PRIME
US REIT

PRIME FOR FUTURE GROWTH

Annual Report 2019

A High-Quality Portfolio of Prime U.S. Office Properties

Listed on 19 July 2019 on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Prime US REIT ("PRIME") is a diversified Singapore real estate investment trust ("REIT") focused on stabilised income-producing office assets in the United States ("U.S."). PRIME offers investors a unique exposure to a high-quality portfolio of 11 prime and freehold office properties, strategically located in 9 primary markets in the U.S., with a total appraised value of US$1.25 billion.

With a geographically diversified portfolio of strategically located prime office assets in key U.S. office markets, PRIME is well-positioned to achieve its key objectives to provide Unitholders with regular and stable distributions through long-term growth in distributions per unit and net asset value per unit growth while maintaining an appropriate capital structure.

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FY2019 Financial Results

Maiden Acquisition of Park Tower at US$165.5 million

Debut Private Placement Raised US$120.0 million

FINANCIAL HIGHLIGHTS

As at 31 December 2019

Gross Revenue

US$60.7M

+2.2% IPO Forecast US$59.4M

Distributable Income

US$29.2M

+7.3% IPO Forecast US$27.2M

Net Property Income

US$40.2M

+2.9% IPO Forecast US$39.0M

Available DPU

3.15 US cents

+7.5% IPO Forecast 2.93 US cents

Gross Borrowings

US$437.6M

Total Assets

US$1.30B

Gearing Ratio

33.7%

Weighted Average Debt Maturity

5.2 years

Weighted Average Interest Rate

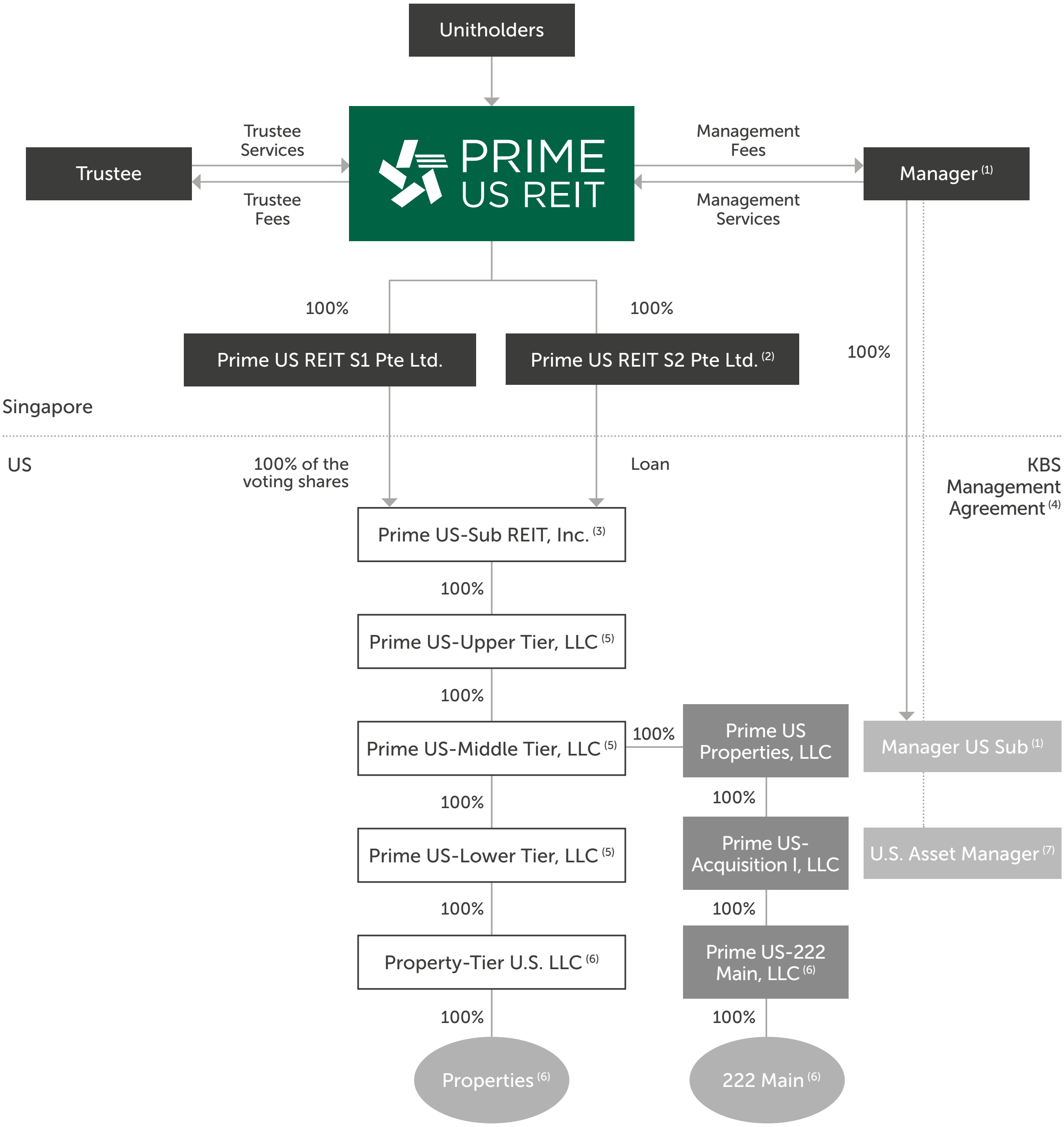
3.3%[1]

Interest Coverage

5.5x

(1) Based on interest expense (excluding amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings from 19 July 2019 to 31 December 2019 taking into account the interest rate swaps.

TRUST AND TAX STRUCTURE



(1) The Manager wholly-owns the Manager US Sub. The Manager has organised the Manager US Sub so that to the extent activities of the Manager, including under the KBS Management Agreement, would be required to be performed within the U.S., those activities will be delegated to the Manager US Sub.
(2) Prime US REIT S2 Pte. Ltd. wholly-owns two Barbados entities which are currently dormant.
(3) 125 preferred shares have been issued by Parent U.S. REIT to parties who are not related to the Sponsor with a coupon of 12.5%. The preferred shares are non-voting, non-participating and redeemable at the option of Parent U.S. REIT. The terms of the preferred shares are in accordance with customary terms offered to other accommodation shareholders (which are third party holders required to meet the 100 shareholder test) for U.S. REITs in the United States. The Certificate of Incorporation for Parent U.S. REIT contains provisions that ensure that this 100 shareholder requirement is continuously met at all times required under US tax rules applicable to U.S. REITs.
(4) An agreement entered into between the Manager, the Manager US Sub, the U.S. Asset Manager, the Parent U.S. REIT and the Property Holding LLCs.
(5) For the avoidance of doubt, there will only be one Upper-Tier U.S. LLC, one Mid-Tier U.S. LLC and one Lower-Tier U.S. LLC.
(6) Each Property will be held by an individual Property-Tier U.S. LLC, except that 222 Main will be held by Prime US-222 Main, LLC.
(7) For the avoidance of doubt, KBS RA is not a subsidiary of the Manager, and KBS RA does not hold any shares in the Manager (whether directly or indirectly) and vice versa. The estate of Peter M. Bren (together with other family members) indirectly owns 50.0% of the interests in KBS RA while Charles J. Schreiber Jr. (together with other family members) indirectly controls the remaining 50.0% of the interests in KBS RA. Notwithstanding the foregoing, Charles J. Schreiber Jr. controls the voting rights with respect to the interests in KBS RA held indirectly by the estate of Peter M. Bren.

CHAIRMAN & CEO LETTER

> "The strong financial performance in our inaugural year underpins the expertise and commitment of the experienced Manager. We adopt a proactive approach in lease management and achieved a high portfolio occupancy rate of 95.8% for FY2019."

DEAR UNITHOLDERS

On behalf of the Board of KBS US Prime Property Management Pte. Ltd., the Manager of Prime US REIT ("PRIME"), we are pleased to present PRIME's inaugural annual report for the financial period from its listing date on 19 July 2019 to 31 December 2019 ("FY2019").

2019 was a milestone year for PRIME as we embarked on our journey as a listed entity with the successful completion of our initial public offering ("IPO") on the Mainboard of the Singapore Exchange on 19 July 2019. Underscoring the warm reception from both institutional and retail investors towards our IPO, we were delighted to garner strong support from cornerstone investors including AT Investments, Keppel Capital and Singapore Press Holdings.

Delivering on Our IPO Commitments

We reported our first set of full year results on 12 February 2020 and are pleased to have exceeded our initial IPO forecasts. Our gross revenue and net property income ("NPI") outperformed by 2.2% and 2.9% to US$60.7 million and US$40.2 million respectively. Distribution per unit ("DPU") for FY2019 also exceeded 7.5% at 3.15 US cents, achieving an annualised DPU yield of 7.9%, surpassing our initial forecast of 7.4%.

Listing Ceremony, 19 July 2019

The strong financial performance in our inaugural year underpins the expertise and commitment of the experienced Manager. We adopt a proactive approach in lease management and achieved a high portfolio occupancy rate of 95.8% for FY2019. Our properties also have a long weighted average lease expiry ("WALE") of 5.1 years and a well-distributed weighted average debt maturity of 5.2 years on a fixed rate basis. Exercising prudence and discipline in capital management, we maintain a conservative debt maturity profile and gearing level of 33.7% as at 31 December 2019. This provides us with the flexibility to allocate capital strategically for growth through asset enhancement programmes and acquisitions.

Enhancing Trading Liquidity and Diversification of Unitholder Base

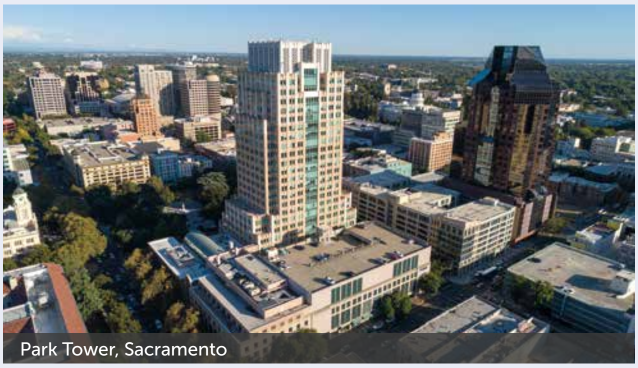
As we look to raise our profile in the global capital markets, we have been investing efforts and resources in engaging our stakeholders. This has resulted in an improvement to our trading liquidity, validated by our inclusion into the MSCI Singapore Small Cap Index on 26 November 2019, within just four months of listing.

Building on the strength of our portfolio of quality assets, our proactive outreach to the investment community contributes to growing interest in PRIME from both institutional and retail investors. This was evident in our recent private placement that raised US$120.0 million for our maiden acquisition of Park Tower in Sacramento for US$165.5 million. Apart from placing out the new shares at the upper price range of US$0.957 per unit, it was 4.8 times oversubscribed with demand led by long-only institutional investors, private wealth clients and multi-strategy funds. This placement also increased our free float by 32.6%, coinciding with our objective to institutionalise and diversify Unitholder register.

Driving Resiliency with Diversity

Market, industry sector exposure, and asset selection are key considerations for us in identifying growth opportunities. Building on KBS' market specific research and analysis, we

CHAIRMAN & CEO LETTER


Park Tower, Sacramento

are equipped with critical intelligence to make informed decisions on spearheading our growth strategy.

We remain steadfast in realising sustainable organic growth in gross revenue and NPI through a favourable lease structure for our tenants. 98.0% of our contracted leases have built-in rental escalation, while majority of leases by net leasable area ("NLA") are on a triple-net or modified gross basis, shielding PRIME from increases in real estate taxes and property expenses. We also prioritise building strong relations with our tenants, allowing us to better understand their requirements to maintain high retention rates and identify opportunities for property asset enhancement initiatives to drive organic growth.

In terms of our inorganic growth, we are committed to pursuing DPU and net asset value ("NAV") accretive acquisitions from both KBS and third parties to maximise Unitholder value. We uphold the quality of our portfolio through a disciplined and robust approach in our investments of Class A office properties, considering an array of attributes such as location, yield, tenant mix, value enhancement opportunities, as well as building and facilities specifications.

Our acquisition of Park Tower in February 2020 gave us exposure to California's capital, Sacramento, a robust real estate market in the U.S., characterised by low vacancy, healthy rent growth, high demand and limited new supply. Apart from its strategic location in the heart of Sacramento's downtown, the Class A Tower also offers world class amenities which are key in attracting and retaining quality talent. The acquisition diversifies our geographical exposure, tenant base and profile. The introduction to a new sector in Government contributes to portfolio resiliency. In total, we now have 230 tenants, demonstrating our portfolio's broad industry sector representation. This yield accretive acquisition expands our total assets under management by 13.6% to US$1.42 billion.

Delivering long-term sustainable growth and Unitholder value

We are committed to delivering long-term growth for PRIME in a sustainable manner. 11 of our 12 assets are LEED or Energy Star certified as we believe in making available a safe and environmentally friendly working environment that supports our tenants' objectives in attracting and retaining quality talent.

Amid the COVID-19 coronavirus outbreak, we prioritise the safety and wellbeing of all our stakeholders. We are monitoring the situation very closely, both at the national level and at the individual property level. The U.S. has committed up to US$50 billion in federal aid for states and municipalities and passed the US$2 trillion CARES Act to provide relief to individuals, businesses, hospitals and public health, state and local governments, and education. At the portfolio level, our asset management team has implemented precautionary measures at all properties to safeguard tenants and their employees, focusing on increased frequency of cleaning in the common areas and high traffic surfaces, along with preventive measures notices.

The ongoing outbreak will have an impact on the real estate sector though certain sectors may be better positioned than others. The eventual extent of the impact of COVID-19 on our business and financial performance will largely depend on the duration and severity of the pandemic, both in the U.S. and the world. While we cannot determine the extent to impact at present, we believe that our stable and resilient portfolio is defensively positioned to manage any short-term economic impact. This is evidenced by its diversified tenant base, long term leases, strategic property locations and strong exposure to high growth industries.

Appreciation

In closing, we would like to express our sincere appreciation to our Board members for their strategic oversight and governance to cement our strong foundations, as well as to our management team and valued partners at KBS, AT Capital, Keppel Capital and Singapore Press Holdings for their continued support.

We thank all Unitholders for your continued support as we commit to growing our portfolio of prime properties to deliver sustainable long-term growth.

Mr Charles J. Schreiber, Jr.
Chairman and Non-Executive Director

Ms Barbara Cambon
Chief Executive Officer and Chief Investment Officer

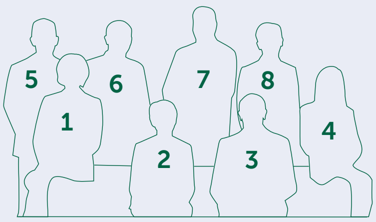
BOARD OF DIRECTORS

Front row from left:

1. Professor Annie Koh
2. Ms Barbara Cambon
3. Mr Charles J. Schreiber, Jr.
4. Ms Cheng Ai Phing

Back row from left

5. Mr Tan Ser Ping
6. Mr Chua Hsien Yang
7. Mr John R. French
8. Mr Loh Yew Seng



Mr Charles J. Schreiber, Jr.
Chairman and Non-Executive Director
Date of Appointment: 26 July 2018

Mr Schreiber is the co-founder and Chief Executive Officer of KBS Realty Advisors ("KBS RA") and KBS Capital Advisors ("KBS CA") and oversees the investor relations and operations of both entities. As of 31 December 2019, KBS RA, together with KBS affiliates, including KBS CA, had been involved in the investment in or management of approximately US$28.7 billion of real estate investments on behalf of institutional investors, including public and private pension plans, endowments and foundations, institutional and sovereign wealth funds, and the investors in KBS-sponsored REITs.

With over 45 years of experience in the real estate industry, Mr Schreiber has been involved exclusively in real estate development, management, acquisition, disposition and financing. Prior to forming the first KBS investment adviser in 1992, he has helmed various senior management positions including the executive vice president of Koll Investment Management Services and executive vice president of acquisitions and dispositions for The Koll Company. Currently, he is a member of the Executive Committee for the Public Non-Listed REIT Council of National Association of Real Estate Investment Trusts ("NAREIT") and the National Council of Real Estate Investment Fiduciaries ("NCREIF").

BOARD OF DIRECTORS

Mr Schreiber graduated from the University of Southern California ("USC") with a bachelor's degree in finance with an emphasis in real estate.

Mr Tan Ser Ping

Lead Independent and Non-Executive Director
Date of Appointment: 28 June 2019

Mr Tan founded Stanway Capital in 2017 following his retirement from the position of Chief Executive Officer at Ascendas Funds Management (S) Limited, the manager of Ascendas Real Estate Investment Trust ("A-REIT"). Stanway Capital is focused on real estate investments while A-REIT is Singapore's first and largest listed business space and industrial real estate investment trust and is a constituent member of the FT STI index since June 2014.

Under his leadership as Chief Executive Officer of A-REIT, the REIT's total assets grew from S$1 billion in 2004 to S$9.8 billion upon his retirement in March 2016. He was also the recipient of the Institutional Investor All Asia Executive Team Best CEO for Property Sector (2013 by sell-side analysts, 2011 by buy-side analysts) and SIAS/Brendan Woods TopGun CEO 2012.

Prior to that, Mr Tan was the Executive Vice President of Real Estate Development & Investment ("REDI") of Ascendas Pte Ltd, where he was responsible for formulating REDI policies, strategies and plans across all country operations and developing new product offerings and markets for Ascendas Group.

Mr Tan Ser Ping graduated with a Bachelor of Accountancy (Honours) from the National University of Singapore and a Master of Business Administration from the University of Leicester (United Kingdom).

Professor Annie Koh

Independent and Non-Executive Director
Date of Appointment: 28 June 2019

Professor Koh is an Assistant Professor to the Practice Professor of Finance at Singapore Management University. She is also a member of the Government Technology Agency of Singapore board, and has been an appointed board member of Singapore's Central Provident Fund since 2012. Professor Koh has also been the lead independent director of Health Management International Ltd since 2016.

A Fulbright scholar, Annie earned her PhD in International Finance from Stern School of Business, New York University (1988). She co-authored Financial Management: Theory and Practice, An Asia Edition (2014), and Financing Internationalisation – Growth Strategies for Successful Companies (2004).

Professor Koh was awarded the Singapore Public Administration Medal, Bronze (2010), Silver (2016), and the Adult Education Prism Award (2017) for her contributions to the education and public sectors.

Ms Cheng Ai Phing

Independent and Non-Executive Director
Date of Appointment: 28 June 2019

Ms Cheng is a Director and a member of GIG Consulting Pte Ltd that provides consulting services, and a Non-Executive Partner of Aric Partners LLP, an accounting firm which provides taxation, accounting, corporate and consulting services.

Ms Cheng was previously a Senior Partner in Assurance at one of the Big Four International Accounting Firms for 36 years, where she served large listed and non-listed domestic and international clients in industries ranging from Real Estate to Banking and Commodities. She was also the Chairman of the Firm's Governance Committee for several years before her retirement in August 2015.

Currently, Ms Cheng sits on various governmental bodies and professional associations in Singapore. She is also an Independent Non-Executive Director of Fortune REIT and Chairman of its Audit Committee.

Ms Cheng is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants, a Fellow of CPA Australia. Since 2012, Ms Cheng has been appointed as a member of the Financial Reporting Committee of the Institute of Singapore Chartered Accountants and became a member of its Investigation and Disciplinary Panel in 2016.

She holds a Bachelor of Accountancy degree from the University of Singapore.

Mr Chua Hsien Yang

Non-Executive Director
Date of Appointment: 26 July 2018

Mr Chua is the Chief Executive Officer of Keppel DC REIT Management Pte. Ltd., the manager of Keppel DC REIT. Possessing extensive experience in real estate funds management and the hospitality industries, Mr Chua has more than 16 years of experience in mergers and acquisitions, investments, fund management, business development and asset management in the real estate sector within the Asia Pacific region.

Prior to joining Keppel DC REIT Management Pte. Ltd., Mr Chua held several senior positions including Senior Vice President of Keppel REIT Management Limited, the manager of Keppel REIT, since May 2008, where he headed the investment team. Mr Chua also held senior positions with Ascott Residence Trust Management Limited, the manager of Ascott Residence Trust and Hotel Plaza Limited (now known as Pan Pacific Hotels Group Limited).

Mr Chua holds a Bachelor of Engineering (Civil) from the University of Canterbury and a Master of Business Administration from the University of Western Australia.

Mr John R. French

Independent and Non-Executive Director

Date of Appointment: 8 November 2019

Founding Principal, French Asset Management, Inc., which manages real estate investments and provides advisory and other services to the real estate industry.

After 37 years serving public and private real estate clients, Mr French retired from Ernst & Young LLP (EY) in June 2019 as a Senior Assurance Partner. His specialties include: real estate investment funds/advisors/sponsors, REITs, land developers, homebuilders and hospitality companies. Prior to being a partner at EY, Mr French was an Assurance Partner at Kenneth Leventhal & Company, a real estate accounting firm acquired by EY in 1995. As a Senior Assurance Partner at EY, Mr French served some of the largest real estate investment sponsors, REIT, homebuilder, and other real estate and hospitality companies in the United States.

For many years Mr French was actively involved with the National Association of Real Estate Investment Trusts (NAREIT) and the Urban Land Institute (ULI). Mr French also served on the Executive Board of University of California at Irvine (UCI) Paul Merage School of Business Center for Real Estate and the Policy Advisory Board of the Fisher Center for Real Estate and Urban Economics University of California at Berkeley. Mr French received the 2018 UCI Paul Merage School of Business Center for Real Estate Lifetime Achievement Award recognising his long-term commitment to serving the real estate industry.

Mr French graduated from California State University, Long Beach with a Bachelor of Science in Accountancy (1981) and a Master of Business Administration (1990). He is a Certified Public Accountant in California and Nevada and a member of the AICPA and the California Society of CPAs.

Mr Loh Yew Seng

Non-Executive Director

Date of Appointment: 8 November 2019

Mr Loh was appointed Head, Capital Markets of Singapore Press Holdings Limited in Mar 2019, responsible for fund raising activities of the Group. He joined SPH in July 2001 and was Vice-President of Finance, Chief Financial Officer for the magazines business group and Chief Executive Officer of SPH Magazines Pte Ltd before his current appointment.

Mr Loh began his career in 1994 with Arthur Andersen and held notable corporate finance and financial analyst positions in Banque Internationale Ã Luxembourg, Van der Horst Limited and Visa International. He holds a Bachelor of Accountancy (Honours) from Nanyang Technological University and has been a CFA charterholder since 1999.

MANAGEMENT TEAM

Ms Barbara Cambon
Chief Executive Officer and Chief Investment Officer

Ms Barbara Cambon is the Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO") of the Manager.

As CEO, Ms Cambon works with the Board to determine the strategy for PRIME US REIT, and works alongside other members of the management team to ensure that Prime US REIT operates in accordance with the Manager's stated investment strategy. She is also responsible for planning the future strategic development and day-to-day management and operations of Prime US REIT.

As CIO, Ms Cambon works with other members of the management team to execute the investment programme, and is responsible for identifying, researching and evaluating potential acquisitions and related investments with a view to enhancing Prime US REIT's portfolio, or divestments where a property is no longer strategic, fails to enhance the value of Prime US REIT's portfolio or fails to be yield accretive.

Prior to her appointment with Prime US REIT, Ms Cambon held various positions in the institutional real estate advisory industry, including her roles as a Principal and Chief Operating Officer of Los Angeles-based private real estate investment firm Colony Capital, LLC; and President and Founder of Institutional Property Consultants, Inc., a real estate consulting company.

Ms Cambon is currently on the Policy Advisory Board of the University of San Diego Burnham-Moores Real Estate Institute. She had also held several board positions in the past including Pension Real Estate Association; National Council of Real Estate Investment Fiduciaries; BioMed Realty Trust, Inc.; and Amstar Advisers.

Ms Cambon received a Master of Business Administration from Southern Methodist University and a Bachelor of Science Degree in Education from the University of Delaware.

Mr Goo Liang Yin
Financial Controller

Mr Goo Liang Yin is the Financial Controller of the Manager.

Mr Goo brings with him over 20 years of experience in financial accounting. Prior to joining the Manager, he was previously the Vice President Finance of NSL Ltd (formerly known as Natsteel Ltd) where he was responsible for overseeing the group-wide reporting process. Mr Goo was also the Vice President (Finance) at First Sponsor Management Pte. Ltd. ("FSMPL"), where he was overall-in-charge of the group's financial planning and analysis function and treasury matters. Prior to his appointment at FSMPL, Mr Goo was Chief Financial Officer of China Great Land Holdings Ltd where he assumed supervision over the accounts team and took charge of taxation matters, management reporting and the preparation of financial statements.

Mr Goo started his career with KPMG Singapore, and graduated with a Bachelor of Accountancy from Nanyang Technological University.

FINANCIAL REVIEW

This review is for the financial period from Listing Date to 31 December 2019 ("Financial Period").

In FY2019, PRIME delivered results for the Financial Period that exceeded its initial public offering ("IPO") forecast, driven by strong operating performance and lower other trust expenses.

Overview

	Actual	Forecast [1] [2]	+/(-)%
	US $'000	US $'000	
Gross Revenue	60,657	59,376	2.2
Property Operating Expenses	(20,486)	(20,344)	0.7
Net Property Income	40,170	39,031	2.9
Manager's base fee	(2,977)	(2,774)	7.3
Trustee's fee	(76)	(110)	(30.9)
Other trust expenses	(1,008)	(1,581)	(36.2)
Net change in fair value of derivatives	(6,895)	–	n.m.
Finance expenses	(7,078)	(7,160)	(1.1)
Finance income	40	–	n.m.
Net income before tax and fair value change in investment properties	22,176	27,406	(19.1)
Net change in fair value of investment properties	18,795	(5,418)	n.m.
Net Income for the period before tax	40,971	21,988	86.3
Tax expense	(7,268)	(2,608)	178.7
Net income for the period attributable to Unitholders	33,704	19,380	73.9
Distribution adjustments	(4,528)	7,809	n.m.
Income available for distribution to Unitholders	29,176	27,189	7.3

n.m. – not meaningful

(1) No comparative period has been presented as PRIME was dormant from its date of constitution (7 September 2018) to the Listing Date.

(2) The prospectus disclosed a 9-month profit forecast for the period from 1 April 2019 to 31 December 2019. Forecast numbers for period ended 31 December 2019 were derived by pro-rating the forecast figures for the 9-months as disclosed in the Prospectus.

Income Available for Distribution

Distributable income for the Financial Period was US$29.2 million, 7.3% above IPO forecast, contributed by strong operating performance from the IPO portfolio and lower other trust expenses.

Distribution per Unit ("DPU") for the Financial Period was 3.15 US cents, translating to a distribution yield of 7.2% based on the market closing price of US$0.965 per Unit as at the last trading day of 2019. DPU for the Financial Period was 7.5% above IPO forecast, which was derived by pro-rating the forecast figures for the 9-months from 1 April 2019 to 31 December 2019 as disclosed in Prime's IPO Prospectus.

Gross Revenue

Gross revenue for the Financial Period was US$60.7 million, US$1.3 million or 2.2% higher than forecast largely due to higher rental income and recoveries income. Recoveries income refer to reimbursements from tenants for certain property expenses.

Net Property Income ("NPI")

NPI for the Financial Period was US$40.2 million, US$1.1 million or 2.9% higher than forecast, primarily due to the higher gross revenue.

Net Income

Net income for the Financial Period was US$33.7 million, US$14.3 million or 73.9% higher than the IPO forecast, driven primarily by the fair value gain in investment properties and partially offset by the loss on fair value of derivative instruments.

The properties were revalued as of 31 December 2019, resulting in a net fair value gain in investment properties of US$18.8 million. This was US$24.2 million higher than forecast as the forecast did not assume a change in valuation and the loss in fair value was largely as a result of acquisitions costs and straight-line rent adjustments. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

FINANCIAL REVIEW

Net change in fair value of derivatives resulted in a loss of US$6.9 million as interest rates were lower on 31 December 2019 than when the interest rate swaps were entered into prior to the IPO, resulting in losses from mark-to-market of these swaps. The forecast did not assume any changes in valuation of interest rate swaps. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

Finance expenses of US$7.1 million were slightly lower than forecast, largely due to lower utilisation of PRIME's revolving credit facility.

Tax expense of US$7.3 million was 178.7% or US$4.7 million higher than forecast. This was due to actual deferred taxes being higher than forecast as a result of the fair value gain in investment properties.

Tax Restructuring

On 20 December 2018, the United States Department of the Treasury released proposed regulations under Section 267A (the "Proposed 267A Regulations").

The Proposed 267A Regulations, are not expected to necessitate any further changes to Prime US REIT's structure in order to preserve the deductibility of interest paid on Prime US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations, will not have any material impact on the consolidated net tangible assets or distributions per unit of Prime US REIT.

The Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective as of 1 January 2018, could differ materially from the Proposed 267A Regulations and could result in additional costs. The United States Office of Information and Regulatory Affairs has announced its completion of its review on the regulations on 26 February 2020 but the date of the release for the final regulations is still pending.

PRIME has complied with the relevant tax laws and regulations for its relevant subsidiaries or associates to qualify as a real estate investment trust for US federal income tax purposes.

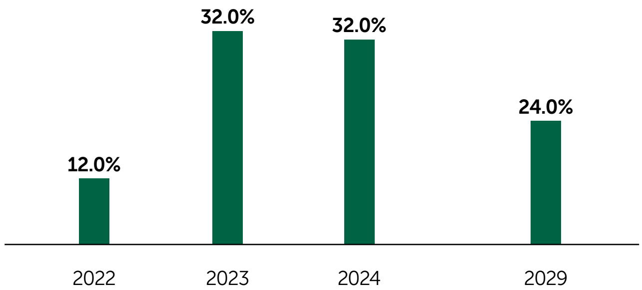
Investment Properties

As at 31 December 2019, assets under management ("AUM") was approximately US$1.25 billion. This was 2.7% above the purchase price for the IPO portfolio properties of US$1.22 billion due to additions from capital expenditures and tenant improvements as well as a net fair value gain of US$18.8 million in the IPO portfolio investment properties.

Net Asset Value ("NAV") per Unit

As at 31 December 2019, NAV per Unit was US$0.89. Excluding the DPU declared for the Financial Period, the adjusted NAV per Unit was US$0.86.

Debt Maturity Profile (%)



Funding and Borrowings

As at 31 December 2019, PRIME's gross borrowings were US$437.6 million.

At IPO, PRIME had gross borrowings, which comprised of long-term loans of US$385.0 million, excluding its revolving credit facility, to partly finance the acquisition of the IPO portfolio properties. As at 31 December 2019, PRIME had drawn down US$52.6 million from its revolving credit facility to partly finance the acquisition of the IPO portfolio properties, capital expenditures and tenant improvements, leaving US$47.4 million of unutilised facilities for future obligations.

The Manager continues to adopt a prudent approach towards capital management. All of PRIME's borrowings are U.S. dollar-denominated, providing a natural hedge for its income and investments.

Aggregate leverage and interest coverage ratio were 33.7% and 5.5 times, respectively. As at 31 December 2019, the weighted average term to maturity of its debt was 5.2 years. All-in average cost of debt during the Financial Period was 3.32% per annum.

Subsequent to 31 December 2019, PRIME increased its borrowings, adding US$20.0 million to its four-year term facility and US$20.0 million to its five-year term loan facility, respectively, which were used to partially fund its acquisition of Park Tower in February 2020. PRIME also expanded its revolving credit facility by US$50.0 million in February 2020, of which US$5.5 million was used to partially fund the acquisition of Park Tower.

Cash Flows and Liquidity

As at 31 December 2019, PRIME's cash and cash equivalents were US$37.9 million.

Net cash generated from operating activities for the Financial Period was US$44.4 million, mainly from cash received from NPI. Net cash used in investing activities for the Financial Period amounted to US$1,222.9 million. This included mainly net cash of US$1,219.3 million deployed for the acquisition of the IPO portfolio properties, including related assets and liabilities.

Net cash generated from financing activities amounted to US$1,216.3 million. This comprised US$789.2 million from equity proceeds, net of transaction costs, raised from the IPO, and US$432.4 million of debt financing obtained from external banks, net of transaction costs and repayments.

Use of IPO Proceeds

At its IPO in July 2019, PRIME raised gross proceeds of approximately US$813.0 million from the issuance of 923.9 million new Units at an issue price of US$0.88 per Unit.

The use of proceeds raised from the IPO, including proceeds from the IPO loan facilities of US$452.2 million, has been materially disbursed and is in accordance with the stated uses as disclosed in the Prospectus, as set out below.

	Actual US$'000	Prospectus US$'000	Variance US$'000
Acquisition of the properties [(1)(2)]	1,220,270	1,222,150	(1,880)
Transaction costs [(3)(4)]	35,991	39,171	(3,180)
Working capital [(5)]	4,000	4,000	-
Total	**1,260,261**	**1,265,321**	**(5,060)**

Gross Revenue by Asset (US$m) for the financial period from Listing Date to 31 December 2019	Actual	Forecast
Tower 1 at Emeryville	5.88	5.84
222 Main	9.09	8.90
Village Center Station I	4.30	4.24
Village Center Station II	4.67	4.53
101 South Hanley	5.48	5.42
Tower 909	5.02	4.41
Promenade I & II	3.99	3.89
CrossPoint	4.69	4.66
One Washingtonian Center	5.47	5.42
Reston Square	2.83	2.87
171 17th Street	9.23	9.21

Net Revenue by Asset (US$m) for the financial period from Listing Date to 31 December 2019	Actual	Forecast
Tower 1 at Emeryville	3.94	3.96
222 Main	6.58	6.17
Village Center Station I	2.49	2.56
Village Center Station II	4.14	4.11
101 South Hanley	3.11	3.05
Tower 909	2.71	2.18
Promenade I & II	2.52	2.41
CrossPoint	3.16	3.05
One Washingtonian Center	3.33	3.34
Reston Square	1.79	1.89
171 17th Street	5.88	5.83

Investment Properties (US$m)	Purchase Price	As at 31 December 2019
Tower 1 at Emeryville	121	126
222 Main	211	220
Village Center Station I	89	89
Village Center Station II	145	146
101 South Hanley	80	82
Tower 909	76	82
Promenade I & II	73	75
CrossPoint	98	100
One Washingtonian Center	102	106
Reston Square	51	49
171 17th Street	177	181

(1) The actual amount consists of the agreed purchase consideration for investment properties net of capital expenditure and leasing costs under seller's responsibility. Acquisition costs are included as part of transactions costs to be consistent with the disclosure in the Prospectus.
(2) The favourable variance is due to purchase price credits received at closing for capital expenditure and leasing costs under seller's responsibility. PRIME will utilise the funds to pay for the capital expenditure and leasing costs when due.
(3) Transaction costs include expenses incurred in relation to the acquisition of the Properties, the issue of units at the IPO, and debt upfront costs.
(4) The favourable variance is mainly from lower than expected IPO related costs. These savings have been reallocated for general working capital purposes.
(5) The balance of net proceeds intended for purchase of investment properties and transaction costs have been reallocated to working capital. Working capital use relates mainly to repayment of finance expenses for the term loans and other general and administrative expenses.

FINANCIAL REVIEW

Capital Management

The Manager regularly reviews PRIME's financial policy, as well as its debt and capital management structures to optimise PRIME's funding sources.

The Manager seeks to maintain an optimal combination of debt and equity in order to balance the cost of capital and maximise returns to Unitholders. The Manager also monitors externally imposed capital requirements and ensures PRIME's adopted capital structure complies with these requirements.

Under the Property Funds Appendix of the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS), the aggregate leverage should not exceed 45.0% of PRIME's deposited properties. PRIME has complied with this requirement for the financial period ended 31 December 2019.

Financial Risk Management

PRIME's activities expose it to tax risk, market risk, interest rate risk, credit risk and liquidity risk in the normal course of its business. Its overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance

PRIME's financial risk management is discussed in more details in the notes to the financial statements.

The Manager continues to adopt appropriate hedging strategies to manage interest rate exposure for PRIME. Interest rate swaps have been entered into to hedge interest rate exposure of the long-term loans. As at 31 December 2019, 84.2% of the variable rate interest borrowings had been hedged using floating-to-fixed interest rate swaps.

Accounting Policy

The financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, the applicable requirements of the CIS Code issued by the MAS and the provisions of the Trust Deed.

PRIME's significant policies are discussed in more detail in the notes to the financial statements.

PORTFOLIO REVIEW

As at 31 December 2019, PRIME's portfolio encompasses 11 high-quality Class A office buildings located in 9 key U.S. markets with an aggregate net lettable area ("NLA") of 3.4 million sq ft. The portfolio had a WALE of 5.1 years by NLA and a portfolio occupancy of 95.8%.

