management charges are published in 'Prosper - Fund Menu'.
Fund Switching:	Both the units allocated to Prosper and future contributions can be switched between available investment funds at any time. The first 12 switches in any Policy year are free of any dealing charge. Subsequent switches will incur a fee which will be the greater of GBP30 (or currency equivalent) or 0.75% of the value of each switch. Switches will be transacted on a bid to offer basis to account for initial entry charges which may be applied by the chosen fund management group. No charge is made for the redirection of future contributions.
Other Fund Charges:	Please refer to the relevant prospectus which will be made available by your Financial Adviser.
Encashment Charge:	Full encashment in the first three years will be subject to a charge, based on Policy values, of 6% in the first year, 4% in year two and 2% in year three. Encashment Charges will also be applied to any partial encashment which exceeds 10% of the total Policy value within the first three years. SPILA will apply Encashment Charges in the first three years where cumulative withdrawals exceed 10% of total contributions paid.
Variation of Charges:	SPILA retains the right to vary any of the charges described above, by giving 3 months' notice to the policyholder, or shorter notice as approved by the SFC, although it aims to keep them as low as possible. The charges described in this section are current as at March 2007.

CONTRIBUTION FLEXIBILITY

Regular contributions can be increased or reduced, on an ad hoc basis, providing that the contribution is above the then current minimum contribution level. Similarly, contributions can be suspended at any time. Please note that in the first three years from Policy commencement the Paid-up Fee will apply during periods of contribution suspension. Provided that the surrender value of the Policy exceeds a minimum amount, which is currently GBP2,500/ EUR4,000/ USD5,000/ HKD37,500/ JPY425,000, the Policy may be left fully invested. The Policy must be encashed if its value is below the minimum amount at that time.

SPILA must be notified of the exact change to regular contributions at least one month in advance of contributions being paid. Please note that Policy Fees and Charges will continue to apply during any periods of suspension.

ENCASHMENT

The encashment value available under Prosper is the bid value of units allocated to the individual policies comprising the Policy. The Policy can be encashed in full or benefits can be taken in stages by encashing the required number of individual policies, with the remaining policies continuing to be invested until such time as benefits are required. Encashment requests should be sent in writing by the policyholder to SPILA. Full encashments will also require the return of policy documents. The value of the remaining Policy must not fall below the minimum surrender value (as defined in the Contribution Flexibility section). The minimum partial withdrawal is currently GBP500/ EUR750/ USD1,000/ HKD17,500/ JPY85,000 and can be paid in any freely available currency.

There is no penalty on full encashment after three years. Full encashment in the first three years will be subject to a charge, based on Policy value, of 6% in the first year, 4% in year two and 2% in year three. Encashment Charges will also be applied to any partial encashment which exceeds 10% of the total Policy value within the first three years. SPILA will apply Encashment Charges in the first three years where cumulative withdrawals exceed 10% of total contributions paid.

Encashment fees do not apply to ad hoc contributions.

REGULAR WITHDRAWALS

Regular withdrawals can be taken from Prosper without the need to fully encash individual policies. Withdrawals can be made from the units allocated to the Policy at any time, once the Policy has reached the minimum permitted value of GBP2,500/ EUR4,000/ USD5,000/ HKD40,000/ JPY425,000.

The minimum regular withdrawal is currently GBP200 / EUR300 / USD400 / HKD3,000 / JPY34,000. Withdrawals can be arranged in the Policy denomination currency on an automatic basis, once you have ceased contributing to the Policy. This facility can give an income paid monthly, quarterly, half-yearly or yearly. Payments will be met by encashing units proportionately from each Policy, unless otherwise requested, and can continue until the number of units allocated falls below the minimum surrender value (as defined in the Contribution Flexibility section).

TAXATION

Company Taxation: SPILA is not liable to any tax on the income or gains arising within its life assurance funds. Withholding tax may be deducted at source, however, on income arising on investments held in some countries.

Personal Taxation: The tax treatment of any gain or proceeds you take from Prosper will depend upon your country of residence or domicile and personal circumstances at the time. For example, UK residents will have a possible income tax liability on a chargeable event (such as a surrender or a withdrawal exceeding 5% of total contributions paid p.a.) which is reportable through Self Assessment. You should be aware that when you create a chargeable event, SPILA is required to provide details of the chargeable event to the Her Majesty's Revenue & Customs (HMRC) if the value of the gain is in excess of half the basic rate threshold.

If you become a US taxpayer, you should be aware that this Policy does not qualify as a life insurance or an annuity contract for US tax purposes. As a result, increases in the Policy's cash value would be subject to current federal income taxation and protection benefit proceeds would not be excludable from the recipient's income.

Important Taxation Note: The information contained in this brochure is based on SPILA's understanding of Isle of Man legislation, UK Tax law, Her Majesty's Revenue and Customs practice and US tax and securities laws and regulations as at March 2007. Whilst every care has been taken, SPILA cannot accept any responsibility for its interpretation or for any subsequent changes. You are strongly recommended to seek advice about your own position from your professional adviser as SPILA cannot give individual tax advice.

