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12 September 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,

PwC Report – Octopus Plan of Action

In response to the PwC Report, Octopus Cards Limited ('OCL') has prepared the attached Plan of Action to address the recommendations made. This document has already been sent to the HKMA.

OCL welcomes all the recommendations and is committed to implementing these enhancements and improvements.

The following are notable actions that we would like to bring to your attention:

Consumer Protection

The shareholders of OCL have agreed to create an additional Independent Director seat on the Board of OCL to further enhance Board level discussions and consideration on a wide spectrum of issues including consumer interest.

At the OCL Management level, a new, dedicated unit to champion consumers' interests is being established and the recruitment of a Senior Manager to head this new function is in progress.

On 23 August, OCL launched a major new initiative, the 'Friends of Octopus', which is a dedicated customer-engagement program that will strengthen OCL's two-way communication with its customers so that they can play a greater role in the development and improvement of OCL's products and services. We are encouraged that within two weeks over 28,000 consumers have volunteered to be 'Friends of Octopus', showing an interest in the community to interact with Octopus.

To address the issue of Octopus being unable to contact Anonymous cardholders, we are encouraging a larger number of our customers to apply for a Personalised Card. Effective 1 August 2007, the \$20 handling fee will be waived for the next twelve months. A series of road-shows in MTR stations will kick off from mid-September to encourage more customers to apply for Personalised Cards through a new instant issuance service.

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Task Force to address root causes in the failed Octopus EPS add value incident

OCL has set up a Task Force comprised of our technology team and representatives of all relevant third parties (EPSCO, EFT module manufacturers, MTR, KCR and the Network Provider) immediately upon the receipt of the PwC Report on 27 July 2007. The first meeting was held on 31 July 2007. All parties have since devoted considerable time and resources to studying the issues raised by the PwC Report and the Task Force will meet for the third time in September to discuss coordinated actions. Each party has identified the specific tasks under its responsibility. Estimates related to resources and timescales needed to implement those tasks are being prepared.

OCL, in its oversight role, will not reinstate the Octopus EPS add-value service unless all issues that caused this problem have been addressed to the satisfaction of all parties involved.

Corporate Governance

Following a comprehensive review, which included external expert opinion, the OCL Board has accepted the review recommendations and has agreed to make three changes that will better support OCL's governance going forward:

- (i) The appointment of an additional Independent Director to further enhance Board level discussions and consideration on a wide spectrum of issues including consumer interest.
- (ii) The formation of a new Risk Management Committee chaired by the CEO and supported by two other Board directors. The Committee will oversee a full range of risks including IT, Governance and Compliance.
- (iii) Further enhancing the approach, visibility and access of Internal Audits to the Board through a standing agenda item to be presented by the Chairman of the Audit Committee at each Board meeting following Audit Committee meetings.

Operational and Technology Risk Management

OCL Management has started the implementation of a process for assessing the criticality and risks of operations and activities performed by all outside service providers.

OCL Management is establishing an Operational Risk Management unit within the Operations Department to ensure that OCL's oversight responsibilities are fulfilled. That unit will be functional in November and will monitor the outside service providers' compliance with OCL standards on an on-going basis.

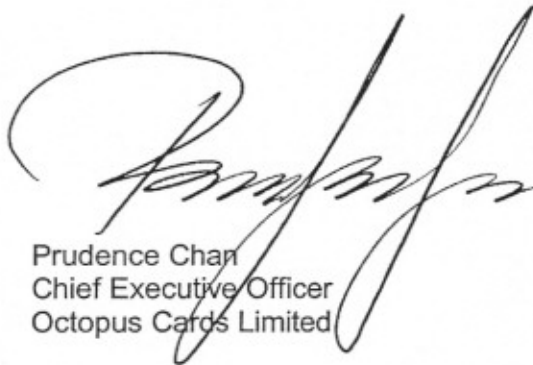
OCL's oversight responsibilities for Outside Service Providers will be one of the risk areas within the scope of the newly created OCL Risk Management Committee as detailed above.

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The details of all these actions are included in the attached Plan of Action. At the request of the Panel on Financial Affairs of the Legislative Council, OCL is pleased to provide the document to its members for reference.

Let me assure you that OCL is taking the implementation of the recommendations as a matter of urgency and priority. We have worked closely with the HKMA and Professor Andrew C. F. Chan during this process and will continue to do so. We would be pleased to meet with you and/or the Panel to discuss this further should there be an interest to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Prudence Chan', written in a cursive style. The signature is positioned to the right of the printed name and title.

Prudence Chan
Chief Executive Officer
Octopus Cards Limited

Encl.

cc. Ms Polly Yeung
Clerk to Panel, Panel on Financial Affairs