

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

28 December 2009

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 February 2009, 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 February 2009 – "COLLECTIONS AS ON 0209.xls".
 - Historical interest income – "Bony Reserve Ac Interest 0209.xls".

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- Historical interest expense – "Actual Interest Cost 0209.xls".
- Historical cash outflows for Quarter 9 – "Op Report Q9 Feb 2009 - PWC.xls".

A soft copy of the updated Model – "Blue City Financial Model_report_06_Feb_2009.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.

Amendments to the Model

We have made the following amendments to the Model to incorporate certain changes to the historical results provided earlier by Blue City Company I ("BCC1"). A summary of the significant amendments made to the Model is provided below:

- BCC1 have informed us that Hamptons International & Partners LLC is no longer the exclusive sales agents for BCC1. As a result, the structure of the model has been altered to reflect sales commissions paid to other external sales agents. These outflows were previously not recorded in the Model. As a result of these sales commissions, cumulative actual sales collections up to Quarter 8 have reduced by USD 1.25m from USD 33.36m to USD 32.11m. We would like to point out that this change has had no significant impact on historical test results.
- BCC1 have informed us that interest expense incurred in Quarter 1 and Quarter 3 was actually paid out in the first week of Quarter 2 and Quarter 4, respectively. Management has attributed this short delay to the payment date falling on either the weekend or a public holiday. This timing difference has now been reflected in our Model. We would like to point out that this adjustment to the cash outflows for Quarter 2 and Quarter 4 has had no significant impact on historical test results.
- BCC1 have informed us that rating agency expense of USD 105,000, incurred in Quarter 3, was reversed in Quarter 7. This reversal has now been reflected in our Model.
- Interest income reported in previous quarters has been adjusted to reflect actual interest income earned by BCC1 from cash balances available in both the onshore and offshore escrow accounts. Previously, the model was automatically calculating this interest income using predetermined interest rates that were specified when the model was initially developed. As a result of this adjustment, total interest income earned between Quarter 1 and Quarter 8 has reduced by approximately USD 4.2m. We would like to point out that this adjustment to the cash inflows has had no significant impact on historical test results.

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- The purchase of the existing Al Sawadi Hotel by BCC1 has been postponed from the quarter ending 6 February 2009 to the quarter ending 6 November 2011. As a result, the cash flows from the Al Sawadi hotel have been adjusted as well.

Outcome of Review of Financial Projections and Actual Cash Flows

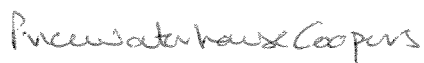
Based on our review of the financial quarter ended 6 February 2009, we have noted a USD 253.6 million shortfall between the actual cumulative proceeds from the sales of residential units and the cumulative sales collections assumed in the base case financial model. This has resulted in the fourth consecutive breach of Sales Test 1 of the Residential Sales Test and the second consecutive breach of Sales Test 2. 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, Blue City Investments I Limited ("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.

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