

Prudence Chan
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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 EPS Add-value Service Permanent Suspension

Further to my update on the Octopus EPS add-value incident on 3 December 2007, I would like to inform you that Octopus Cards Limited (OCL) has decided to permanently suspend the Octopus EPS Add-value service, with immediate effect.

As mentioned at the Panel's meeting, a Task Force set up to address the identified root causes has devoted considerable time and resources to addressing the issues related to the root causes of the failed Octopus EPS add-value transactions.

Even with extensive investment of resources and time to attempt to resolve the issue, there can be no guarantee that the problem will not happen again. As a responsible company, we need to strike a balance between inconvenience to a small group of customers and our commitment to protecting consumer interests. In our ongoing effort to protect consumer interests, we will not be re-starting the service.

Attached please find a press release, which we plan to send to the media today. The press release also covers new and enhanced consumer initiatives undertaken by OCL in order to enable customers to better manage their accounts.

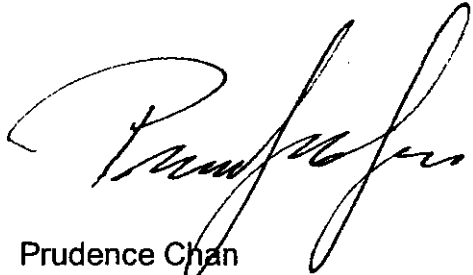
These actions are part of OCL's ongoing commitment to ensuring that customers who use our services each and every day continue to do so with the confidence and trust that have made us an integral part of daily life in Hong Kong.

On behalf of OCL, I would like to take this opportunity to thank the Panel and its members for providing us with valuable suggestions on how to improve our services to customers. We would be happy to address any questions you may have.

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I would also like to wish you and other Panel members a Merry Christmas and a Happy New Year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Prudence Chan', written in a cursive style.

Prudence Chan
Chief Executive Officer

Encl.

c.c. Polly Yeung
Clerk to Panel, Panel on Financial Affairs