

Misty Mountains Plantation and Factory managers will be able to communicate directly with each other, as all facilities will be equipped to communicate over the Internet and locally through WiFi, cell phone and radio connections. The plantation and Factory management staffs will have regular online meeting as a group, planning and training meeting, and one - on - one communications. This will enable a wider exchange of ideas and increase product quality and production.

As the keeper of the “Misty Mountains” vision, Chairman Alan Lipscomb has set as an extraordinary standard in hiring management and staff employees. New hires are to be restricted to individuals that are in one or more ways smarter than the managers hiring them. This standard applies to the Chairman and all others in the Misty Mountains Holdings Limited employment chain. In setting this standard Chairman Lipscomb is looking to teach managers that with his methods Misty Mountains will become stronger while they gain personal strength and integrity.

Misty Mountains Holdings Limited has committed 2.25% of its issued shares to the formation of a Management and Staff ESOP.

WORKERS

Misty Mountains Holdings Limited and Misty Mountains Plantations, Ltd. fully supports the self help housing programs and other types of housing programs and will strive to provide every family unit with an individual house. Where suitable existing houses exist we will support any needed repairs, and where they do not exist, we will schedule replacement of all unfit housing. This will include supplying each house with fresh clean water and the electrification of worker villages and homes. Retirees will continue to be provided the same access to suitable housing as all workers if they do not have alternate housing.

Misty Mountains will provide classes on how to grow Certified Environmentally Friendly kitchen gardens and will supply non - toxic additives to aid kitchen gardens.

With Certified Environmentally Friendly agriculture requiring a higher ratio of workers per acre than conventional Tea production and the other expansions planned for the plantation Cluster full employment will be provided to the worker cadre. Misty Mountains will honor all existing and future Collective Bargaining Agreements.

The firm will work closely with unions and village groups to formulate plans for worker welfare, health care, housing, training, education and general community needs. Present practices regarding the celebration of festivals will be continued.

New project will hire workers specifically for those projects. All new employees will be direct hires of Misty Mountains Plantations (Pvt) Ltd. As part of the sub - lease processes all existing employees on these plantations will continue to be employed by Talawakella Plantations Limited. Misty Mountains will assume management of all employees and continue the employment of all the employees through Talawakella Plantations Limited on the same terms and conditions that are applicable at the start of the sub - lease and as adjusted following that date and will continue the employment of all employees at the terms and rates then applicable at the date of any take over of direct employment from Talawakella Plantations Limited. Misty Mountains will make monthly contributions to the Employees Provident Fund and the Employees Trust Fund while setting all future employee compensation rates. During the period of the sub - lease Misty Mountains will jointly operate the Gratuity Fund with Talawakella Plantations Limited. Talawakella Plantations Limited will monitor Misty Mountains fund contributions and compensation programs.

Alan Lipscomb, Judith Cordova and Danny Chan have Jointly created the *Misty Mountains Non - Management Employee Trust* with an endowment of 6 percent of issued common shares of Misty Mountains Holdings Limited. The dividend income from these shares will be administered by the Company’s Board of Directors for the benefit of all non - management employees, their families, their welfare, their environment and their villages.

NURSERIES

Plant Nursery areas will be expanded and restructured to grow Certified Environmentally Friendly Tea. Each Nursery will need to deal with the formulation and pre - treatment of humus growth medium with microbes, the use of larger plant containers, with the ongoing spraying of the Tea plants with SoilAlive (technology acquired by the Misty Mountains Holdings Limited acquisition of dragonseed digital World, Inc.), and with irrigation during drought periods.

Test Plots and Mother Bush Sectors for Exceptional Tea Varieties are being established in support of the Tea Nursery.

Under the direction of Danny Chan specialty Tea varieties are currently being obtained from Taiwan and China by Misty Mountains Tea Merchants (Canada). As needed each Tea Nursery will dedicate a section to growing specialty Tea plants. The nurturing and establishment of these specialty varieties will require the ongoing employment of additional workers.

All plantations will incorporate inter - cropping with coffee, Erythrina and edulis trees, fruit trees and two varieties of vanilla. Specialized nurseries will be established to serve the inter - cropping needs of Plantations. The Misty Mountain Plantations, Ltd. Agronomy Team is establishing a Master plan for the mix of plantings to be used and for areas to be inter - planted. The Master Plan will be formulated under the direction of Dr. Ranil Senanayake, Scientific Director of Misty Mountains Holdings Limited and a Misty Mountains Board member.