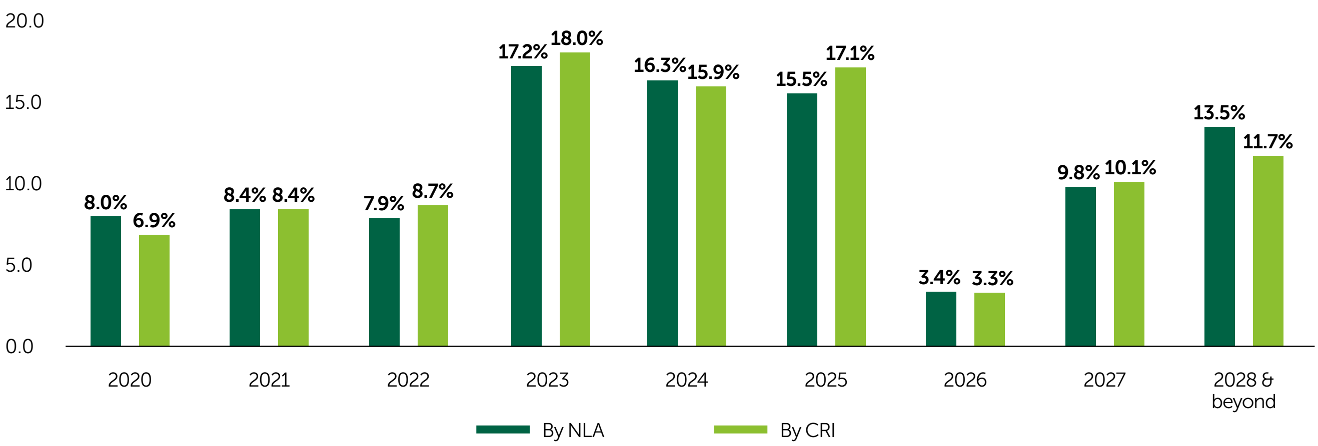
Lease Expiry Profile as of 31 December 2019

The average portfolio expiry based on cash rental income ("CRI") was 8.0% per year during the years 2020 through 2022.

The Manager will aggressively pursue renewals for expiring tenants and/or actively market the expiring square footage to minimise downtime.

The following chart summarises the stable profile lease expiry profile of the portfolio as at 31 December 2019:

Stable Portfolio Lease Expiry Profile



Well-Diversified Tenant Mix

The portfolio boasts a well-diversified tenant roster with 23 different trade sectors. As at 31 December 2019, the portfolio's exposure to the fast-growing STEM/TAMI sectors was approximately 37.2% of the portfolio's total CRI. The top three largest trade sectors (Finance, Real Estate, and Accommodation and Food Services) contributed 35.3% of the portfolio's total CRI.

The properties of PRIME's portfolio are home to several highly respected firms including Goldman Sachs, a leading global investment banking, securities and investment management firm residing as the anchor tenant at 222 Main and contributes 6.7% of the portfolio's total CRI. In addition, Charter Communications, a leading information and technology service provider that focuses on subscription based cable services to residential and commercial customers, as well as a provider of broadband communications services, occupies 100% of space at Village Center Station II and contributes 8.1% of the portfolio's total CRI. Given the strategic geographical locations, coupled with world-class amenities, our high-quality buildings are expected to continue to attract renowned tenants.

The following chart summarises the CRI of the portfolio by trade sector as at 31 December 2019:

CRI by Trade Sector

	%
STEM/TAMI [(1)] Sectors	37.2
Finance	16.6
Communications	13.4
Others	12.8
Real Estate	9.4
Accomodation and Food Services	9.3
Legal	8.1
Professional, Scientific and Tech Services	7.5
Information	7.3
Mining, Oil and Gas	6.6
Scientific R&D Services	5.1
Health Care	3.9

(1) STEM: Science, Technology, Engineering and Math; TAMI: Technology, Advertising, Media and Information

PORTFOLIO REVIEW

Rents and Positive Rental Reversions

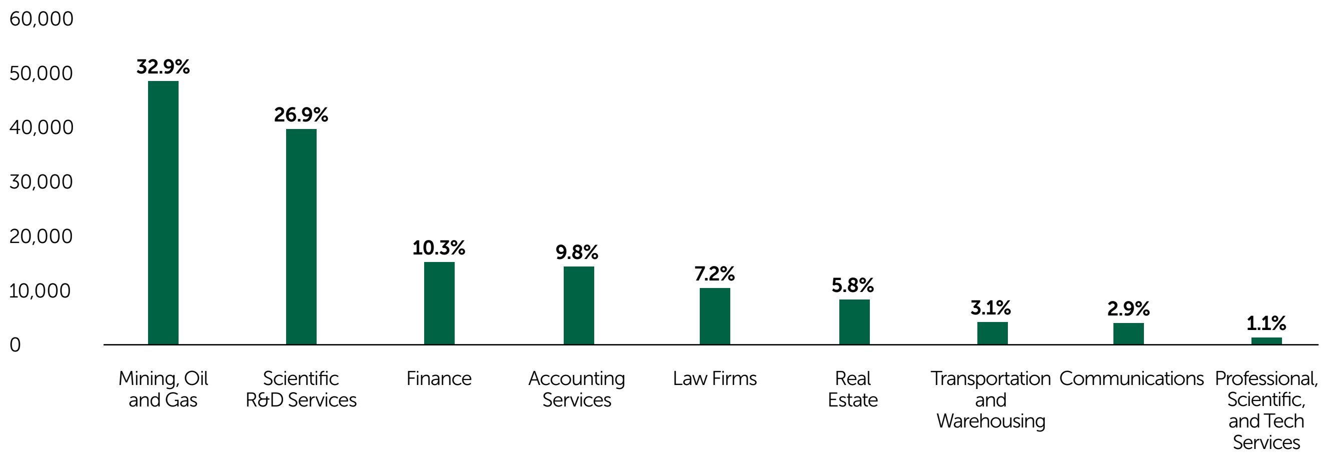
The average portfolio in-place rent was US$36.80 psf as at 31 December 2019 as compared to US$34.53 psf at the time of the IPO. This 6.6% increase was mainly driven by rental escalations within in-place leases, renewals/expansions with positive rental reversions and the signing of new leases with higher rental rates.

Since IPO on 19 July 2019, the portfolio's in-place rents have experienced a steady upward trajectory, and the positive rental growth continued into the 4th quarter of 2019. 98.0% of the portfolio leases include annual and periodic rental escalations, and the Manager is working towards similar structure for new leases secured.

16 leases were executed during the period from 19 July 2019 through 31 December 2019, of which 10 were comparable to their previous leased space, registering a positive net rental reversion rate of 12.8% that translates into 2.5% of the portfolio by NLA. The new leases had a WALE of 5.0 years and accounted for 3.9% of portfolio CRI in FY2019.

Trade Sectors of New Leases Signed during the period 19 July 2019 through 31 December 2019

Trade Mix of New Leases Signed by NLA



High Portfolio Occupancy Rate

As at 31 December 2019, the portfolio had a portfolio occupancy of 95.8%, exceeding the market average of 87.6%[1]. Since IPO, portfolio occupancy rates of the portfolio have remained stable around 95.0% – 97.0%, as properties continue to attract top tenants in their respective submarkets due to their high-quality and prime locations. The Manager has proactively secured rent renewals and new leases that are accretive to the portfolio and will invest in Asset Enhancement Initiatives ("AEI") where necessary to enhance the value and appeal of existing properties.

Tenant Retentions

PRIME's assets continue to attract and retain strong tenants at its buildings. The overall tenant retention rate for the portfolio during the period from 19 July 2019 through 31 December 2019 was 59.8%.

1 Source: CoStar Market Analysis & Forecast (Class A) – As of 31 December2019

Top 10 Tenants

The top 10 tenants contributed 44.6% of the portfolio's CRI as at 31 December 2019. The total number of tenants was 187 as at 31 December 2019.

Tenant	Industry Sector	Property	NLA	% of CRI
Charter Communications	Communications	Village Center Station I & II	373,782	8.1%
Goldman Sachs	Finance	222 Main	177,206	6.7%
Sodexo Operations	Accommodation and Food	One Washingtonian Center	190,698	6.0%
Wells Fargo Bank	Finance	171 17th Street	156,104	4.8%
Holland & Hart	Legal	222 Main; Village Center Station I	114,103	4.5%
Arnall Golden Gregory	Legal	171 17th Street	122,240	3.7%
Whitney, Bradley & Brown	Professional Services	Reston Square	73,511	3.0%
Teleflex	Healthcare	CrossPoint	84,008	2.7%
Apache Corporation	Mining, Oil & Gas	Promenade	70,596	2.5%
WeWork	Real Estate Rental & Leasing	Tower I at Emeryville	56,977	2.5%
		Total	**1,419,225**	**44.6%**

Asset Enhancement Initiatives

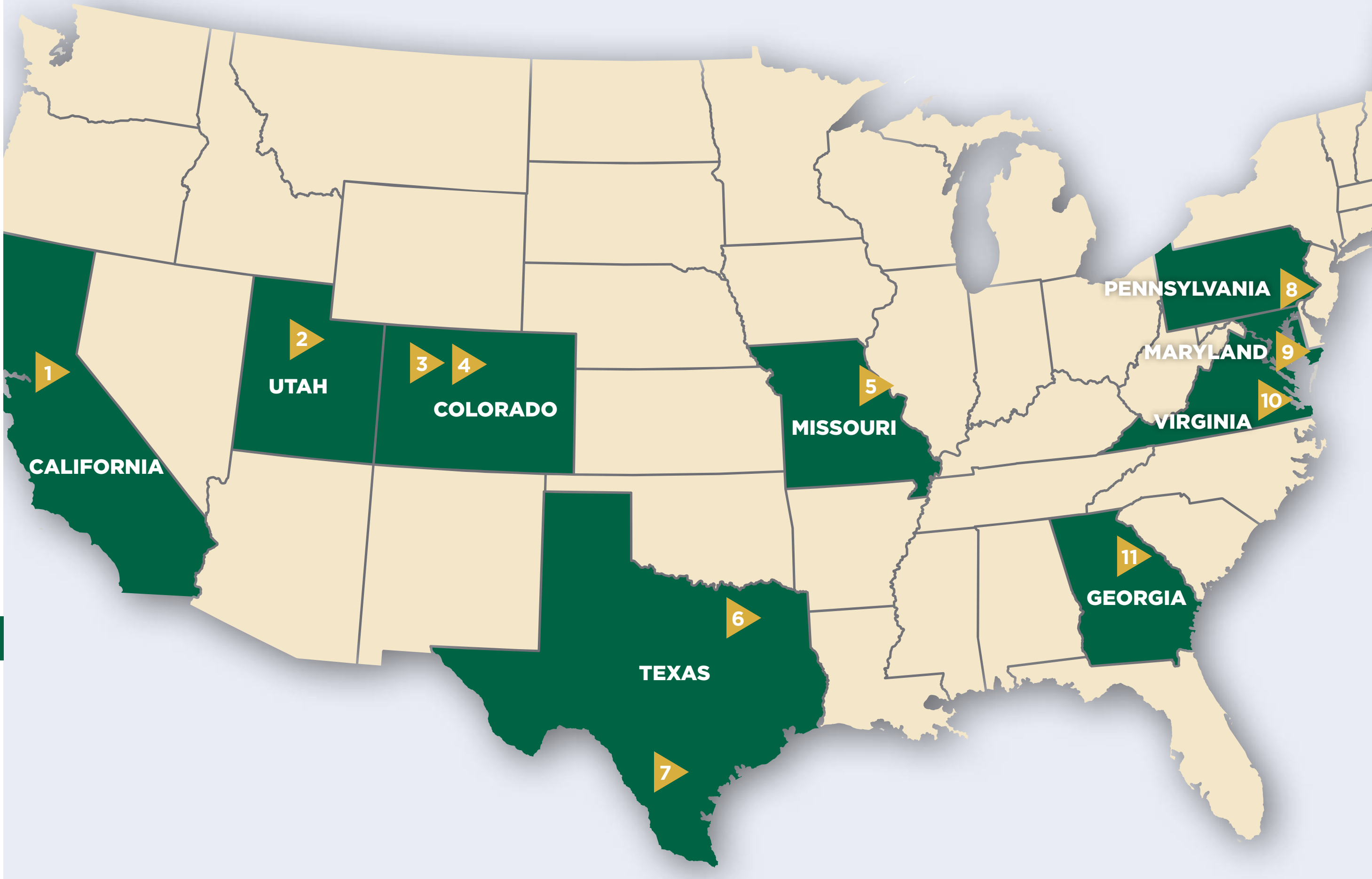
At Tower I in Emeryville, the Manager undertook capitalised building improvements in the form of elevator system modernisation, which were largely paid for by the prior ownership but completed by PRIME. Additionally, upgrading work was completed in the lobby area to create a more contemporary ambience. Wi-Fi services were also upgraded throughout the building to enhance internet connectivity and tenants experience. These initiatives contributed to an uplift in portfolio occupancy to 95.0% as at 31 December 2019 from 92.6% recorded at point of IPO on 19 July 2019.

