



Berkeley Coffee & Tea Challenging Major Players in the Growing Chinese Coffee Market

Shanghai Coffee Company Roasting and Selling Gourmet Coffee in China; Marketing Chinese Coffee Beans in U.S.

Berkeley Coffee & Tea, Inc. (OTC BB: BKCT) is a growing horizontally-integrated gourmet coffee roaster and wholesaler targeting to capturing a significant portion of the world's fastest growing coffee market: China.

Berkeley's plan focuses on developing a solid market share in the fast growing and wide open Chinese coffee drinking market which is gradually shifting from instant coffee towards gourmet whole bean and ground coffee products.

"Today, the coffee consumption trend is towards a quality gourmet coffee thus creating the current proliferation of coffee cafes all across China," says Berkeley President and CEO Sean Tan. "The demand for fine-tasting gourmet coffee is also increasing among Chinese at home, at work, and in coffee cafes."

Today, European and North American coffee drinkers consume about 400 cups of coffee a year, individual Chinese coffee consumption is now only about five cups a year. This wide disparity presents Berkeley with tremendous growth opportunities in China.

Berkeley also has its eyes on the world's largest coffee market: the United States. Berkeley plans to begin marketing and selling its green coffee beans directly to coffee wholesalers, coffee brokers and coffee roasters in the U.S.

Potential customers include U.S. coffee roasters who sell their coffee to third party retail coffee shops, grocery stores, hotels and restaurants, and through other food service distribution channels. Berkeley also plans to sell to wholesale coffee brokers who market coffee beans to smaller commercial and retail roasters.

Berkeley's focus is on China. Although older Chinese still prefer tea, coffee is quickly becoming the fashionable drink for younger generations of Chinese. Tan points to analyst predictions that coffee consumption could grow by an average rate of almost 40% a year by 2015, according to Barclay's Capital projections. The bottom line for Berkeley and its Chinese subsidiary DTS8 Coffee is a wide-open market with absolutely huge potential.

The Growth of Coffee Consumption in China

China's population of a staggering 1.3 billion people are mostly young with a median age of about 35. Nearly 20 percent are below the age of 15. In recent years younger Chinese have switched from sipping the country's traditional drink of choice, tea, to

drinking coffee. According to *Roast Magazine*, many Chinese students drink instant coffee to get through late-night study sessions.

Coffee consumption is growing by 15-20% a year – a staggering rate of growth, considering world-wide growth in coffee consumption is about 2%. Typical Chinese coffee drinkers are young, white-collar workers with disposable incomes.

Most Chinese coffee drinkers frequent coffee shops rather than purchase beans to brew at home. As a result, gourmet roasted beans and gourmet brewing styles are a growing phenomenon. Coffee cafes are becoming popular in Beijing and Shanghai and are increasingly popping up in smaller, regional cities.

Considering that Starbucks entered the China coffee market in 1999, it now has more than 600



Berkeley Coffee & Tea specializes in high quality coffee roasts created to provide the long lasting aroma and alluring taste sought by the ever-demanding Chinese coffee drinkers, a market projected to grow exponentially in the coming decade.



storefronts and says by 2015 it will expand to 1,500 shops. Other coffee chains operating in China, including Costa, Lavazza Espresso and Pacific Coffee, also plan to expand their operations.

McDonald's is another major player in promoting the growth of coffee consumption in China, introducing its Arabica-based McCafe range of coffees in Beijing and six other Chinese cities just last year.

With the growth in gourmet coffees, there is a simultaneous rise in the quality of domestic production of green coffee in China. Fresh coffee for office use in China is another growing trend as many coffee bean companies promise to provide free coffee machines if their corporate customers buy their coffee beans.

In 2006, China's coffee consumption was about 45,000 tonnes, an amount expected to reach 300,000 tonnes annually by 2020. It took 20 years to promote coffee drinking in Japan before demand reached similar growth levels. Nestor Osorio, executive director of the International Coffee Organization, believes China could well leapfrog Japan to become the world's second largest coffee consumer after the U.S.

Berkeley Has Aggressive Growth Plan for its DTS8 Coffee Subsidiary

In April 2012, Berkeley acquired DTS8 Holdings Co., Ltd., a Hong Kong company that owns DTS8 Coffee Co., Ltd. of Shanghai, China. Sean Tan, the sole owner of DTS8 Coffee, is the President and CEO of Berkeley. DTS8 Holdings Co. Ltd operates as a wholly owned subsidiary of Berkeley.