Misty Mountains Holdings Limited is Committed to the principles of Forest Gardens/ Analog Forestry and Will establish a Tree Nursery in order to rehabilitate and expand Forest areas. Developed by Dr. Ranil Senanayaka, Analog Forestry is the synthesis of traditional forestry and agriculture techniques and modern science. Close attention will be paid to the sub - story effects and needs for canopy coverage in the variety choice. Varieties to be planted will be chosen by primarily considering internal plantation production use (hardwoods/ softwoods, boiler fire wood, village fire wood), and secondarily to potential for outside sales. The forest areas will be maintained under a strict sustainable production program. While the management of natural areas for conserving native biodiversity has been well addressed, the management of anthropogenic areas for conserving native biodiversity needs greater and urgent attention. However the current approach to conservation with its focus on pristine ecosystems may have obscured the most urgent threat to biodiversity, the degradation of biodiversity status on anthropogenic ecosystems. Addressing management or restoration in such ecosystems is further obscured by the fact that there is little policy recognition for the fundamental difference in biodiversity between anthropogenic and natural ecosystems. The application of such knowledge is best done at a landscape level.

An example of the tools that can be used in this type of management is 'Analog Forestry' a system of silviculture that recognizes the biodiversity status of the forest as fundamental design criteria. The emergence of an international network working on these principles and the evolution of a certification system to identify practitioners has enabled the market to be utilized in promoting these goals. The reward of certification, through a monitoring and reporting system termed Forest Garden Products (FGP's) provides an incentive for farmers to embark on such restoration activity.

It follows that such system of land management will best be monitored by its bioindicators. In Sri Lanka a system of certification based on biodiversity indicators has been developed over the last 20 years. The system operates on the assumption that biodiversity provides the most accurate indicators of a sustainable ecosystem and that with the use of biodiversity indicators, the credibility of certified Environmentally Friendly or biodiversity friendly production systems will be increased.

TRANSPORTATION AND DISTRIBUTION

A service center to provide service requirements for Misty Mountains vehicles and motorized agricultural equipment will be established within the estate cluster. Part of this units work will be an apprentice training program designed to develop current and future employees from the cluster villages.

Misty Mountains is sensitive to the wide range of impacts its vehicles and equipment has on the environment including resource use (materials and energy), undesirable residuals (emissions, spills and leaks), and land use. With or without technology improvements or other innovations, a large part of the burden for making transportation more sustainable will fall on individuals and corporations making choices of mode, vehicle, fuels, technology, and preventing or reducing air emissions (primarily), as well as liquid effluents and solid wastes. Measures include more efficient vehicles and systems, cleaner fuels, and the use of pollution - control technology. Management concerns focus on :

Hazardous Waste Management and Reduction : Common Automotive Wastes, Best Management Practices and Waste Minimization / Elimination.

Used Oil Management : Used Oil, Storage, Used Oil Filters and Absorbents, Options for Used Oil Utilization, Use of Refined Oil, Extension of Oil and Filter Life, Reusable Oil Filters.

Wastewater Management : Service Bay Drains, Oil - Water Separators (Operation and Maintenance), Vehicle Washing, and Storm water Controls, Tank - Related Waters, Miscellaneous Wastewater, and Radiator Repair.

Waste Reduction and Recycling : Principles of Pollution Prevention in the Shop, Solid Waste, Scrap Tires, Used Solvents, Batteries and Coolants, Proper Absorbent Use, Floor Care, Aqueous - based Solvents, Reusable Filters.

Clean Air : Requirements for Fuels and Refueling, Inspection and Maintenance Programs, Refrigerant Recycling and Substitutes, Impact on Parts Cleaning and Alternatives.

CERTIFIED ENVIRONMENTALLY FRIENDLY TEA

Sustainable development is that which " meets the needs of the present without compromising the ability of future generations to meet their own needs."

1987 Bruntland Report

The Certified Environmentally Friendly Tea produced on Misty Mountains Plantations is hand picked from fields maintained without the use of toxic chemicals that are harmful to field workers. We build new natural soil through the extensive use of compost and other healthy additives, while providing the soil with natural microbes that had been destroyed over years of traditional Tea cultivation. The results are dramatic!