At 171 17th Street, we upgraded TV display and AV systems in the conference center that is a frequently used amenity for our existing tenants. All the upgrading works serve to enhance our retention efforts and resulted in portfolio occupancy of 97.1% as at 31 December 2019.

101 South Hanley underwent heating, ventilation and air-conditioning (HVAC) system upgrades to improve the overall building environment for tenants. Underpinned by high tenant satisfaction and retention, the property had a strong year end portfolio occupancy of 98.0%.

PROPERTIES PROFILE

As at 31 December 2019



11
Prime U.S. Office Properties

100%
Class A

100%
Freehold

95.8%
Portfolio Occupancy

3.4M sq ft
NLA

US$1.25B
Appraised Value (1)

98.0%
Leases with Built-In Rental Escalation

5.1 years
WALE (By NLA)

(1) The independent valuations were conducted by Cushman & Wakefield Western, Inc. as at 31 December 2019.

1 Tower I at Emeryville

2 222 Main

3 Village Center Station I

4 Village Center Station II

5 101 South Hanley

6 Tower 909

7 Promenade I & II

8 CrossPoint

9 One Washingtonian Center

10 Reston Square

11 171 17th Street

PROPERTIES PROFILE

As at 31 December 2019

1 TOWER I AT EMERYVILLE

1900 Powell Street,
Emeryville,
California 94608

Tower I at Emeryville is located in Emeryville, California and is part of the Oakland submarket within the San Francisco Bay Area. It is a 12-storey Class A office building with an NLA of 222,207 sq ft. Tower I at Emeryville was renovated in 2012 and offers amenities such as a full-service bank, dry cleaners, car wash, a fitness centre, basketball court and locker rooms.

The property commands San Francisco Bay views, and is centrally located with close proximity to key landmarks such as San Francisco, University of California at Berkeley, Port of Oakland and Oakland International Airport, as well as AC Transit and a free shuttle connecting to the MacArthur BART station.

Primary Market	San Francisco Bay Area (Oakland)
NLA (sq ft)	222,207
Number of Storeys	12
Parking Stalls	505
Number of Tenants	16
Occupancy (%)	90.2
WALE	6.7
Valuation (1) (US$'m)	125.8

2 222 MAIN

222 South Main Street,
Salt Lake City,
Utah 84101

222 Main is located in Salt Lake City, Utah and is part of the CBD submarket within the Salt Lake City primary market. It is a 21-storey Class A office tower with an NLA of 433,346 sq. ft and a nine-storey parking structure. 222 Main was developed in 2009 and it enjoys views of the Wasatch Mountain Range and downtown Salt Lake City.

The property benefits from its proximity to City Creek Center, a luxury mall that offers numerous amenities, as well as good accessibility to light rail (TRAX), commuter trains (Frontrunner), and highways (I-15, I-80 and I-215).

Primary Market	Salt Lake City
NLA (sq ft)	433,346
Number of Storeys	21
Parking Stalls	852
Number of Tenants	17
Occupancy (%)	95.9
WALE	5.0
Valuation (1) (US$'m)	220.0

3 VILLAGE CENTER STATION I

6380 S. Fiddler's Green Circle,
Greenwood Village,
Colorado 80111

Village Center Station I is located in Greenwood Village, Colorado and is part of the Southeast Suburban submarket within the Denver primary market. It is a nine-storey Class A office building with an NLA of 241,846 sq ft. and an adjacent parking structure. Improvements to the property were completed in early 2019 and it features amenities such as a fitness centre, café/deli, locker rooms with showers, bike storage and numerous on-site restaurants.

The property is adjacent to the Arapahoe at Village Center light rail station and offers easy access to Centennial Airport, a regional airport considered to be one of the busiest general aviation executive airports in the U.S..

Primary Market	Denver
NLA (sq ft)	241,846
Number of Storeys	9
Parking Stalls	786
Number of Tenants	13
Occupancy (%)	87.2
WALE	3.2
Valuation (1) (US$'m)	88.5

(1) The independent valuations were conducted by Cushman & Wakefield Western, Inc. as at 31 December 2019.

4 VILLAGE CENTER STATION II

6360 S. Fiddler's Green Circle,
Greenwood Village,
Colorado 80111

Village Center Station II is located in Greenwood Village, Colorado and is part of the Southeast Suburban submarket within the Denver primary market. It is a 12-storey Class A single-tenanted office building with attached parking and an additional two-storey building, with an NLA of 325,576 sq ft. Village Center Station II was completed in 2018 and features a pedestrian plaza that provides an area for outdoor concerts, art fairs, and other community activities.

The property is adjacent to the Arapahoe at Village Center light rail station and offers easy access to Centennial Airport, a regional airport considered to be one of the busiest general aviation executive airports in the U.S..

Primary Market	Denver
NLA (sq ft)	325,576
Number of Storeys	12
Parking Stalls	1,221
Number of Tenants	1
Occupancy (%)	100.0
WALE	8.5
Valuation [(1)] (US$'m)	145.8

5 101 SOUTH HANLEY

101 S. Hanley Road, Clayton,
St. Louis,
Missouri 63105

101 South Hanley is located in St. Louis, Missouri and is part of the Clayton submarket within the St. Louis primary market. It is a 19-storey Class A office building with an NLA of 360,505 sq ft and a four-storey parking structure. 101 South Hanley underwent improvements in 2016 and 2017 that included a renovated lobby and features a fitness centre, locker rooms, food lounge and steakhouse.

101 South Hanley is located in close proximity to Interstate 64, Interstate 170, and Forest Park Parkway, and a MetroLink light rail station is two blocks away.

Primary Market	St. Louis
NLA (sq ft)	360,505
Number of Storeys	19
Parking Stalls	916
Number of Tenants	36
Occupancy (%)	95.7
WALE	4.9
Valuation [(1)] (US$'m)	81.5

6 TOWER 909

909 Lake Carolyn Parkway,
Irving,
Texas 75039

Tower 909 is located in Irving, Texas and is part of the Las Colinas submarket within the Dallas primary market. It is a 19-storey Class A office building with an NLA of 374,251 sq ft and a seven-storey parking structure. Tower 909 underwent extensive refurbishments in 2013-2015 that included a tenant conference centre, athletic facility and a full-service café with outdoor seating.

Its close proximity to the Urban Center Station on the Dallas Area Rapid Transit ("DART") light rail line offers easy accessibility to Dallas Fort-Worth airport and downtown Dallas.

Primary Market	Dallas
NLA (sq ft)	374,251
Number of Storeys	19
Parking Stalls	1,107
Number of Tenants	40
Occupancy (%)	94.4
WALE	4.9
Valuation [(1)] (US$'m)	82.4

PROPERTIES PROFILE

As at 31 December 2019

7 PROMENADE I & II

17802 & 17806 IH-10 W,
San Antonio,
Texas 78257

Promenade I and II is located in San Antonio, Texas and is part of the West submarket within the San Antonio primary market. The property consists of two four-storey Class A office buildings with a total NLA of 205,773 sq ft. Promenade I & II was completed in 2011 and provides tenants with access to amenities such as a fitness centre with showers and lockers and a wellness centre.

Promenade I & II is conveniently situated at the entrance of the 120-acre Eilan mixed-use development, which includes a boutique hotel, restaurants, retail, apartment complex and office space.

Primary Market	San Antonio
NLA (sq ft)	205,773
Number of Storeys	4+1 Lower Level
Parking Stalls	768
Number of Tenants	13
Occupancy (%)	99.6
WALE	3.5
Valuation [(1)] (US$'m)	75.0

8 CROSSPOINT

550 East Swedesford Road,
Wayne,
Pennsylvania 19087

CrossPoint is located in Wayne, Pennsylvania and is part of the King of Prussia submarket within the Philadelphia primary market. It is a four-storey Class A office building with an NLA of 272,360 sq ft. CrossPoint was renovated in 2014 and features amenities such as a full-service dining facility, conference centre and fitness centre.

CrossPoint has excellent access to Route 202, the Pennsylvania Turnpike, and the Schuylkill Expressway/Interstate 76. The area is served by commuter bus service, and the property provides a free shuttle service to a nearby commuter rail station.

Primary Market	Philadelphia
NLA (sq ft)	272,360
Number of Storeys	4
Parking Stalls	1,035
Number of Tenants	13
Occupancy (%)	100.0
WALE	4.3
Valuation [(1)] (US$'m)	99.5

9 ONE WASHINGTONIAN CENTER

9801 Washingtonian Boulevard,
Gaithersburg,
Maryland 20878

One Washingtonian Center is located in Gaithersburg, Maryland and is part of the Suburban Maryland (Gaithersburg), submarket within the Washington D.C. Area (Suburban Maryland) primary market. It is a 13-storey Class A office tower with an NLA of 314,284 sq ft.

One Washingtonian Center underwent significant improvements from 2013 to 2019 which included renovations to the roof, conference room, lobby, restrooms, elevators and garage. One Washingtonian Center benefits from its proximity to Interstate 270.

Primary Market	Washington D.C. Area (Suburban Maryland)
NLA (sq ft)	314,284
Number of Storeys	13
Parking Stalls	1,222
Number of Tenants	14
Occupancy (%)	95.6
WALE	4.8
Valuation [(1)] (US$'m)	106.0

(1) The independent valuations were conducted by Cushman & Wakefield Western, Inc. as at 31 December 2019.

10 RESTON SQUARE

11790 Sunrise Valley Drive,
Reston,
Virginia 20191

Reston Square is located in Reston, Virginia, and is part of the Suburban Virginia (Reston) submarket within the Washington D.C. Area (Suburban Virginia) primary market. It is a six-storey Class A office building with an NLA of 139,018 sq ft. Improvements such as repairs to the garage to correct defects and water infiltration and the addition of a tenant coffee bar were undertaken in 2015.

Reston Square is part of Reston Heights mixed used development which features two branded hotels and enjoys close proximity to local neighbourhood amenities such as Reston Town Center and the future Reston Town Metrorail Station. It is also within ten miles of Washington Dulles International Airport.

Primary Market	Washington D.C. Area (Suburban Virginia)
NLA (sq ft)	139,018
Number of Storeys	6
Parking Stalls	704
Number of Tenants	8
Occupancy (%)	96.9
WALE	4.1
Valuation (1) (US$'m)	49.2

11 171 17TH STREET

171 17th Street NW,
Atlanta,
Georgia 30363

171 17th Street is located in Atlanta, Georgia and is part of the Midtown/ Pershing/Brookwood submarket within the Atlanta primary market and the master planned mixed use development of Atlantic Station. It is a 22-storey Class A office building with an NLA of 510,268 sq ft. 171 17th Street was completed in 2003 and features onsite amenities which include a café, conference centre, car-wash, and shuttle service.

171 17th Street benefits from easy access to Interstate 75 and Interstate 85. Metropolitan Atlanta Rapid Transit Authority ("MARTA") stations are located within a few miles of 171 17th Street and accessible via bus. The MARTA rail line provides direct service to Buckhead, Downtown and the Hartsfield Jackson Atlanta Airport.

Primary Market	Atlanta
NLA (sq ft)	510,268
Number of Storeys	22
Parking Stalls	1,200
Number of Tenants	16
Occupancy (%)	97.1
WALE	5.1
Valuation (1) (US$'m)	181.0

INDEPENDENT MARKET REPORT

By Cushman & Wakefield
31 December 2019
(This report was prepared prior to the COVID-19 outbreak)

The U.S. economy advanced along a moderate path of growth in 2019. While challenges exist, expansion in office-using jobs is expected to continue, driving further absorption of office space into 2020.

United States (U.S.) Economy

Overview

The U.S. economy officially began its 11th consecutive year of growth in the second half of 2019, a new record for the longest economic expansion in history. Economic growth beat market expectations during 2019. This was evidenced by gains in nonfarm payrolls, with roughly 2.3 million new jobs added. In addition, the unemployment rate ended 2019 at 3.5%, down 40 basis points (bps) from a year ago and at a 50-year low.

Employment in the key office-using sectors (financial, professional as well as business services and information) averaged slightly more than 43,000 per month throughout 2019, with a total gain of 517,000 for the year. While the technology sector is not well defined by the Bureau of Labor Statistics' employment statistics, it includes jobs across many of the office-using sectors, particularly business services and information. Most of the growth in office-using employment was attributed to professional and business services, which increased by 397,000. Health care, another key driver of office demand, added 399,000 jobs in 2019, up from 350,000 in 2018.

