

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

16 February 2008

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 2008, 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.
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:
 - Revenue from sale of units for the quarter ended 6 August 2008 – "COLLECTIONS AS ON 0808.xls".
 - Historical interest income – "Bony Reserve Ac Interest 0808.xls".

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- Historical interest expense – "Actual Interest Cost 0808.xls".
- Historical cash outflows for Quarter 6 – "Op Report Q7 August 2008 - PWC.xls".

A soft copy of the updated Model – "Blue City Financial Model_report_06_Aug_2008.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.

Amendment to the Model

We have amended the master copy of the Model to incorporate a revision in the calculation of capital expenditure for the residential sales test. The formula used to determine the capital expenditure figure to be tested in the model has now been updated to include any financing costs incurred by Blue City Company I ("BCC1") as a result of the project. We would like to point out that this adjustment to the formula has had no impact on the historical test results.

Outcome of Review of Financial Projections and Actual Cash Flows

Based on our review of the financial quarter ended 6 August 2008, we have noted a USD 71.6 million shortfall between the actual cumulative proceeds from the sales of residential units and the cumulative sales collections assumed in the base case financial model. This has resulted in a second consecutive breach of Sales Test 1 of the Residential Sales Test. As a result, we confirm that the projections and the actual cash flows are NOT in compliance with the financial covenants included in the loan agreement.

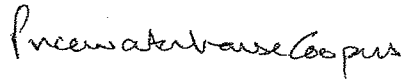
As per the loan agreement, BCC1 is required to cure the breach either through the sale of certain pre-agreed non-residential assets, such as the hotels or retail businesses, or through equity injections or shareholder loans from its ultimate shareholders.

It should be noted that this report is solely for the benefit of BCC1. 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.

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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