By intercropping with Certified Environmentally Friendly coffee, fruits and other commercial crops, we are able to bring needed balance to the fields while adding new profit source for each plantation.

The plantations will be examined on a regular basis by national and international certification agencies.

The premium Certified Environmentally Friendly tea produced on Misty Mountains and Misty Mountains Plantations will soon reflect a tradition of distinction, being clean, free from toxic chemical residues, and being of the finest flavor when consumed.

RESEARCH AND DEVELOPMENT

“what’s good for Ceylon Tea in particular would be good for ceylon planters in general”

1890 Tea Planters Association

MISTY MOUNTAINS RESEARCH AND DEVELOPMENT

- * Agronomy Research Plots
- * Misty Mountains Demonstration and Plant Nursery Gardens
- * Agronomy Laboratory

In 2004 a facility on within the plantation cluster will be constructed to accommodate an Agronomy Laboratory, and a classroom for staff training and in support of USA and Canadian university Work Study Programs

MARKETING POWER

“People want things that are hard to find. Things that have Romance, but a factual Romance, about them.”

J. Peterman

Misty Mountains consolidation of Tea Industry niche players into an ensemble of neatly interrelated performing companies permits the allocation of an enhanced marketing budget. The “*Misty Mountains Romance with Tea*”, premium products and social goals inspire awareness, sales and Client loyalty.

A unified Vision of the Misty Mountains group’s core businesses allows for corporate image development that is interwoven with product Brand development. Misty Mountains Vision allows for consistency in marketing a diverse range of core Tea products while promoting the cross-selling of tea related and Lifestyle products and services. Consistency across all business units allows for expansion in the Vision and marketing principles in order to build on the uniqueness of the Misty Mountains Brands.

Consistency and harmony in Marketing is maintained by specialized internal Marketing, Advertising and Public Relations operational units that coordinate between and service the Misty Mountains business entities. These operational units provide the technical and creative foundation for innovative growth in the “*Misty Mountains Romance with Tea*”.

Misty Mountains Tea Merchants, Limited directs the marketing of Misty Mountains Branded products with divisions and subsidiaries working across all Misty Mountains business units.

The distinctive “Misty Mountains” trade names, story, characterization, image, spirit and Life Style are synchronized through the Misty Mountains Life Style Manager, Working with in Dragonseed Advertising, Ltd. The Life Style Manager works directly with the Misty Mountains Tea Merchants Ltd.’s Brand Marketing Teams, the Dragonseed Web Site Developers, and across all Misty Mountains business units. The Life Style Manager coordinates the licensing of the Trade Names for use with appropriate products of outside firms. Currently under consideration is the development of a licensee to produce and market both independently and through Misty Mountains a special Tea connoisseur Love Seat/Chaise and an especially designed Tea Set. The Chairman of Misty Mountains Holdings Limited is the “Keeper of the Dream” and final authority on utilization of the “Misty Mountains” trade names.

MISTY MOUNTAINS CEYLON RESORTS (PVT) LTD.

Ecotourism is “responsible travel to natural areas that conserves the environment and improves the welfare of local people.”

1991 by The International Ecotourism Society

Misty Mountains Plantation Resorts, Limited is new specialized group developing two Eco Plantation Resorts on Misty Mountains properties. The upscale Specialized Facilities are environmentally friendly and service oriented designed for small gatherings, couples or individuals. They will be marketed through Misty Mountains retail systems and in partnerships with and Misty Mountains Tea Merchants and Heladive Fine Tea wholesale clients.

ECO-TOURISM RESORTS

Within three years Misty Mountains Plantation Resorts, (Pvt) Ltd. will construct an Eco Resort designed to be integrated with that natural environment at Clasy/Mahaeliya. The Eco Resort is not to be confused with an adventure resort. This resort targets upscale guests with a unique opportunity to share its special Plantation Lifestyle. Guests who are looking for a soothing experience, upscale amenities and services, the wonders of nature, and the romance of tea, all in a peaceful tranquil setting - in short, the "Misty Mountains" experience. The resort will be comprised of a central structure providing support and services, a restaurant structure, experience features and individual chalets/cabanas for guests. The guests can opt to participate in guided and self-directed nature hikes, bird walks, gourmet meals, and speciality cooking classes, a selection of area tours, Chinese and Japanese Tea Ceremonies, swimming, ayurveda therapy, massage treatments, herbal baths, yoga classes, meditation instruction and special nature seminars. Every effort will be made to minimize the impact on the Plantation social systems, culture and environment.