U.S. commercial real estate investment activity peaked in 2018 with the highest sales volume recorded since 2007. However, sales volume declined significantly in 2019, to its lowest level since 2013. This was largely attributable to declines in sales of industrial, apartment and retail assets. In contrast, office sales volume for 2019 was up approximately 1.5% from 2018. As the economy gets closer to full employment, uncertainty around the impact of the U.S.-China trade war, Brexit and fears of a broader global economic slowdown have many investors proceeding with caution. In response to increased uncertainty, the Federal Reserve (Fed) cut interests rates for the third time in 2019 to shield the U.S. economy. American consumers continue to profit from the expansion even with the threat of a possible recession, and consumer confidence remains high. The trade war between the U.S. and China has taken a step in the right direction as phase one of the deal was signed by President Donald Trump and senior Chinese leaders on January 15th 2020, and this has also served to reduce fears of an economic downturn.

Further, a new coronavirus (now identified as COVID-19) emerged in China near the end of 2019. The virus has spread to other nations around the world in early 2020, resulting in substantial healthcare and economic concerns, both in the U.S. and globally.

Economic Conditions

The current U.S. economic expansion cycle is over a decade old, and by general consent the U.S. economy is strong. Real Gross Domestic Product (GDP) has been expanding since June 2009, the second-longest streak of its kind in U.S. history. GDP grew by an annualised rate of 2.1% in the fourth quarter, in-line with growth from the previous quarter, and continuing its long steady growth path. Economists generally forecast continued economic expansion through 2021. GDP correlates strongly with the commercial real estate sector, so a strong economy indicates strong support for real estate demand going forward.

Despite this growth trend, interest rates, which help determine the cost of borrowing money for investments, have lingered near historic lows since the 2008 recession. Interest rates went unchanged through December 2015, when the Fed increased the rate for the first time in almost a decade. The initial rate hike was miniscule and the action was just the first of a series of increases that continued through the end of 2018. In 2019, however, the Fed indicated more openness to cutting rates based on how the economy responds to the new trade deals made. Between July and October 2019, they reduced interest rates three times to combat the China trade war and boost the economy. The benchmark interest rate was reduced to a range of 1.5% to 1.75% as of year-end 2019. The central bank does not see a recession coming in the near term and the reduced rate looks to offer additional protection from global slowdown and uncertainty.

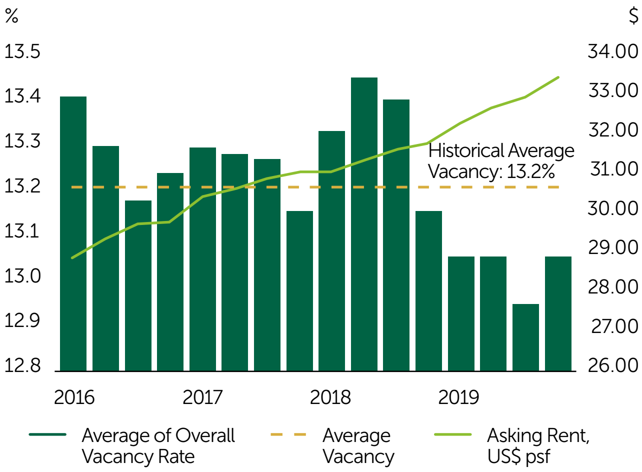
Most signs in the U.S. economy point to continued moderate growth over the near-term. Monetary policy remains highly accommodative by historical standards and supports continued growth in real estate. While global economic data on trade, spending, jobs, consumer confidence, and factory orders were mostly solid at the end of 2019, the rapid spread of COVID-19 has led to further economic uncertainty.

As shown in the following table, the 10 markets reviewed in this report all experienced growth in employment for 2019, with this expected to continue through 2020. They also saw declines in the unemployment rate, though these historically low levels are expected to increase slightly over the next year for some markets. Cushman & Wakefield Research anticipates steady growth for the national economy over the foreseeable future.

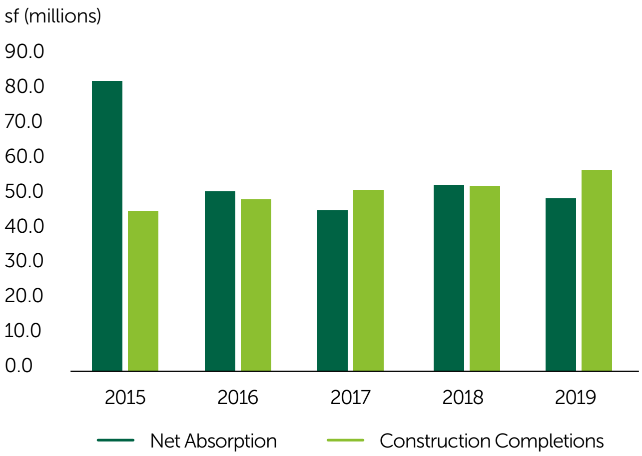
Tenant	US	San Francisco-Oakland MSA	Salt Lake City, Utah	Denver, Colorado	St Louis, Missouri	Dallas, Texas	San Antonio, Texas	Philadelphia, Pennsylvania	Suburban Maryland	Suburban Virginia	Atlanta, Georgia
Nonfarm Employment											
Q4 2018	149.9m	2,538k	636k	1,602k	1,411k	3,793k	1,156k	2,966k	1,439k	820k	2,962k
Q4 2019	152.2m	2,560k	655k	1,644k	1,448k	3,901k	1,184k	3,025k	1,488k	841k	3,004k
12-Month Forecast	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Unemployment Rate											
Q4 2018	3.9%	2.6%	3.1%	3.5%	3.4%	3.4%	3.3%	3.3%	3.8%	3.1%	3.6%
Q4 2019	3.5%	2.4%	2.3%	2.5%	3.2%	3.1%	3.0%	3.0%	3.5%	2.9%	3.0%
12-Month Forecast	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼

U.S. Office Market Overview

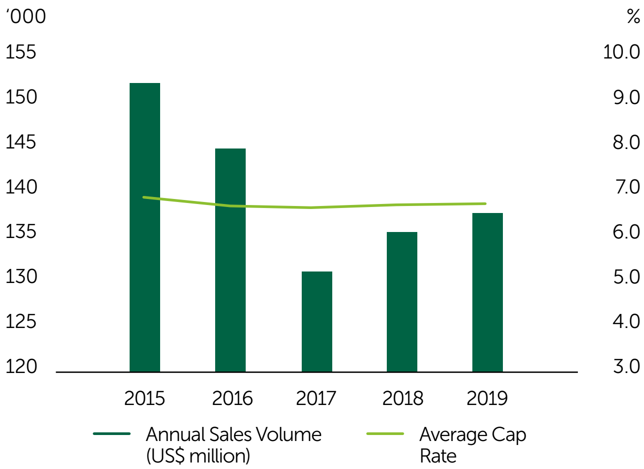
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Employment growth over the past year led to healthy positive absorption. A total of 14.1 million square feet (msf) was absorbed during the fourth quarter of 2019—similar to the 13.9 msf of absorption recorded in the third quarter of 2019 but slightly higher than the quarterly average of 12.1 msf since the beginning of 2016. For 2019 a total of 49.0 msf was absorbed, down slightly from the 52.7 msf absorbed in 2018.

Total leasing volume (including renewals) was 79.0 msf in the fourth quarter of 2019, a decline from 90.3 msf in the third quarter of the year. Still, because of strong volume posted during the first half of the year, a total of 374.2 msf was leased in 2019, slightly more than the 370.0 msf leased in 2018.

Technology Remains a Key Driver: Technology was, once again, the top leasing sector, however, it accounted for only 23.6% of the major leases in the fourth quarter of 2019, a decrease from the roughly 31.0% of major leases in the third quarter of the year. Financial services firms increased their share of major leases to 16.7% in the fourth quarter compared to 13.2% in the third. For 2019, technology companies accounted for 26.4% of major leasing—roughly double the 14.3% of major leases by the financial services sector.

The healthy demand for office space in the fourth quarter of 2019 was matched by rising supply. A total of 20.3 msf of new construction was completed during the quarter, the largest amount of square footage delivered to the market since the fourth quarter of 2008. For all of 2019, 57.0 msf was completed—the largest amount of new construction in a decade and an increase from the 52.5 msf completed in 2018.

Vacancy Edges Higher: With national demand and supply remaining in close balance, there was very little movement in the national vacancy rate during 2019. At the end of the year, national vacancy was 13.0%, up from 12.9% in the third quarter, but down slightly from 13.1% a year ago. Since the first quarter of 2016, the cumulative total of new construction deliveries was 209.4 msf, only slightly more than the 198.1 msf cumulative total absorption during the same four-year period. As a result, the national vacancy rate has remained stable—between 12.9% and 13.3%—since early 2016.

Still, some individual markets did experience rises in vacancy. Of the 87 markets tracked by Cushman & Wakefield, 44 saw their vacancy rates increase from the third quarter to the fourth quarter—the largest number of markets posting vacancy rate increases since 2010. The major market with the lowest vacancy rate was San Francisco, California at 5.4%. Other low vacancy markets include: Puget Sound, Washington (5.5%), Inland Empire, California (7.2%), San Mateo County, California (7.8%), Raleigh/Durham, North Carolina (8.2%) and Sacramento, California (8.3%).

Despite the increase in new construction completions, the amount of space under construction in the U.S. continued to rise. At the end of 2019, 130.0 msf was under construction in the U.S., up from 114.2 msf at the end of 2018. That is the highest volume in the current cycle, representing 2.4% of the total inventory of the U.S..

Rents Continue to Rise: Low vacancy rates continued to exert upward pressure on rents. Average asking rents rose again to a record high of US$33.14 per square foot (psf) in 2019—a 5.1% increase from a year ago. Since early 2011, the national average asking rent has increased 34.5%. Compared to a year ago rents in 73 markets have increased. Only 12 saw a decline in rents (rental rates in two markets were unchanged).

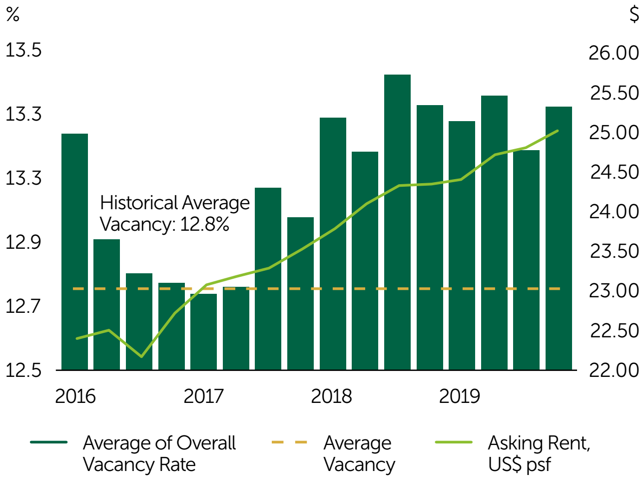
Capitalisation Rates Hold Steady: The volume of office building sales increased for the second consecutive year and remains at historically strong levels. Capitalisation rates, which generally trended downward since 2010, have stabilised over the past four years.

U.S. Office Market Outlook

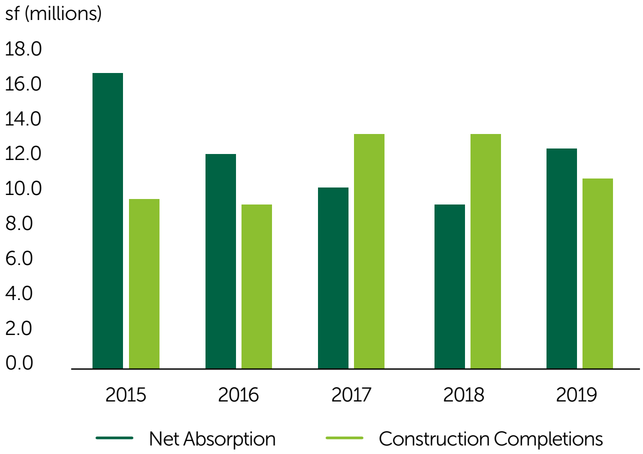
The technology sector dominated leasing in 2019 and there is no reason to expect a change in 2020. Furthermore, if employment in office-using sectors continues to rise, demand for office space will increase and should absorb the new space currently under construction. While demand and supply can vary from one quarter to the next, the overall trend in vacancy is most likely to remain stable.

