

Directors
Issuer
Blue City Investments I Limited
Walker House
PO Box 908GT
Mary Street
George Town
Grand Cayman
Cayman Islands

6 June 2007

Dear Sirs,

Independent Model Consultant services for Blue City Development

Report on Compliance with Financial Covenants included in Loan Agreement

In accordance with the engagement letter of 28 September 2006, PricewaterhouseCoopers ("PwC" or "we") undertook to carry out the following agreed procedures on a quarterly basis in its role as Independent Model Consultant ("IMC"):

- Ensure that appropriate change procedures are followed for the master copy of the Financial Model ("the Model") held by the IMC;
- Amend the Model to reflect the actuals and update the projections of consolidated cash flows, as actual results become available through the life of the project and as the developers revise their expectations of the financial outcome of the project;
- Perform an ongoing review of the financial projections to provide evidence of compliance with the financial covenants included in the loan agreement; and
- Highlight potential changes that may be required to the financial covenants based on actual performance and revised expectations of the projected performance of the project.

In the project financial quarter to 6 May 2007, we have thus:

1. Amended the Model to update the projections of consolidated cash flows to reflect the revised expectations of the financial outcome of the project as contained in the information provided. The information provided include the following documents:
 - The excel file "Financing Model_MP addendum version_07.05.2007.xls", outlining residential sales figures;
 - The excel file "Copy of Summary of Schedules 2 and 5b.xls" outlining the construction costs and construction programme dates as per the new addendum; and

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- The excel file "Op Report Gaurav.xls" outlining the actual numbers for certain use of proceed assumptions and the actual cash flows during the quarter ended 6 February 2007 and the quarter ended 6 May 2007.
- 2. Performed a review of the financial projections to provide evidence of compliance with the financial covenants included in the loan agreement; and
- 3. Amended the Model to reflect the actuals and compared the same with the financial projections to provide evidence of compliance with the financial covenants included in the loan agreement.

Soft copies of the updated base template Model – "Blue City Financial Model- final.xls" and reporting Model – "Blue City Financial Model_report_3_June_2007.xls" – are attached.

For the avoidance of doubt, we wish to clarify that as per our engagement letter:

- We have not audited the Model, nor are we responsible for doing so. Further, it should be noted that it is not practicable to test a computer model to an extent whereby it can be guaranteed that all errors have been detected. Accordingly, we will only be able to give assurance on the Model within the bounds of materiality; and
- We have not validated the accuracy of the assumptions and any actuals incorporated into the Model, nor are we responsible for doing so. Consequently, we will not warrant that the projections will correspond to actual financial results, and our comments on compliance with covenants and/or the need to amend covenants are predicated on the assumption that the actuals reported to us are correct.

Amendments to the Model

We have amended the Model to incorporate revised project assumptions and actual cash flows up to 6 May 2007, as provided by Blue City Company I ("BCC1") via email on 9, 15, 23 and 29 May 2007. A summary of the significant amendments to assumptions is provided below:

- The base price rate per square metre during the second year of sales is now forecast to increase by 11%. Based on sales estimates provided by Blue City Development's real estate agents, Hamptons International & Partners LLC, the cash receivable from the sale of residential units has been revised.
- The 'start of construction' and 'end of construction' dates of the hotels, golf courses, residential villas and apartments, and retail sections have been updated. BCC1 has represented to us that construction costs related to the development's infrastructure, public amenities, general preliminaries, prime cost reserves and the various sections have been revised and rebalanced, but with little or no impact to the overall construction cost. BCC1 has also represented to us that it is yet to carry out its acquisition of the existing Al-Suwaidi Hotel and has estimated to make its purchase during the period, 7 November 2008 to 6 February 2009. Further, cash outflows related to capital expenditure and construction costs now separately reflects costs related to 'Project Development and Management', 'Permits/Legal/Marketing' and 'Hotel Design Payments' and 'Capital Expenditure Contingencies'.
- Certain use of proceed assumptions, such as initial offshore trustee fees and launch & start up costs have been updated to reflect actual costs incurred by BCC1 for each respective line item. As per the updated figures provided by BCC1, the use of proceeds have decreased by approximately USD 6.3 million and consequently, have resulted in a corresponding, equal increase in the proceeds in the offshore escrow.

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- 'Initial cash resources of ASIT' has been reclassified as a non-interest bearing 'Subordinated Loan from AAJ Holdings'.

Outcome of Review of Financial Projections and Actual Cash Flows

We have undertaken a review of the financial projections and the actual cash flows as contained in the amended Model and we confirm that the projections and the actual cash flows are in compliance with the financial covenants included in the loan agreement.

At this stage, we do not foresee any potential changes that may be required to the financial covenants based on the revised expectations of the projected performance of the project as described above.

It should be noted that this report is solely for the benefit of Blue City Investments I Limited. Therefore, any report, letter or any other document prepared in respect of this review should not be provided, whether in whole or in part, to any other third party without our prior written consent, which we may at our discretion grant, withhold or grant subject to conditions. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which any report, letter or any other document is disclosed or otherwise made available.

We agree though to allow disclosure, for information purposes only, to Fitch Rating Agency and to the Bank of New York, the Offshore Security Trustee. However, we owe neither of these parties any duty of care whatsoever and they may not rely on this information for any purpose.

Yours faithfully



PricewaterhouseCoopers