"Properly understood, ecotourism contains the following eight characteristics :

- * Involves travel to natural sites.
- * Minimizes impact.
- * Builds environmental awareness.
- * Provides direct financial benefits for conservation.
- * Provides financial benefits and empowerment for local communities.
- * Respects local culture.
- * Is sensitive to the host country's political environment and social climate.
- * Supports human rights and international labour agreements."

(Honey, 1999)

"travel to natural habitats to create an understanding of the cultural and natural history pertaining to the environment, emphasizing care not to alter the integrity of the ecosystem, while producing economic benefits that encourage the preservation of the inherent resources of the environment."

MISTY MOUNTAINS PLANTATION RESORTS (PVT.) LTD. CRITERIA FOR THE ESTABLISHMENT OF ECOTOURIST OPERATIONS:

PHYSICAL AND ECOLOGICAL

Construction will take place so that landscape aesthetic values are retained.

All organic waste will be composted or transported out of the area for responsible disposal.

All inorganic waste will be transported out of the area for responsible disposal.

All gray water will be used in terrestrial ecosystems. No direct discharge of greywater into existing water bodies.

All food will be grown by the operator or subcontractors so that the consumer as well as the production environments is free from toxic pesticides, fungicides, weedicides and fertilizers.

Construction and landscaping will be designed to conserve and develop native biodiversity.

SOCIAL AND INSTITUTIONAL

It will contribute to the local people's level of awareness of their cultural needs.

It will contribute to the local people's level of awareness of their ecological needs.

It will develop the potential of the local communities to participate in the industry.

It will consult with local communities in ecotourist development in their areas.

MARKET AND ECONOMIC

It will encourage the development of marketing opportunities for the local communities.

It will ensure authenticity of ecotourist information given to its customers.

It will not encourage the marketing of wildlife or threatened and endangered species of fauna and flora.

MISTY MOUNTAINS HOLDINGS LIMITED

Statement of Corporate Social Responsibility

Introduction: Misty Mountains Holdings Limited is not a traditional profit making company. We are a rapidly growing Sri Lanka Corporation, engaged in acquisition and redevelopment of some of the world's finest tea producing properties. Our underlying principle is to operate with heightened social and environmental responsibility, to use the best available technical knowledge and financial prudence for the shared benefit of our employees, our communities, our customers and our worldwide shareholders.

Misty Mountains reason for existence is to provide an attractive return to shareholders while doing "good". All who invest in or work with Misty Mountains support a community that is grounded in a gratitude for life's gifts and that respects the labour and talents of all. In all our work we are mindful of the spiritual as well as economic value of openness and honesty, integrity and excellence.

Our customers are the engine driving our community. All who purchase our *Branded* teas are informed, by information included in each package, of ways their purchase directly improves the tea workers' lives and our communities, and supports our environmental work.

Is dedicated to a vision of people living meaningful, productive lives in ways that simultaneously serve their families, their company, their communities, and the world. Economic success, social justice, spirituality and environmental health are intertwined, advancement in each supporting advancement in the others. We seek to help human beings live and work together harmoniously with one another and with nature, for their mutual benefit and for the well-being of the earth.

Are simply stating the obvious when we stress that dignity and equal rights for all members of the human family are the foundation of freedom, justice and peace. It is essential to promote the development of friendly relations between cultures. The deepest cause of any conflict between peoples is rooted in the idea of dualism, the notion of "us" versus "them" (or at least the idea that "they" are not equal to "us"). All disputes stem from this attitude that there is a divergence of interests among nations, religions, and other categorizations of people.

Misty Mountains is simply playing a small part as a responsible global citizen. We believe it is a global imperative to move from the idea of self interest to the idea of common interest. This in no way conflicts with service to our shareholders and personnel. We are as strong as the bond between our co-workers, our shareholders, and the customers we serve, as healthy as the environment on which we all heavily depend. Our aspirations are somewhat boundless, but we are mindful not to raise expectations excessively. Where we operate, we develop supportive relationships with a broad network of local individuals, businesses, organizations and institutions that share our aspirations of improving community.