Local Markets

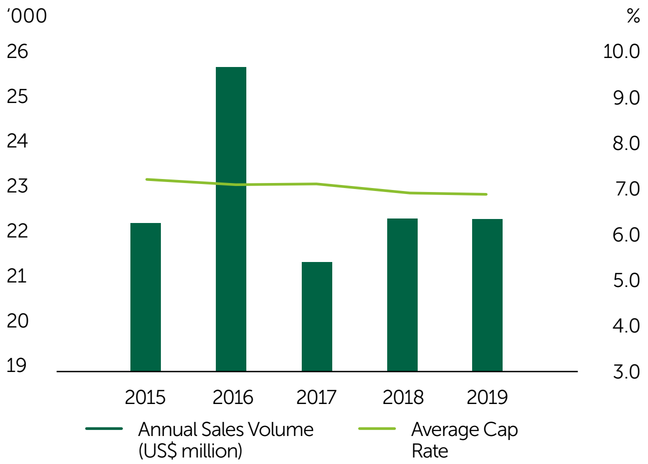
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Ten markets are reviewed within this report:

- Oakland, California
- Salt Lake City, Utah
- Denver, Colorado
- St Louis, Missouri
- Dallas, Texas
- San Antonio, Texas
- Philadelphia, Pennsylvania
- Suburban Maryland
- Suburban Virginia
- Atlanta, Georgia

The tables presented on this page represent combined market statistics for these ten markets, depicting general trends over these markets.

Overall, the net absorption across the ten markets increased year-over-year (YoY) from 2018 to 2019, with net absorption of 12.5 msf for 2019, a 34% increase from the 9.3 msf absorbed in 2018. Nine of the ten markets experienced positive net absorption for 2019, with Philadelphia significantly negative. Strong absorption has continued to push rental rates upward.

Office construction activity is high across the ten markets, with 10.8 msf under construction at the end of 2019, down slightly from 13.3 msf at the end of 2018.

While recent increases in new construction led to some softening in occupancy levels in 2018, vacancy recovered in 2019 as a result of strong absorption. Vacancy rates for the ten markets averaged 13.3% at the end of 2019, above the four-year average of 12.8% and up from the 13.2% average recorded for the fourth quarter of 2018.

Investment sales of office buildings remained relatively stable over the past five years after trending sharply upward for the previous five-year period. Annual office investment sales in these ten markets have fluctuated between US$21.0 billion and US$26.0 billion since 2015, with 2019 at the lower end of this range. Capitalisation rates continued their gradual downward trend in 2019, ending the year at approximately 6.9%.

Office Market Indicators	US	San Francisco-Oakland MSA	Salt Lake City, Utah	Denver, Colorado	St Louis, Missouri	Dallas, Texas	San Antonio, Texas	Philadelphia, Pennsylvania	Suburban Maryland	Suburban Virginia	Atlanta, Georgia
Vacancy Rate											
Q4 2018	13.1%	12.1%	11.8%	15.2%	12.2%	19.2%	8.9%	13.6%	18.4%	20.3%	16.2%
Q4 2019	13.0%	13.1%	9.7%	14.5%	12.2%	18.5%	9.2%	15.5%	18.6%	18.4%	17.9%
12-Month Forecast	▲	▼	▼	▼	—	▼	▲	▲	▲	▼	▲
YTD Net Absorption (sf)											
Q4 2018	20.0m	-467k	1,285k	2,043k	233k	1,475k	468k	856k	404k	1,203k	1,066k
Q4 2019	14.1m	480k	774k	930k	54k	3,348k	922k	-1,905k	248k	2,234k	4,519k
12-Month Forecast	▼	▲	▼	▼	▼	▲	▲	▲	▼	▲	▲
Under Construction (sf)											
Q4 2018	114.2m	2,015k	708k	2,100k	1,413k	3,041k	2,014k	1,485k	2,202k	2,100k	3,500k
Q4 2019	130.0m	1,446k	3,029k	1,717k	1,846k	3,517k	2,014k	1,085k	2,245k	2,655k	5,808k
12-Month Forecast	▲	▲	▼	▲	▲	▼	—	▲	▼	▼	▼
Average Asking Rent											
Q4 2018	US$31.07	US$37.56	US$24.31	US$28.21	US$19.38	US$26.39	US$20.80	US$26.34	US$27.62	US$32.75	US$26.67
Q4 2019	US$32.65	US$40.68	US$24.43	US$28.62	US$20.62	US$26.87	US$21.14	US$26.97	US$27.49	US$33.57	US$27.19
12-Month Forecast	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲

INDEPENDENT
MARKET REPORT

Oakland (East Bay), California

Economic Indicators

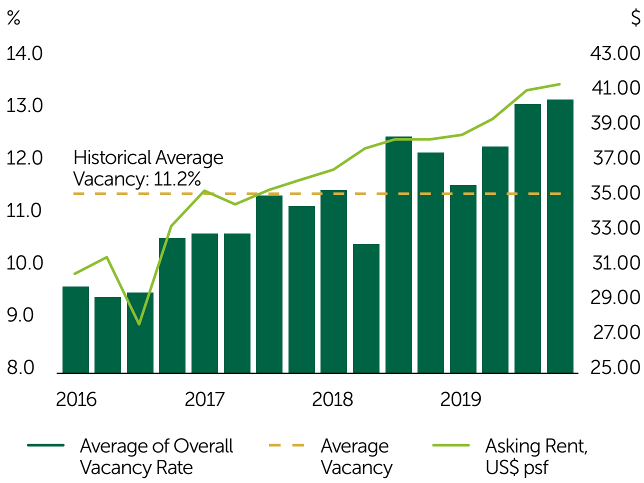
	Q4 18	Q4 19	12-Month Forecast
San Francisco-Oakland MSA Employment	2,538k	2,560k	▲
San Francisco-Oakland MSA Unemployment	2.6%	2.4%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

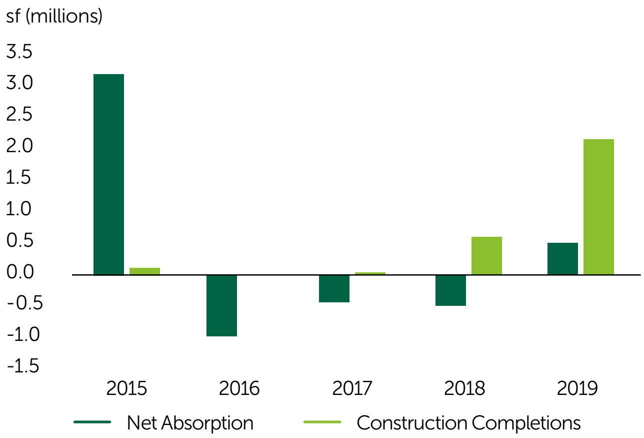
	Q4 18	Q4 19	12-Month Forecast
Vacancy	12.1%	13.1%	▼
YTD Net Absorption (sf)	-467k	480k	▲
Under Construction (sf)	2,015k	1,446k	▲
Average Asking Rent*	US$37.56	US$40.68	▲

* Rental rates reflect gross asking US$psf/year

Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales

Source: Real Capital Analytics

Local Economy

The Oakland Market, recorded positive job growth with nearly 22,000 jobs (+1.8%) added YoY, bringing regional employment to just over 1.21 million. This growth corresponded with the unemployment rate declining 20 bps to 2.8%, comfortably below the national average of 3.6%. In recent years, Oakland has evolved into the cultural heart of the East Bay. With a centralised Bay Area location regarding public transportation hubs, housing demand has skyrocketed in Oakland as well as the East Bay at large. To pick up the slack between supply and demand, 1,441 apartment units have been delivered since 2017, while an additional 5,241 units are under construction and 2,168 proposed.

Office Market Trends

The vacancy rate in the East Bay Oakland office market was 13.1% at the end of the quarter, 100 bps higher than 2018. The delivery of 601 City Center drove a significant portion of this increase with 300,000 sf currently available in the project. Despite the increase, there are now six times as many CBD listings over 20,000 sf than at this time last year, giving larger tenants in the market flexibility in their space needs.

Rents continued to ascend in the fourth quarter, representing a strong increase YoY. The increase was particularly pronounced in the Lake Merritt CBD submarket, mainly due to the Square sublease. At an asking rate of US$86.04 psf, this space represents the new high watermark for asking rents across the market by a comfortable margin. Growth in the past several years has been driven by record breaking sale prices in the CBD, forcing the underwriting of higher rents, while deliveries of modern speculative product have driven the rise specifically in the last 12 months. Rents are expected to continue rising in 2020, though with no major completions on the horizon, growth will be at a more measured clip than seen in the past several years.

The fourth quarter marked the fifth consecutive quarter of occupancy growth in the East Bay Oakland market, with net absorption totaling positive 480,022 sf for the year. Growth in 2019 was driven by preleasing activity at 601 City Center and Uptown Station, while the delivery of 1100 Broadway—preleased to Credit Karma and UC Office of the President and slated for April 2020 delivery—will help continue the rally into 2020.

Outlook

The close of 2019 marks three consecutive years of occupancy growth. Net absorption is expected to continue this rally in 2020 as 1100 Broadway delivers preleased and other large blocks of vacant space are occupied.

The life science market dominated headlines in 2019. Zymergen acquired 285,000 sf in Emeryville, while Abbott Diabetes Care (buyer of former the VF Outdoors campus) and Penumbra (who acquired a 135,000 sf build-to-suit) continue to expand in Alameda. With a growing number of life science and medical requirements tracked in the market, activity in this sector is expected to heat up in 2020.

Salt Lake City, Utah

Economic Indicators

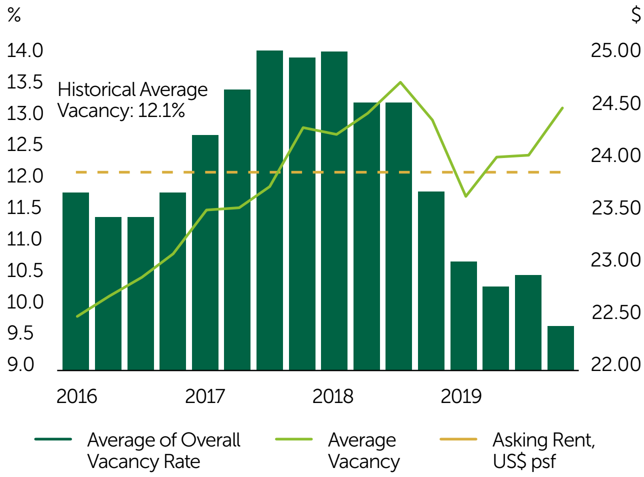
	Q4 18	Q4 19	12-Month Forecast
Salt Lake City MSA Employment	636k	655k	▲
Salt Lake City MSA Unemployment	3.1%	2.3%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

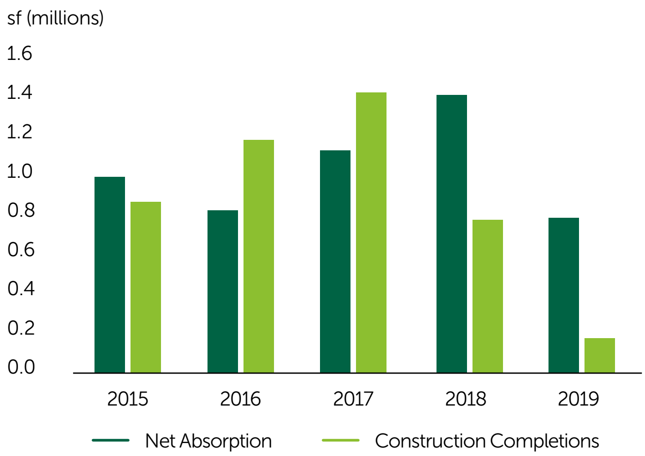
	Q4 18	Q4 19	12-Month Forecast
Vacancy	11.8%	9.7%	▼
YTD Net Absorption (sf)	1,285k	774k	▼
Under Construction (sf)	708k	3,029k	▼
Average Asking Rent*	US$24.31	US$24.43	▲

* Rental rates reflect gross asking US$psf/year

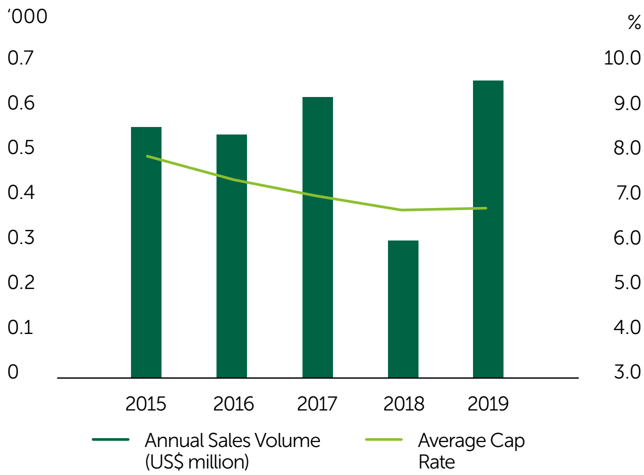
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT
MARKET REPORT

Local Economy

The Salt Lake City economy continued to outperform the national economy across multiple key indicators through Q4 2019. Salt Lake City's unemployment rate remains one of the lowest in the country at 2.3%, 120 bps below the national average of 3.5%. Job growth has also continued at an incredible pace as Salt Lake City added 19,000 new jobs since Q4 of 2018, a growth rate of 3.0 %.

