

February 28, 2011

Erdos Investment Holding Group, Ltd.

ATTN: Wang Linxiang, CEO and Legal Representative of the Erdos Hongjun Investment Company

102 Dalate Nan Road

Dongsheng District, Erdos City, Neimenggu Province, China

Telephone: 0477-8543275

Fax: 0477-8525342

erdos@chinaerdos.cn

CC:

Erdos Group (Hong Kong), Ltd

ATTN: Mr. Allan Wang, General Manager

11/F Chung Fung Comm., Bldg 12, Canton Road

Tsim Sha Tsui, Kowloon, Hong Kong

Tel: 852 2366 6129

Fax: 852 2366 7126

info@erdoscashmere.com.hk

Erdos Municipal Reform and Development Commission

Chuangye Dasha Tower B, 10th Floor

Kangbashen District, Erdos City, Neimenggu Province, China

Phone: 0477-8588058

Re: Boeung Kak Lake Development

Dear Chairman Wang Linxiang:

The Cambodian Housing Rights Task Force (“HRTF”) is a coalition of 12 non-governmental organizations working to promote the right to adequate housing and prevent forced evictions in Cambodia. We have been working for the last four years to support the estimated 4000 families residing in the Boeung Kak lake area of Phnom Penh who are being forcibly evicted from their homes and having their land illegally appropriated by the Cambodian development firm Shukaku Inc. and the Municipality of Phnom Penh.

We are writing to you due to the recently announced partnership between Inner Mongolia Erdos Hung Jun Investment Company Ltd. (“Erdos”) and Shukaku Inc to develop the Boeung Kak area. We have been asked by the Boeung Kak community to relay their message to you, enclosed herewith, which calls upon Erdos to play a constructive role in bringing about a fair resolution to the ongoing land dispute between the Boeung Kak homeowners, the Municipality of Phnom Penh, and Shukaku Inc.

The Boeung Kak lake development has been one of the most contentious developments in Cambodia, representing the largest forced relocation of Phnom Penh residents in decades. This case is frequently highlighted by local and international media as illustrative of the problem of harmful and unsustainable development in Cambodia. Development plans were only announced to Boeung Kak residents after the

Municipality of Phnom Penh entered into a 99-year lease agreement with Shukaku in January 2007, and without consultation of affected families. The lease agreement itself violates the possession rights of affected families, many of whom have lawfully possessed land and property around the lake since the 1980s. Interference with lawful possession rights is a penal offence under the Land Law of Cambodia.

Furthermore, there have been profound adverse social and environmental impacts since Shukaku commenced filling the lake in August 2008. These impacts include the intimidation of residents by company officials, the deliberate flooding of homes with sewage-contaminated water, destruction of private property and the denial of fair compensation. More than half the residents have already been evicted and many have been driven into impoverishment as a result. Since September 2010, Shukaku has pointed its sand-pumping machine directly at the homes of residents of one Boeung Kak village, deluging villagers' homes with mud and forcing families to evacuate the area (as depicted in the enclosed photographs). Plans are now underway to direct the sand-pumping machine at another lakeside village. These violations of Cambodian Law and the rights of affected families are described in greater detail in the enclosed brief in Annex C.

HRTF acknowledges the efforts of Erdos, in recent years, to support public welfare by investing in myriad philanthropic projects aimed at promoting social causes. We understand that, as recently as 2010, Erdos was awarded the People's Republic of China, Ministry of Civil Affairs' prestigious China Charity Award in recognition of the company's commitment to balanced development. Further, in the same year, you were recognized as one of "China's Most Outstanding Philanthropic Entrepreneurs." We welcome the involvement of a developer with an international reputation for socially responsible conduct, and we hope that Erdos will undertake this operation in accordance with that record.

The remaining residents of Boeung Kak lake have proposed to the Municipality and Shukaku a solution that would put an end to the dispute and prevent further evictions and impoverishment by granting 12% of the leased area to the residents for onsite resettlement. The World Bank has indicated a willingness to help support the construction of onsite housing for the residents if the Cambodian Government adopts this plan and requests its support. Please refer to Annex D for further information about the community's onsite upgrading plan.

Support for the onsite upgrading plan proffered by the Boeung Kak lake community would adhere to Erdos' corporate responsibility approach. Moreover, such support would be congruent with the People's Republic of China's newly adopted policy on forced demolitions, codified in the regulation on State-owned land expropriation and compensation recently promulgated by the State Council. HRTF and the Boeung Kak lake community welcome the principles of due process on which these regulations are predicated; notably, the payment of market value compensation for appropriated properties. More importantly, however, the situation at Boeung Kak lake affords Erdos with a significant opportunity to contribute to the resolution of a high-profile injustice that has been taking place for years and to advance its reputation as a socially responsible company. Conversely, if there is no just resolution, all parties will suffer, as it will be impossible to guarantee the security of the Boeung Kak development, and the reputation of the companies will suffer.

We should note that the community's attempts to defend their legal rights through complaints to the courts and competent authorities have all been unsuccessful, which has led them to take to the streets in protest. There have been dozens of demonstrations in the last year, including two recent ones that stopped midday traffic in central Phnom Penh for several hours. These protests have often been halted with excessive force by the authorities, leading some people to get hurt. It appears that the community's onsite resettlement proposal is their final effort to seek a just and peaceful resolution to the conflict. With this good faith proposal, there is now a brief window in which to give this sad story a happy ending. Erdos can play a constructive role in bringing the parties together to discuss this proposal and by agreeing to incorporate the community's plan into its master development plan. We fear that if this window of opportunity is not seized now, then the residents will return to streets and there may be further social upheaval.

We appreciate your time, and we look forward to receiving your prompt response to the address listed below and/or to the email addresses provided. We further request a meeting with your company's representatives in Cambodia in order to initiate a dialogue about the contents of this letter.

Yours sincerely,

[HRTF Signature]

Enclosures:

- (1) A letter from Boeung Kak lake community and a copy translated in Chinese (Annex A);
- (2) A booklet containing a sampling of international and local media highlighting the Boeung Kak lake issues in 2010 (Annex B);
- (3) A briefing summarizing the history, legal implications, and current status of the Boeung Kak lake development with photographs (Annex C);
- (4) A copy of the community's proffered onsite upgrading plan (Annex D)