We recognize that humankind's wordly concerns often fall into the categories of *jobs, housing and quality of life*.

With respect to jobs, Misty Mountains values cultural, lifestyle and philosophical differences as sources of our collective wisdom and strength. Misty Mountains does not discriminate against anyone on the basis of the individual's ethnicity, language, religion, sex, disability, parental or marital status, age or political affiliation. Misty Mountains does not discriminate in relation to employment, assignment and promotion of personnel and in all opportunities and services offered its personnel and the public.

Every work has the right to equal pay for doing the same work. Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay. We believe that any Misty Mountains employee, whether management or field worker, should have real opportunities to acquire ownership of shares in the company, and the capability of accumulating other forms of savings.

To improve the resilience of the company and its personnel during economic downturns, we endeavor to *differentiate our products and diversify our markets globally*, and to increase plantation self-reliance.

With respect to *housing*, we want our personnel to have access to affordable, comfortable shelter. Misty Mountains has begun work with Sri Lankan Architects experienced with solar energy technology to design energy efficient with private garden areas, variations of which we will be building for use by Misty Mountains plantation personnel.

Misty Mountains considers the underpinning of *quality of life* to be *educated*, since lack of education perpetuates economic and emotional poverty. To be most valuable, education should be directed to the full development of the human personality. It should foster critical thinking and democracy, should strengthen respect for human rights and fundamental freedoms, and it should promote understanding, tolerance and friendship among all ethnic or religious groups. In short, it should be the foundation of peaceful existence on a personal as well as a society level. Misty Mountains directly supports lifelong education at no cost in the elementary and fundamental stages, with higher education accessible to all on the basis of merit. With respect to our community, it should include extensive knowledge about the locale of each tea Plantation and local natural systems. In further fervent support of childhood education, we call for an *end to all forms of child labour* and seek to end the economic situations associated with it.

Quality of life is intimately tied to the environment. Environmental protection is a social and economic justice issue. Misty Mountains agricultural practices conserve and strengthen the natural environment upon which our economic health and wealth depend. The central task in sustainable agriculture is to preserve agricultural land and water. Misty Mountains commits to using, developing and protecting resources in a manner that enables people to meet current needs, yet provides that future generations will be able to meet their needs. Our local operations directly address the environmental issues of land degradation by soil erosion, waste disposal, pollution of inland waters and bio - diversity loss. Each region of the earth has a naturally sustainable carrying capacity - and *Misty Mountains* strives to operate within the local bio-region's carrying capacity.

Misty Mountains seeks to achieve the following sustainability objectives:

- (a) investments in facilities, equipment and durable goods reflect the highest feasible efficiency and lowest life cycle costs;
- (b) investments, expenditures and operations promote improvements in the efficient use of energy, water and resources;
- (c) operations reduce adverse impacts on native habitats and species and help restore natural biological processes; and
- (d) operations and purchases reflect the efficient use and reuse of resources and reduction of contaminants released into the environment.

We work to maintain and enhance the economic viability of the communities where we operate. We voluntarily apply socially responsible planning principles to our own holdings. We inter-plant trees and shrubs other than tea - for beauty, for food for birds and other wildlife, and for crop diversification.

Local grown and sustainable food choices strengthen the economy of neighbouring communities and minimize negative impact on our environment. Misty Mountains seeks to support the farmers in its communities who provide seasonal fruits, grains and vegetables that are the building blocks of healthy lives.

Misty Mountains

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My No.: CA/Plantation/03/2004

THE INDUSTRIAL DISPUTES ACT, CHAPTER 131

The Collective Agreement entered into between Employers' Federation of Ceylon, 385, J3, Old Kotte Road, Rajagiriya of the one part and Ceylon Estates Staffs' Union, No. 06, Aloe Avenue, Colombo 03 and the National States Services Union, No. 60, Sri Jayawardenapura Mawatha, Welikada, Rajagiriya of the other part on 11th March, 2004 is hereby published in terms of Section 6 of the Industrial Disputes Act, Chapter 131, Legislative Enactments of Ceylon (Revised Edition 1956).

MAHINDA MADIHAHEWA.
Commissioner General of Labour.

Department of Labour,
Labour Secretariat,
Colombo 05.
26th April, 2004.