

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

21 April 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 November 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 November 2008 – "COLLECTIONS AS ON 1108.xls".
 - Historical interest income – "Bony Reserve Ac Interest 1108.xls".

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- Historical interest expense – "Actual Interest Cost 1108.xls".
- Historical cash outflows for Quarter 6 – "Op Report Q8 Nov 2008 - PWC.xls".

A soft copy of the updated Model – "Blue City Financial Model_report_06_Nov_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.

Outcome of Review of Financial Projections and Actual Cash Flows

Based on our review of the financial quarter ended 6 November 2008, we have noted a USD 155.1 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 third consecutive breach of Sales Test 1 of the Residential Sales Test and the first 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

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 Email: pwc.emirates@ae.pwc.com

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

For the Attention of Attn: Mr Assaf Yavor
Director

Invoice Date	23 April 2009
Invoice Number	DXB29102584
	Client Reference #: 71001038
Your Reference	F002

Currency : **USD**

Memorandum of Professional Fees

Interim invoice raised in connection with the professional services rendered as the Independent Model Consultant for Blue City Investment I Limited for Quarter 9 ended 6 February 2009	30,000.00
Net amount to be paid:	30,000.00

When making cheque payments, please write the invoice number on the reverse of the cheque. Cheques must be crossed with, " A/C Payee Only ", payable to PricewaterhouseCoopers or by bank transfer to :

US\$ Account
 Account Name: PricewaterhouseCoopers A/c 2
 Bank: HSBC
 Branch: Dubai, United Arab Emirates
 Account Number: 025-178021-101
 Swift Code : BBMEAEAD

*If you have any queries please contact Omair Shah on (971) 4 3043100.
 Your remittance within 30 days is requested.*

Invoice Number **DXB29102584**
Client Reference: 71001038
Please quote this Invoice Number in all correspondence

Date 23 April 2009
Total **USD 30,000.00**

Remittance Advice

Cheque Payments

Please return with cheque to:

PricewaterhouseCoopers
Emirates Towers Offices
Level 40
P.O. Box 11987, Dubai
United Arab Emirates

Direct Deposits/ Electronic Funds Transfer

If making payment by direct deposit, details of the bank account are as follows:

Account Name: PricewaterhouseCoopers A/c 2
Bank: HSBC
Branch: Dubai, United Arab Emirates
Account No: 025-178021-101
Swift Code: BBMEAEAD

When making payment by direct deposit/ EFT, please either:

- Fax a copy of the remittance advice to PwC Accounts Receivable on (971) 4 3304100
- E-mail the details of payment (debit note number and amount) to Financehelp@ae.pwc.com; or
- Telephone PwC Accounts Receivable on (971) 043043100

*If you have any queries please contact Omair Shah on (971) 4 3043100.
Your remittance within 30 days is requested.*