DTS8 Coffee has been operating a gourmet coffee roasting factory in Shanghai, China since 2008 where coffee is roasted, marketed and sold to its customers in Shanghai, as well as throughout other parts of China.

DTS8 Coffee uses the Probat coffee roasting machine which accurately modifies heat levels and controls the degree of acidity or bitterness to suit a variety of taste profiles from the same green coffee blend. A one-way-flow air valve in the coffee packaging ensures the coffee remains fresh for long periods of time.

Quality coffee beans are sourced from around the world to be roasted by the company's skilled roast master to meet a variety of taste profiles. The company then sells its

Berkeley Coffee & Tea, Inc. is a roaster and marketer of roasted coffees under the "DTS8 Coffee" brand name. The company's gourmet-quality coffees, artisan-roasted in Shanghai, China, are marketed in China, Hong Kong, Macao, the United States and Canada.



Berkeley is a growing part of a global movement that is introducing, educating, and promoting a coffee drinking culture in China.

Berkeley's DTS8 coffees offer a complete range of roasted coffees designed to appeal to "every taste bud", providing a rich flavor, with a clean distinctive taste that coffee-drinkers enjoy.



gourmet roasted coffees under the “DTS8 Coffee” label through major distribution channels, including hotels, multi-location coffee shops, restaurants, and specialty gourmet food stores throughout China.

“Our DTS8 Coffees provide flavor and characteristics particularly suited for Chinese consumers,” says Tan. “We choose our raw coffee beans for their richness in aroma and flavor from coffee producers around the world. DTS8 Coffee’s Espresso Classic was rated 92 (out of 100) points by *Coffee Review*.”

These coffee beans are grown by farmers in China’s Yunnan province, as well as in Brazil, Colombia, Panama, Indonesia, Kenya, Guatemala and Ethiopia.

DTS8 offers three signature coffees, as well as other blends under in-house labels. The coffees are marketed in two main categories: gourmet whole bean and ground coffees. Specially roasted blends are packaged and marketed under private label for individual customers.

As Berkeley prepares to source, market and distribute raw green coffee beans from Yunnan, China, to the U.S., the company is in close discussions with the coffee plantation owners and farmers/exporters in Simao, Jinghong, Xishuangbanna, Mangshi and Baoshan, in Yunnan Province, China, to evaluate the current coffee crop produced in Yunnan Province.

“The synergistic value from the acquisition builds on our base of green beans to provide Berkeley with enhanced revenue through our diversified and expanded product line and entry into a new revenue stream in roasted coffees,” says Tan.

Investment Considerations

Berkeley is now strongly diversi-

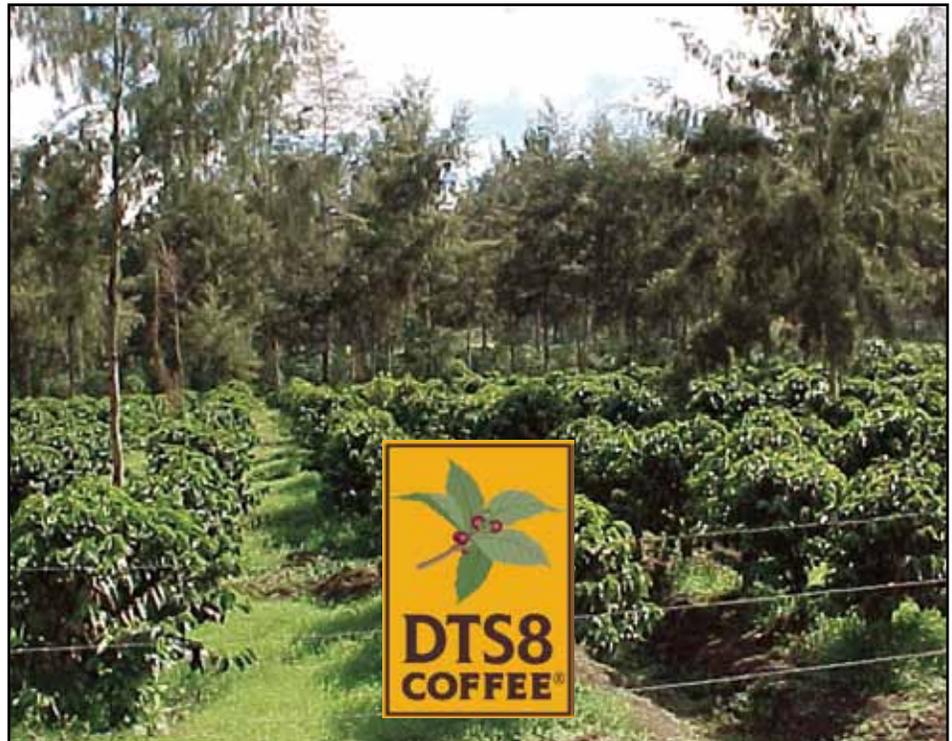
fied to develop a new revenue stream from its roasted coffees. The acquisition of DTS8 Coffee gives Berkeley immediate access into the domestic Chinese coffee market as a horizontally integrated coffee company with operations in two very different geographic markets: the United States and China.

Berkeley is actively promoting its DTS8 Coffee brand across China to establish its image and reputation for quality within the wholesale and coffee services networks, thereby improving revenues and profitability. Berkeley also is marketing Chinese grown coffee to coffee roasters and coffee brokers in the U.S.

In China, DTS8 Coffee’s gourmet

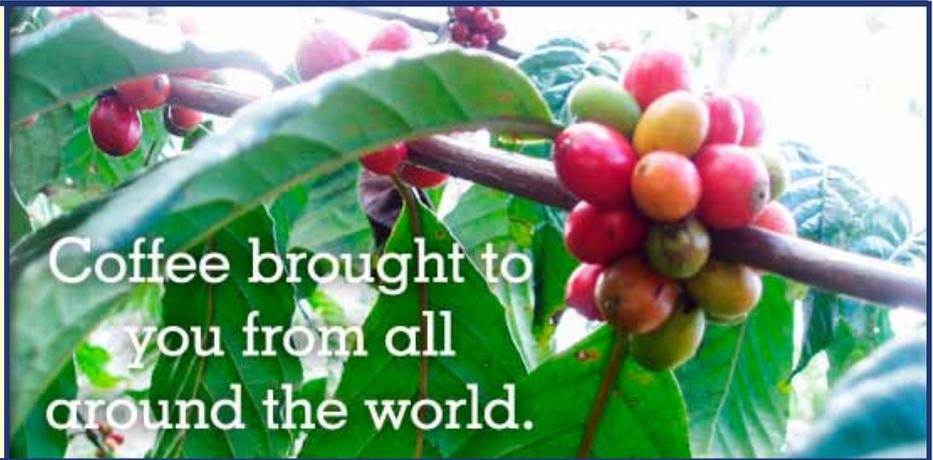
roasted coffees compete directly against local and imported coffees and a growing number of coffee stores operated by such companies as Starbucks, Costa, Illy, Coffee Beanery and Tea, and Gloria Jean as well as a number of large multi-national consumer product companies like Kraft Foods and Nestle. Tan and Berkeley are undaunted by this admittedly stiff competition.

“To our knowledge, few significant competitors focus on custom roasting and product freshness in the same manner as DTS8 Coffee,” says Tan. “We are confident Berkeley will succeed in becoming a strong player in China’s gourmet coffee sector.”



Berkeley Coffee & Tea’s high quality DTS8 Coffees are sold in coffee shops, restaurants and specialty gourmet food stores in China.

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Shares Outstanding:

11.1 million

52 Week Trading Range:

Hi: \$0.50 Low: \$0.30

Quick **FACTS**

Company Highlights:

- Berkeley is a diversified, horizontally-integrated coffee roaster and marketer.
- Subsidiary DTS8 Coffee, a roaster located in Shanghai, China, provides immediate access to the growing domestic Chinese coffee market.
- Chinese coffee consumption is growing by 15-20% annually, particularly among young, white-collar workers with disposable incomes.
- Gourmet-quality coffees sold under the DTS8 brand name are marketed to multi-location coffee cafes, restaurants and specialty gourmet food stores throughout China.
- Berkeley plans to expand marketing of its Chinese-grown coffee beans to coffee roasters and coffee brokers in the U.S.

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