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17 August 2007

The Honorable Mr. Chan Kam-lam, SBS, JP
Chairman
Panel on Financial Affairs
Legislative Council of Hong Kong S.A.R of the People's Republic of China
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Honorable Mr. Chan,

Octopus Cards Limited ("OCL") - Independent Review under section 59(2) of the Banking Ordinance

We refer to the letter from the Panel on Financial Affairs (the "Panel") of 30 July 2007. Please find enclosed a copy of the Report on the Independent Review under Section 59(2) of the Hong Kong Banking Ordinance from PricewaterhouseCoopers in relation to OCL's operation of the EPS add value services (the "Report").

As we announced to the public on 27 July 2007, we are committed to addressing the findings of the Independent Review and working with all parties involved to further enhance our service to customers. In addition, we will not resume the Octopus EPS add-value service until all issues that caused this problem have been addressed to the satisfaction of all parties involved. Actions we have taken or are taking in response to the Independent Review will be submitted to the HKMA as a report, including a time-table and action plan within 30 days. These actions include:

- Working with all related parties, including EPSCO, to address the incident root cause. A task force has been organized comprised of all companies to make this happen.
- Commencement of a review of the implementation and integration of systems and critical components that are provided by third-party providers as well as a review of the oversight of third-party service providers.
- Enhancement of our problem management framework through greater integration of policies and practices. Further actions will be carried out in line with the PwC recommendations.

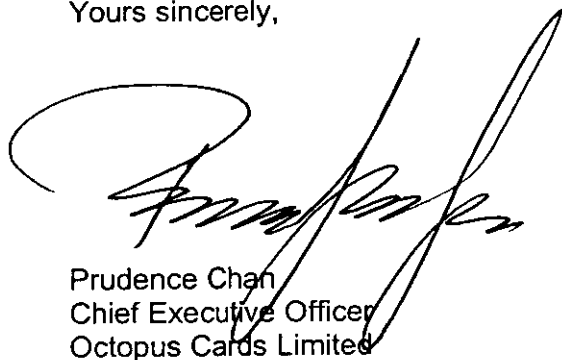
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- Enhancing our Customer Service initiatives including the launch of additional customer service programs in the coming weeks and months. We will be working with Professor Chan, as Independent Advisor to OCL, in all areas of our action program but particularly in this area where his expertise will be invaluable.
- And finally, a full review of the key aspects of our governance structure will be carried out and recommendations based on that review will be made to the OCL Board.

We would be happy to meet with you and/or the Panel to discuss this matter and our implementation of the report recommendations further should you or the Panel Members have an interest in doing so.

Yours sincerely,



Prudence Chan
Chief Executive Officer
Octopus Cards Limited

Encl.

- cc. Professor K C Chan, SBS, JP
Secretary for Financial Services and the Treasury
- Mr. Andy Ching, Senior Manager (Corporate Development)
Hong Kong Monetary Authority
- Ms Polly Yeung
Clerk to Panel, Panel on Financial Affairs