

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

17 September 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 actual cash flows ("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 August 2007, we have thus:

1. Performed a review of the financial projections to provide evidence of compliance with the financial covenants included in the loan agreement.

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2. 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. The information provided include the following documents:
  - The excel file "Proj Cost Qtr 3.xls", outlining actual cash outflows during the financial quarter ended 6 August 2007; and
  - The excel file "Qtr 3 PwC explanation.xls" outlining the reconciliation between historical costs attributable to past quarters and the subsequent adjustments to these historical values.

A soft copy of the updated Model – "Blue City Financial Model\_report\_17\_Sep\_2007.xls" – is 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.

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#### **Amendments to the Model**

We have amended the Model to incorporate actuals up to 6 August 2007, as provided by Blue City Company I ("BCC1") via email on 26 August and 4 September 2007. A summary of the amendments to historical amounts is provided below:

- Historical costs totalling USD 33,000, incurred in the quarter ended 6 February 2007, were erroneously attributed to salaries and wages, thereby overstating operating expenses. BCC1 have represented to us that this amount relates to advances that were paid to select employees of the company as part of, and in addition to, their respective salaries to permit them to meet certain office expenses such as mobilization costs, business entertainment, stationary and office supplies etc.
- Business travel expenses and telephone charges amounting to USD 7,188 and USD 55, respectively, and incurred in the quarter ended 6 May 2007, were deducted from operating expenses and included as part of the Bovis Lend Lease ("BLL") account under project development and management. BCC1 have informed us that these expenses were adjusted and reclassified since they specifically relate to amounts paid for costs incurred by BLL, one of the consultants for BCC1.

#### **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.

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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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers