

Section 3 Financial Statements & Performance

13. Financial Highlights

Summary of Financial Highlights for Year 2016

(Million Baht)	2014 (Revision) (Restated)	2015	2016
Total Asset	19,416.93	25,932.10	31,831.16
Total current assets	7,418.38	10,081.70	12,413.88
Cash and cash equivalents	424.52	651.10	692.45
Short term investments	518.90	68.91	44.70
Restricted saving deposit	67.11	-	-
Trade account receivables – net	48.64	105.81	93.34
Inventories	314.59	268.27	296.01
Real estate projects for sales under development	5,496.75	8,262.49	10,553.95
Other receivables from subsidiaries and related companies	0.11	26.06	6.72
Refundable value added tax	84.52	158.08	238.18
Advance payments from construction	386.45	423.39	338.85
Other current assets	76.79	117.60	149.69
Total Non-current assets	11,998.55	15,850.44	19,417.28
Investment in shares of joint venture - at equity method	-	-	227.91
Deposit for assets acquisition	318.91	-	-
Restricted savings deposit	108.84	226.70	291.04
Interest receivable from related companies	-	-	0.81
Long - term loan to shareholder and related companies	-	-	75.26
Real estate project for sales under development	68.72	2,365.65	3,319.46
Deferred loan agreement fee	-	65.98	8.20
Advance for purchase of land & relate exp.	211.00	-	-
Advance payments for construction	123.84	136.59	778.42
Construction in progress	1,959.77	3,152.62	3,915.91
Right to use assets	-	35.78	46.26
Land	1,493.17	1,503.39	1,503.39
Residential condominium unit and equipment for rent	-	-	-
Building improvement, sales gallery and equipment - net	450.34	477.22	1,589.60
Property for lease - net	1,016.92	1,017.15	984.21
Intangible assets-net	2,447.43	2,592.25	2,292.18

(Million Baht)	2014 (Revision) (Restated)	2015	2016
Goodwill – net	3,435.18	3,717.29	3,665.42
Deferred income tax assets	345.21	508.61	564.04
Total Liabilities	17,907.53	23,804.50	30,141.93
Current Liabilities	7,793.85	18,787.19	21,895.13
Bank overdraft and short-term loans from financial institutions	1,362.93	503.71	1,141.02
Short-term loans from other company	1,165.30	2,727.02	4,444.98
Trade account payables	737.35	1,041.72	1,660.24
Trade account payables-Freehold land	110.41	101.41	101.41
Other payables to related companies	17.96	13.83	23.08
Other account payables	7.12	20.92	32.86
Current portion of long - term loan from financial institution	1,923.97	8,171.65	9,235.37
Current portion of liability under finance lease contracts	3.57	3.85	6.14
Current portion of debentures	-	2,992.57	1,393.52
Advances received from customers	2,055.07	2,720.64	3,011.07
Income tax payable	0.23	8.47	9.16
Retention payables to contractors	21.90	-	-
Current portion of deferred revenue	74.76	95.79	2.70
Accrued expenses	175.91	206.93	467.96
Accrued construction costs	20.13	13.77	48.74
Other current liabilities	117.23	164.89	316.88
Total Non-current Liabilities	10,113.68	5,017.4	8,246.8
Deposits received from customers	8.13	1,033.0	1,572.44
Retention payable to contractor	39.18	-	-
Loans from director	161.00	-	-
Long-term loans and accrued interest from shareholders	2,413.00	463.17	-
Long-term loans from financial institutions - net	3,687.06	1,143.92	2,513.51
Long term loans from other persons	-	-	30.0
Liabilities under finance lease contracts - net of current portion	8.73	9.73	6.03
Debentures - net	2,917.84	1,589.96	3,300.86
Deferred revenue - net	114.61	32.00	-
Deferred Tax Liability	703.18	734.81	691.20
Provision for employee retirement benefit	6.13	9.24	17.48
Other non-current liabilities	0.81	11.53	115.30
Total equity attributable to equity holders of parent	2,380.91	2,127.60	1,689.21

(Million Baht)	2014 (Revision) (Restated)	2015	2016
Equity attributable to former shareholders of subsidiary	(146.47)	-	-
Non-controlling interests	(725.04)	-	-
Total shareholders' equity	1,509.40	2,127.60	1,689.21
Financial Ratio :			
Current Ratio (Times)	0.95	0.55	0.57
Quick Ratio (Times)	0.13	0.04	0.03
Gross Profit Margin (%)	32.78	48.82	41.90
Debt to Equity Ratio* (Times)	11.86	11.19	17.84
Financial Institutions Debt + Bond + B/E to Equity Ratio* (Times)	7.37	8.05	13.07
Book Value per share (Baht)	1.20	0.65	0.45

* Total shareholders' equity

(Unit: Million Baht)

Projects	Cumulative Sales			Cumulative Recognized Revenue			Backlog		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ficus Lane	891.4	891.4	32.8	866.9	866.9	32.8	24.6	24.6	-
Saladaeng Residences	2,309.8	2,309.8	-	2,200.8	2,309.8	-	109.0	-	-
The Ritz-Carlton Residences Bangkok @ MahaNakhon	7,126.7	8,633.0	9,466.9	-	-	1,342.3	7,126.7	8,633.0	8,124.6
MahaSamutr Villa	-	-	1,068.5	-	-	-	-	-	1,068.5
Nimit Langsuan	-	5,881.2	6,551.9	-	-	-	-	5,881.2	6,551.9
Total	10,327.9	17,715.4	17,120.1	3,067.7	3,176.7	1,375.1	7,260.3	14,538.8	15,745.0

14. Management Discussion and Analysis (MD&A)

Executive Summary

For 2016 operating results ended December 31st, 2016, the Company had total revenues of 5,466.7 Million Baht, increasing by 55.6 percent from 2015 due mainly to increases in revenues from property business, specifically The Ritz-Carlton Residences, Bangkok ("RCR") of 1,342.3 Million Baht and from tradename fee income as a result of the recognition of 709.7 Million Baht extraordinary royalty fee from joint venture and trademark license agreements entered into March 2016.

The revenue from property business was 1,375.1 Million Baht (25.2 percent of total revenues), greater than that in 2015 of 109.0 Million Baht. The revenue from food and beverage business (DEAN & DELUCA) was 4,006.8 Million Baht (73.3 percent of total revenues), higher than that in 2015 of 3,338.0 Million Baht. Additionally, the revenues from rental and service income and other incomes were 53.5 Million Baht and 31.4 Million Baht, respectively.

Total gross profits from property and food and beverages business were 2,703.0 Million Baht or 50.2 percent of the revenues. The gross profit from property business was 345.6 Million Baht or 25.1 percent of revenue from property business which rose from 21.8 percent in 2015. The gross profit was below normal level owing to the fact that most of the condominium units transferred were the ones sold at lower price point relative to the rest of the units that have not been transferred yet. Once the higher price point units are transferred, we expect the gross profit margin to be significantly greater.

In the meantime, the gross profit from food and beverages business was 2,357.4 Million Baht or 58.8 percent of the revenues which increased from 52.2 percent in 2015.

Selling and administrative expenses were 4,391.4 Million Baht or 80.3 percent of total revenue, comprising of selling expenses of 2,356.8 Million Baht rising by 46.6 percent from 2015 and administrative expenses of 2,034.5 Million Baht increasing by 31.0 percent from 2015.

The rise in selling expenses were mainly related to expansion efforts and significant marketing and brand building initiatives of DEAN & DELUCA and in selling and marketing efforts for MahaNakhon, MahaSamutr and Nimit Langsuan Projects.

The Company had a financial costs of 638.1 Million Baht.

The Company recorded net loss of 2,326.4 Million Baht.

The following is the overall business operations and significant changes during 2016:

In 2016, the Company continued to develop its existing real estate projects; namely, MahaNakhon, MahaSamutr and Nimit Langsuan projects. The residential units of MahaNakhon project has been transferred to the customers since April 2016. Additionally, the Company started to develop a project on Naradhiwas Road which it plans to launch in the first quarter of 2017. The project is expected to be completed and be able to generate a revenue by 2019. The Company also acquired land in Niseko, Hokkaido Island, Japan which the Company plans to develop as resort villas. The resort villas will be able to generate income to the Company by 2019.

For food and beverage business, Dean & DeLuca, Inc. (DDUS) continued to implement its expansion plans with the hiring of key executives, formalizing designs and developing a new concept (chef led fast food) which can be scaled. Having said that, the new stores will be rolled out as planned in 2017. In March 2016, DDUS, through its wholly owned subsidiary (Dean & DeLuca Brands, Inc.) entered into joint venture with its licensed partner in Japan. The joint venture with our licensed partner formed Dean & DeLuca Café Japan Co., Ltd (DDCJ). The primary purpose of the joint venture was for the expansion of cafes throughout Japan. At transaction date in March, cafes totaled 6 stores. By December 31st, 2016, DDCJ had 11 stores. For Dean & DeLuca Thailand, the Company added 5 new stores in 2016.

In July 2016, the Company raised its capital of 960 Million Baht through private placement. The capital was used for the development of its current real estate projects, the expansion of Dean & DeLuca and the Company's working capital.

Industry and Economic Conditions that Affect the Business Operations

The Company currently operates two businesses: high-end property business and food and beverage business under "DEAN & DELUCA" brand name.

For property business, although it is highly competitive and cyclical, the demand for luxury projects still flourishes and is less affected by the economy. In 2016, the reservation rate continued to rise whereas the cancellation rate was still exceptionally low.

For MahaNakhon and MahaSamutr projects, the construction progress of the projects slightly deviated from their original plans as the projects are very detailed and complicated in terms of quality control and inspection. Having said that, as mentioned above, the Company started recognizing the revenue and transferred the residential units of MahaNakhon project to the customers since April 2016 and is expected to transfer most of the remaining units by year end 2017. Also, the building is expected to be ready to move in by the end of the first quarter of 2017. Regarding MahaSamutr project, the Company expects the project to be completed and transferred in the late of 2017 onwards.

The construction progress of Nimit Langsuan has been on plan. The project is expected to be completed and transferred in Q4 2018 onwards. For the project on Naradhiwas Road, the Company plans on launching it in H1 2017. The project is expected to be completed and transferred in 2019 onwards.

For food and beverage business, there has been increasing competition from the expansion of existing peers and new players. We have seen our sales in some stores were affected by new supermarkets and restaurants opened in adjacent areas. Strong US dollar in past year have made our products more expensive to our international partners and oversea e-commerce customers. Royalty income was affect by exchange rate as well when converted to US dollar. As our product stands for premium price and premium quality, changing economic condition will directly affect customers' ability and willingness to buy. To mitigate these conditions, DDUS has been developing new food offerings with the hire of executive chef and reviewing its private labels with the plan hiring of chief merchandise.

Financial Summary

Statement of Financial Performance

Revenues

For 2016 fiscal year ended 31 December 2016, the Company had total revenues of 5,466.7 Million Baht, increasing by 55.7 percent from 2015. Major sources of revenues arose from the followings;

I Property Business: the Company will be able to recognize revenues only when the construction is completed and the ownership of such construction project has been transferred to the buyer.

MahaNakhon Project:

In 2016, The Ritz-Carlton Residences, Bangkok ("RCR") of MahaNakhon project which started transferring the residential units to the buyers since April 2016 had generated the revenue to the property business of 1,342.3 Million Baht. Additionally, the revenue from rental and service incomes was 53.5 Million Baht.

The Company plans to transfer and recognize income of the 70 percent sold units from RCR for the remaining residential units of approximately 8,400 Million Baht in the first quarter of 2017 onwards.

In Q1 2017, the Company will launch the new show units of The Ritz-Carlton Residences in the building; the activities will allow the Company to sell the remainder 30 percent by year end 2017.

Nimit Langsuan Project:

The project has continued construction as planned with the 90 percent presold results since last year.

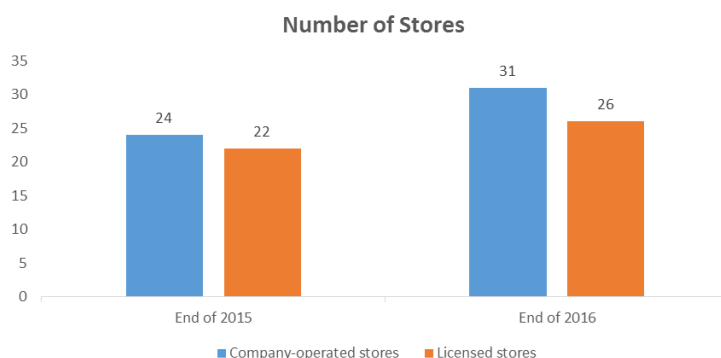
MahaSamutr Project:

MahaSamutr continues on plan with construction and expected to start transferring in Q4 2017.

II Food and Beverage Business

As of December 31st, 2016, the Company has Company-operated stores and licensed stores as following.

Country	Company-operated Stores	Licensed Stores	Total
United States	10	-	10
United States (Hawaii)	-	1	1
Thailand	10	-	10
Japan	11 (50% JV)	16	27
South Korea	-	2	2
Singapore	-	3	3
Kuwait	-	1	1
UAE	-	1	1
Philippines	-	2	2
TOTAL	31	26	57



Revenue from DDUS which generated sustainable revenue stream to the Company in 2016 was 3,796.1 Million Baht, increased by 20.9 percent from 2015. In 2016 recognized one time royalty payment of 709.7 Million Baht resulting from joint venture entered into in March 2016. The transaction called for upfront payment for a perpetual license in Japan. Excluding this extraordinary income, the revenue from United States operation decreased by 2.0 percent. The largest store in NYC was affected by ongoing exterior and interior renovations of landlord from the beginning of year throughout Q3, deliberate price corrections on select core items designed to entice customers to shop more frequently, closure of 1 Rockefeller Café at the end of August and the elimination of Japan royalties as a result of DDCJ formation. The revenue from the Thailand operation was 232 Million Baht, which is a 6.2 percent increase as compared to last year. The increase is due to the opening of the 5 new stores at The Crystal, Siam Discovery Center, Blu port-Hua Hin, All Seasons Place, and FYI Center.

Gross Profits

In 2016, total gross profits from the property and food and beverages businesses were 2,703.0 Million Baht or 50.2 percent of their revenues. Details are as follows:

I Property Business

Gross profit from transferred units was 345.6 Million Baht or 25.1 percent of the revenue. The gross profit of the property business was low as the residential units transferred were mostly the ones sold at lower price points relative to the rest of the units that have not been transferred yet. Once the higher price point units are transferred, we expect the gross profit margin to be greater than that in 2016 significantly.

II Food & beverages business

Gross profit was 2,357.4 Million Baht or 58.8 percent of revenue, margin increased by 6.7 percent from 2015 due to extraordinary royalty fee from Japan joint venture. Excluding this extraordinary income, Gross profit of United States operation was 1,578.9 Million Baht or 51.2 percent of revenue, margin decreased by 1.8 percent in part due to increased commissary labor costs in NYC, as a result of new product development and expanded items production, price corrections on select core items and the elimination of Japan royalties. Thailand's gross profit was 86 Million Baht or 37.1 percent of revenue. Gross margin improved by 4.5 percent as a result of menu development and continued efforts on operation control and inventory management.

Selling and Administrative Expenses

For 2016, selling and administrative expenses were 4,391.4 Million Baht or 80.3 percent of total revenues. The selling expenses were 2,356.8 Million Baht, increasing by 46.6 percent from 2015. The administrative expenses were 2,034.5 Million Baht, rising by 31.0 percent from 2015.

For property business, the increase in selling expenses contributed to selling and marketing efforts for MahaNakhon, MahaSamutr and Nimit Langsuan Projects.

For food and beverage business, the rises were mainly attributable to retail expansion efforts and significant marketing and brand placement initiatives for Dean & DeLuca in the United States (765.9 Million Baht): including hiring of key executives, sponsorships, digital media, social media, catalogs, product development and store design. Additionally, additional talent and leadership teams were hired to drive improvements and expansion across the core revenue channels for both United State and Thailand. Brand awareness activations along with new talents are necessary to position Dean & DeLuca for growth of its market stores and introduction of new concept, chef led fast food.

Due to accounting treatment, Dean & DeLuca Café Japan (DDCJ) financial position and result of operations are not consolidated. Instead, our portion of the joint venture's net loss of 6.6 Million Baht (3.3 Million Baht for our portion) is included in the comprehensive income statement.

Finance Costs

In 2016, total interest paid equaled 1,293.4 Million Baht, comprising of financing costs of 638.1 Million Baht and capitalized interest of 655.3 Million Baht. The rise in the costs was due to increased loans funding the construction of "MahaSamutr" and "Nimit Langsuan" projects and the expansion of Dean and DeLuca in the United States while the Company has continued to pay back the loan for "MahaNakhon" project since it started recognizing the revenue in April 2016.

Profit and Loss Results

For 2016, the Company had net loss of 2,326.4 Million Baht or 42.6 percent of total revenues with food and beverages business accounting for the majority of the loss of 1,327.2 Million Baht.

Statement of Financial Position

Assets

At the end of 2016, the Company and its subsidiaries had total assets of 31,831.2 Million Baht, increasing by 22.8 percent from last year due mainly to rises in real estate projects for sales under development of MahaSamutr, Nimit Langsuan and Naradhiwas projects and in land of Niseko project.

The main assets comprised of cash and cash equivalent of 692.5 Million Baht, real estate projects for sales under development of 13,873.4 Million Baht, construction in progress of 3,915.9 Million Baht and land of MahaNakhon and MahaSamutr projects of 281.2 Million Baht and 1,222.1 Million Baht, respectively. Additionally, there were building improvement, and equipment of 1,589.6 Million Baht, the property for lease at MahaNakhon CUBE of 984.2 Million Baht. Moreover, the goodwill incurred from DEAN & DELUCA acquisition was 3,198.1 Million Baht. Also, the intangible assets arising from DEAN & DELUCA's business; for example, trade mark, trade name, copyrights, etc. of the DEAN & DELUCA brand were 2,272.6 Million Baht. The main assets were 32.3 percent of the total assets.

Liabilities

As of 31 December 2016, the Company and its subsidiaries had total liabilities of 30,141.9 Million Baht, increasing by 26.6 percent from last year mainly due to increases in loans to fund the construction of MahaSamutr and Nimit Langsuan projects and the expansion of DEAN & DELUCA in the United States and advances/ deposits received from customers.

The main liabilities were short-term loans from financial institutions of 1,141.0 Million Baht, short term loans from other parties of 4,445.0 Million Baht, current portion of long-term loans from financial institutions of 9,235.4 Million Baht, long-term loans from financial institutions (net) of 2,513.5 Million Baht, current portion of debentures of 1,393.5 Million Baht, debentures (net) of 3,300.9 Million Baht and advances and deposits received from customers of 4,583.5 Million Baht. Total interest bearing debts equaled 22,071.4 Million Baht.

Shareholders' Equity

At the end of 2016, the Company and its subsidiaries had shareholder's equity of 1,689.2 Million Baht, declining by 20.6 percent from last year due mainly to significant increase in deficit despite private placement of 960.0 Million Baht, the equity issuance for land purchase at Niseko of 529.1 Million Baht and the waiver of shareholder's accrued interests of 463.2 Million Baht.

The Ability for Assets Management

Trade account receivables:

As of 31 December 2016 and 2015, the Company had trade account receivables totaling of 93.3 Million Baht and 105.8 Million Baht, respectively. Its average collection period in 2016 was 6 days improving from 2015 of 11 days. Due to the nature of DEAN & DELUCA business of which most sales are cash sales, there were minimal trade account receivables.

Inventories:

At the end of the year 2016, the Company had ending inventories of 296.0 Million Baht. Most were related to DEAN & DELUCA business of 266.0 Million Baht. The inventory turnover was 6.2 times in 2016 compared to 6.6 times in 2015.

Sources of Funds

At the end of 2016, the Company had total current asset of 12,413.9 Million Baht, total current liabilities of 21,895.1 Million Baht. The current ratio was 0.6 approximately the same as last year's. The current assets rose by 2,143.4 Million Baht owing mainly to the growing real estate projects for sales of MahaNakhon and MahaSamutr projects. Additionally, the current liabilities increased by 3,107.9 Million Baht due to the growth of current portion of long-term loans from financial institutions of 1,063.7 Million Baht mainly for MahaSamutr project, short-term loans from bills of exchange issuance of 1,718.0 Million Baht, advances and deposits received from customers of 290.4 Million Baht. Despite high level of current liabilities, the Company ensures that it will have an appropriate level of solvency as the Company continues the transfer of residential units of MahaNakhon and MahaSamutr projects in 2017 and thus uses

the proceeds to pay back interest-bearing debts. Additionally, the advances and deposits from customers will be reduced.

Appropriateness of the Funding Structure

At the end of the year 2015, the Company recorded total debt to equity ratio of 11.2 times. The interest bearing debt to equity ratio was 8.1 times. As of 31 December 2016, total debt to equity ratio was greater at 17.8 times. Also, interest bearing debt to equity ratio was over at 13.0 times. This was due to the fact that net loans increased while shareholder equity decreased.

The high debt to equity ratio of the Company was due to the incapability of revenue recognition from developing real estate projects for sales that only create operating expenses and finance costs during the development period. As a result, the deficit incurs and increases overtime prior to transfer to customers. In addition, the Company continues to invest in the expansion of DEAN & DELUCA. Having said that, if the Company can recognize the revenues and transfer the residential units to the customers as planned whereby reduce its debts by repaying these to the financial institutions, the debt to equity ratio will decrease significantly by year end 2017.

In addition, the deal with Apollo in the end of February, 2017, will increase the shareholder's equity. Loans from financial institutions of Pace Project One and Pace Project Three would be repaid in full amount.

Obligations on Liabilities and Management of Off-balance Sheet Liabilities.

As of December 31st, 2016, Pace Development Corporation had an obligation and commitment to complete projects on hand. The value of sales already contracted was 17,087.3 Million Baht or 64.3 percent of total sales of projects on hand. At the end of 2015, the Company had the value of sales already contracted of 14,514.3 Million Baht or 65.7 percent of total sales of projects on hand.

As at December 31st, 2016 and 2015, the Pace Development Corporation Group had commitments under various operating lease agreements covering the retail rental agreements, warehouse and office premises for the periods from 12 months to 193 months. In addition, on May 22nd, 2016, DEAN & DELUCA, Inc. entered into a six years agreement to become the Title Sponsor of DEAN & DELUCA Invitational, an internationally televised PGA Tour event, beginning in May 2016. The totals of future minimum lease payments under non-cancellable operating leases and the commitment under the Title Sponsor Agreement for each period are as follows:

	In Million Baht	
	2016	2015
Not later than 1 year	986.5	334.3
Later than 1 year and not later than 5 years	4,290.1	1,061.3
Later than 5 years	2,976.4	1,140.1
Total	8,253.0	2,535.7

2016 Management Outlook and Strategy

Profit generation capability of real estate business

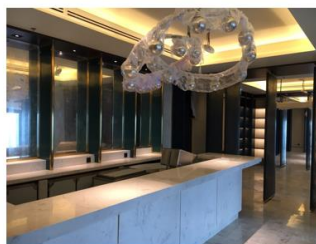
1. Details and progress of the Company's residential projects are as follows:

Project	Operated By	Project Value (MB)	Total Units	Sales Progress			Actual Transferred Value (MB) in 2016	Start of Transfer in Year
				No. of Sold Units	Million Baht	%		
MahaNakhon - The Ritz-Carlton Residences, Bangkok	Pace Project Two	15,000	209	152	9,697	70	1,342	April 2016
MahaSamutr - Villa	Company	4,000	80	21	1,069	27	-	Q4'17
Nimit Langsuan	Company	8,000	187	163	6,552	86	-	2018
Narathiwas	YLP	3,000	36	N/A	N/A	N/A	-	2019

2. Updates for construction progress of MHNK, MHSM, NIMIT

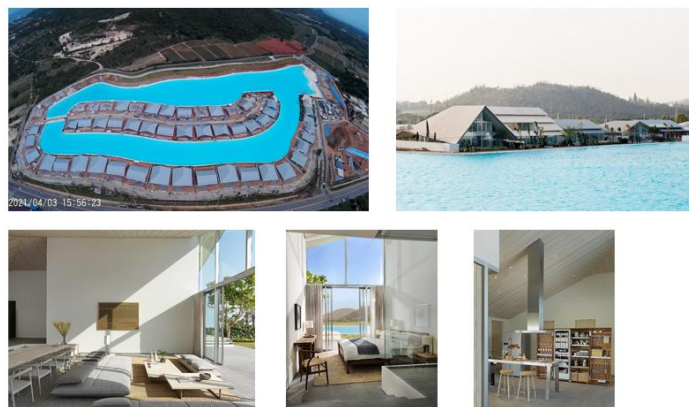
MahaNakhon Project

The Company has received the Building Occupancy Permit since March, 2016, and started to transfer some residential units of "The Ritz-Carlton Residences, Bangkok" since April, 2016, and will continually transfer more residential units onwards. In addition, the other parts of MahaNakhon tower such as hotel and Sky Observation Deck are in the process of interior decoration which are expected to be completed in the 4th quarter of 2017.



MahaSamutr Project

The Company has received the Land Subdivision Permits already and in the progress of constructing the luxury villa and interior decoration. There are approximately 50 luxury villas completed (total of 80 luxury villas). This project is expected to transfer the luxury villas by year end 2017 onwards.



Nimit Langsuan Project

The Company has received the approval of Environmental Impact Assessment report (EIA) in the early of the year 2016. Currently, the project is the progress of piling, and expected to be completed and transferred in the late of 2018 onwards.



Profit generation capability & expansion plan of DEAN & DELUCA

United States

The United States expansion plan for 2017 focuses on opening multiple new retail locations for both markets and chef led fast food concept (smaller format). The smaller format is much more scalable than market stores with anticipated smaller foot print requirement, better margins and faster payback period. Emphasis will be on full market penetration within each identified city, rather than placing a fewer number of locations within a higher number of unique cities. This also allows the Company to gain efficiencies effectively in regards to distribution, production and marketing efforts.

The following are key initiatives and strategies to improve performance of existing operations:

Product Assortment:

- Establish Merchant Core Team hiring experts in each category to improve quality, selection and profitability of all retail categories
- Implement new system and reporting platform to improve visibility and analysis across all categories

- Review overall pricing and assortment strategies to encourage local repeat grocery/specialty foods business for higher basket average and greater spend by delivering value at all levels of the customer experience
- Review of private label assortments to refresh current offerings and sourced for better high quality and relevant ingredients.

Catering:

- Develop and standardize corporate catering offerings across all stores. Launch new collateral and recipes
- Centralize NYC catering operation to commissary to improve quality, consistency and capacity
- Develop and pilot social catering program

Sales and Marketing:

- Establish Sales and Marketing discipline for market operations
- Partner with premier F&B PR agency to seed brand stories in key markets
- Partner with social agency to build following in social channels as a future communications platform and to appeal to millennial consumers
- Develop store-level events to spur local interest and traffic

Direct Channels (B2B & B2C):

- Hire NY based creative team to improve the quality and sophistication of catalog design
- Adjust the product selection in both the B2B and B2C catalogs to spur higher Average Order Value (AOV) and improve sales
- Focus on increasing availability and accuracy of all catalog items for the full trading period
- Assess warehouse and distribution center requirements to improve logistics and efficiencies by reducing shipping costs, lower labor dependencies and manual errors.

United Kingdom

The Company has set up new operation in United Kingdom to expand DEAN & DELUCA. United Kingdom is a key region which has large opportunity for growth. The first store will be opened in mid of 2017 in Mayfair, heart of central London, as a brand introduction. We plan to expand many more stores in following years.

Thailand

Dean & DeLuca (Thailand) opened 5 new stores in 2016. We will add more locations in 2017 which are based on profitable café concept. We have secured 2 more sites including Suvarnabhumi Airport (51% joint venture) and Silom road. These new café stores require less staff, have lower capital requirement and emphasis on higher margin beverage sales and will drive significant profitability. We are continuing to work on our various offers, focusing on

quality, discovery and innovation. We are currently developing new food, beverage and retail programs that will allow us lead the market with our restaurants and café concepts.

Japan

As of December 31st, 2016, DDCJ has 11 stores in operation including 5 new stores opened during the year, all in urban area with high density population. The expansion will be café format of not more than 200 square meters in size, targeting highly dense populated area such as train hubs and stations. Stores in these locations generate outstanding sales and provide much more return on capital comparing other locations. The key focus is to develop real estate pipelines enough to deliver store expansion as planned.

Factors that may influence business operations in the future

Real estate business:

Nowadays, the rising cost of land becomes a major risk for operating a real estate business. Additionally, the difficulty of finding a good location of land with reasonable price point in central Bangkok has arisen. That being said, the Company has studied the outlook of high-end real estate business and has been proactively in acquiring new pieces of land for upcoming projects in 2-3 years for continuous revenue recognition of its real estate business.

Food and beverages business:

Labor rules are becoming restrictive in several states and with some states and cities enacting hire wage laws. Foreign exchange with strong dollar can affect licensed partners from purchasing larger quantity of private label and Dean & DeLuca products. Introductions of new concepts can increase competition and affect our business. Rising rent per square feet can affect the Company's ability to secure best locations and generate higher EBITDA. Ability to hire productive employees as the Company expands can affect operating and store performance. Management is aware of these factors and will be addressing each factor to reduce its affect.