INVESTOR PROTECTION

SPILA investors receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991. SPILA reserves the right to adjust the returns from the investments to cater for any levy or charge made on SPILA under these regulations or similar legislation.

PERSONAL DATA (PRIVACY) ORDINANCE

Hong Kong Residents Only

The information requested on the application form is for the purpose of issuing your life assurance policy. Your application may not be approved if this information is not provided in full.

The information will be collected by our office in Hong Kong and may be transferred to our central records department in the Isle of Man for safe keeping. You have the right to access this information throughout the duration of your Policy. Please address any questions relating to this matter to our General Manager in Hong Kong.

AUTHORISATION IN HONG KONG

The documentation of the scheme has been authorised by the Securities & Futures Commission in Hong Kong, pursuant to Section 105 of the Securities and Futures Ordinance. In giving this authorisation, the Commission has made no assessment of, nor does it take responsibility for, the financial soundness or merits of the scheme nor has it verified the accuracy or truthfulness of statements made, or opinions expressed, in the documentation.

The scheme is governed by and shall be construed in accordance with the law of the Isle of Man but the parties involved have the right to bring legal action in a Hong Kong court.

COOLING-OFF RIGHT

Applicants resident in Hong Kong have the right to cancel a Policy and obtain a refund of any contributions paid less any market value adjustment by giving written notice to us. If the applicant decides to cancel a Policy, they must send a notice to us direct at our registered office in Hong Kong. The cooling-off period is the later of: 21 days from the date of signing the application; 14 days from the date of issue of the Policy or 5 days after the delivery of the Policy to the policyholder or his representative. The policyholder has the right to cancel the Policy and obtain a full refund of the contribution (less a market value adjustment where applicable) if he changes his mind within that period.

HOW TO APPLY

Simply consult your financial adviser and complete the application form along with any relevant supporting documentation. Your adviser will send it, along with either your cheque or completed payment method form, to SPILA.

After all documents have been received and your application accepted, your Policy documents will be sent to you.

In addition, if you wish to appoint a professional investment adviser to provide ongoing advice on the choice of investments, consult your financial adviser and complete the Investment Adviser Appointment Form, where you inform us of the basis of remuneration agreed.



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IMPORTANT NOTES

Copies of the standard conditions and specimen policy documents are always available on request. If Prosper is effected, a contract will be issued subject to SPILA's usual terms and conditions. A copy of the completed application form will be available on request.

- SPILA accepts responsibility for the accuracy of the information shown in this leaflet.
- Complaints about SPILA's policies or service will be dealt with in accordance with the Complaints Handling Policy, a copy of which is available on request. In the event a dispute cannot be resolved, customers have the right to refer the matter to the Isle of Man Financial Services Ombudsman Scheme.
- The value of units can go down as well as up. Past performance is not indicative of future performance. Where a fund invests in overseas securities, the unit prices may also rise and fall purely on account of exchange rate fluctuations.
- Prosper is available exclusively through independent financial advisers and SPILA regrets that it is unable to give individual investment advice.
- SPILA reserves the right, in exceptional circumstances, to defer payment from Prosper if the assets are not realisable for any reason. If this situation arises, no interest will be payable on deferred payments. This right exists to protect the interests of other policyholders.
- Information supplied to SPILA in connection with your Policy will be held in both electronic and paper records. This information may be disclosed to and processed by companies within the same group as SPILA, its re-insurers or any third parties which provide services relating to the Policy. This may include sensitive personal data. If this happens, your details will stay confidential and will not be used for any other purposes. You have the right to see certain information held by SPILA on payment of a fee, and you should make your request in writing to SPILA's registered office address.
- You are obliged to notify us of a change of address, residence or citizenship. If you become resident or a citizen in some jurisdictions, some aspects of your Policy may have to be curtailed or modified to maintain compliance with local regulations. For example, if you purchase Prosper and later become resident in the United States[†], there will be restrictions placed on your Policy while you are resident there. These include the inability to switch the funds placed with SPILA among the investment options, as otherwise permitted under the Policy, and the inability to make additional investments.
- If due to exceptional circumstances it is necessary to close an investment option or to encash Prosper, 3 months' notice, or shorter notice as approved by the SFC, will be given to the policyholder where possible.
- The information contained in this brochure is principally based on SPILA's understanding of Isle of Man legislation at March 2007. Whilst every care has been taken, SPILA cannot accept any responsibility for its interpretation or for any subsequent changes to that legislation.

The scheme is governed by and shall be construed in accordance with the law of the Isle of Man but the parties involved have the right to bring legal action in a Hong Kong Court.

[†] United States means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

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Scottish Provident International Life Assurance Limited is regulated by the Isle of Man Government Insurance and Pensions Authority.

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