Office Market Trends

The Salt Lake City office market closed out the decade on a healthy note after a sluggish start during first half of this year. Leasing activity year-to-date (YTD) totaled 2.5 msf, on-par with previous years. Overall office vacancy reached a near 10-year low, dropping 210 bps year-over-year (YoY) to 9.7%, further spotlighting the continued demand for office space throughout the valley. Net absorption also rebounded in the fourth quarter, recording 309,300 sf for the quarter, bringing our YTD total to 773,800 sf. Although net absorption is down year-over-year, it does not signify a decline in market demand or oversupply, but rather, an off year in construction deliveries resulting in a lack of new Class A product throughout Salt Lake County as the market saw only 170,239 sf of new construction get delivered in 2019. Over the past two years, the Salt Lake City office market has reported record absorption numbers, closing out both 2017 and 2018 with over 1.0 msf of annual net absorption, a mark that has only been achieved three times in the history of the market. The bulk of that positive absorption was due to construction deliveries of 1.4 msf in 2017 at 63% preleased and 756,000 sf in 2018 at 74% preleased. As the Salt Lake City office market looks to bounce back after this year's construction slump, 2020 looks primed to do just that. There is nearly 3.1 msf of office product currently under construction with at least 2.3 msf slated to be delivered in 2020 at a current prelease rate of 45%.

Overall average asking rates for the Salt Lake City office market ticked up 1.0% YoY to US$24.43 psf with direct average asking rates also increasing slightly to US$24.86 psf. Class A product saw the largest increase in direct rental rates of 1.2%, asking an average of US$30.89 psf with Class B and C product asking an average of US$24.42 psf and US$18.01 psf, respectively. Although rental rate growth seemed to slow in comparison to previous years, it is important to note that there was no new product delivered in 2019 that would drive up average rates in the market. Also, as companies continue to lease up top shelf space at market rate premiums, the average asking rate for the market will decline.

Investment sales volume was up in the past 12 months, with Real Capital Analytics reporting total office investment volume of nearly US$2.5 billion, up from US$1.3 billion in 2018. Capitalisation rates continued a long-term downward trend, averaging 6.65% over the 12 months ending with the fourth quarter of 2019.

Outlook

With stable economics, the Salt Lake City Office Market is poised to continue to outperform many western office markets. Salt Lake City should continue to grow its occupancy base over the next four quarters and vacancy should remain stable into 2020. Rental rate growth will continue at a moderate rate and new speculative construction is expected to slow.

Denver, Colorado

Economic Indicators

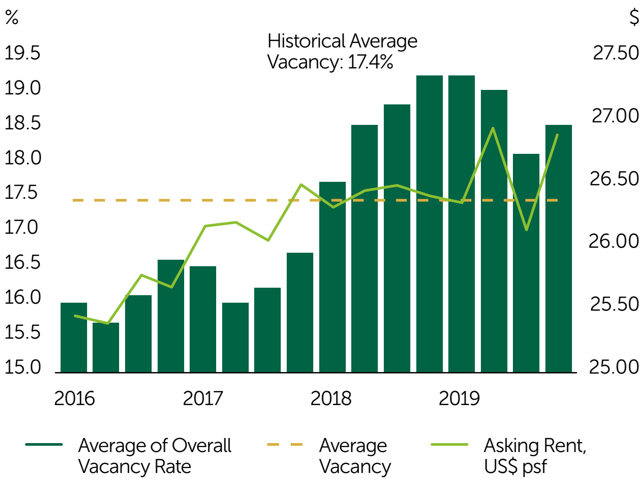
	Q4 18	Q4 19	12-Month Forecast
Denver MSA Employment	1,602k	1,644k	▲
Denver MSA Employment	3.5%	2.5%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

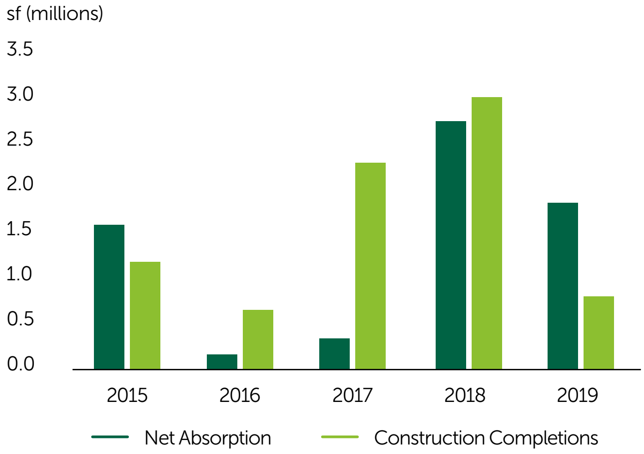
	Q4 18	Q4 19	12-Month Forecast
Vacancy	15.2%	14.5%	▼
YTD Net Absorption (sf)	2,043k	930k	▼
Under Construction (sf)	2,100k	1,717k	▼
Average Asking Rent*	US$28.21	US$28.62	▲

* Rental rates reflect gross asking US$psf/year

Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales

Source: Real Capital Analytics

Local Economy

Denver's economy closed out 2019 with strengthening economic fundamentals, recording an approximate 2.3% YoY increase in non-farm employment. In turn, Denver's unemployment rate decreased 100 bps YoY to 2.5%, representing one of the lowest large-metro unemployment rates in the nation. Denver continues to benefit from the evolving industry diversity that has been largely influenced by the tech industry's robust growth over the past 24 months. Denver's momentum should continue throughout 2020, albeit at a slower pace, as signs of a slowing national and local economy continue.

Office Market Trends

Overall vacancy recorded a 70 bps decrease YoY, decreasing to 14.5% to close out the year. This decrease is largely attributed to the CBD and the Southeast Suburban (SES) submarkets, which had large move-ins by SunRun, Lockheed Martin and WeWork occur during the fourth quarter 2019. Class A product continues to see the bulk of tenant activity as occupiers continue to view their real estate as an employee recruitment and retention tool.

Net absorption recorded its strongest quarter of the year with approximately 509,200 sf of net absorption metro-wide in the fourth quarter, bringing the year-end total to 1.8 msf metro-wide for 2019. This remains well below the over 2.7 msf absorbed during 2018, but is higher than the prior three-year average of approximately 0.7 msf. The local organic tech expansion, coupled with the tech exodus out of California will account for most metro absorption in 2020.

Gross rental rates ended the year at US$28.62 psf, up 2.1% YoY from US$27.99 psf in 2018. This represents a slowing of rent growth compared to the 4.2% average increase realised in the prior three years.

Vacancy in the Northwest submarket average 15.3% at year end, 120 bps above the metropolitan area average. Average rental rates were toward the low end of the range for the Denver market, averaging US$26.46 psf.

Currently there are 10 developments under construction for approximately 1.7 msf of new office product, all of which are set to deliver during 2020, except for McGregor Square (210,900 sf), which is set to deliver mid-2021. Collectively these buildings are roughly 26% preleased, which is expected to increase as these buildings near completion.

Investment sales volume was up slow in the past 12 months, with Real Capital Analytics reporting total office investment volume of nearly US$2.35 billion, down from US$3.06 billion in 2018. Capitalisation rates continued a long-term downward trend, averaging 6.2% over the 12 months ending with the fourth quarter of 2019.

Outlook

As more companies continue to grow, coupled with the entrance of West Coast technology companies into the metro market, Denver should continue to grow its occupancy base over the next four quarters and vacancy should remain stable into 2020. Very good availability combined with competitive rental rates should shift more 2020 leasing activity to suburban markets. Rental rate growth will continue at a moderate rate and new speculative construction is expected to slow.

INDEPENDENT MARKET REPORT

St Louis, Missouri

Economic Indicators

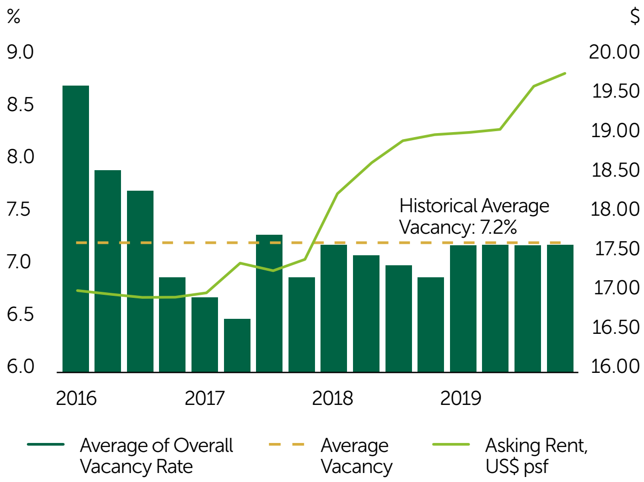
	Q4 18	Q4 19	12-Month Forecast
St Louis MSA Employment	1,411k	1,448k	▲
St Louis MSA Employment	3.4%	3.2%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

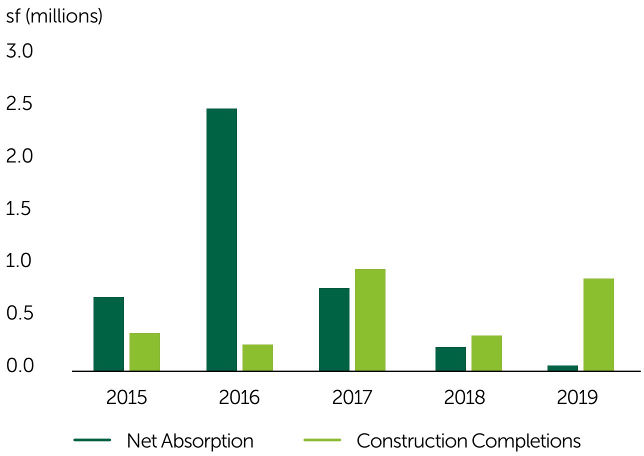
	Q4 18	Q4 19	12-Month Forecast
Vacancy	12.2%	12.2%	—
YTD Net Absorption (sf)	233k	54k	▼
Under Construction (sf)	1,413k	1,846k	▲
Average Asking Rent*	US$19.38	US$20.62	▲

* Rental rates reflect gross asking US$psf/year

Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales

Source: Real Capital Analytics

Local Economy

St. Louis continues to track robust economic growth, adding 38,000 jobs to the local economy and maintaining an unemployment rate of 3.2%, the lowest in recorded history and 30 bps lower than the current national average. Of local industry growth, office-using employment accounted for 22.2%, or 3,900 jobs, of the total jobs generated over the course of 2019. With continued economic growth expected, unemployment rates should remain below the 4.0%-mark for the foreseeable future.

Office Market Trends

Demand for high-end space in St. Louis continues to drive development activity as the market experienced the highest level of annual completions of the decade with almost 900,000 sf of new office space delivered. Leasing kept pace with new deliveries as the absorption for the year totaled roughly 54,000 sf. Of this activity, development was generally concentrated in submarkets with the strongest demand for Class A space. Clayton, for example, recorded the delivery of Centene's 605,000 sf Class A tower, which delivered fully leased.

Asking rates continued their upward trajectory in 2019 with Class A rents reaching US$20.62 psf, a 6.4% increase from year end 2018. Most of this increase was attributable to Clayton, which once again proved why it remains the premier office market in St. Louis as demand for quality space pushed Class A asking rates up 7.8% year-over-year to US$32.56 psf. At the same time, Clayton tracked the delivery of the fully leased Centene Plaza Building C, which added over 600,000 sf to the market and became the largest delivery in St. Louis since the original Centene Plaza delivery in 2010. Despite this, an imbalance between occupier demand and the supply of quality space remains, and the expectation is that landlords will maintain leverage over asking rates and will look for opportunities to make improvements allowing older Class A inventory to be more competitive with newly delivered spaces across the market.

After decreasing in 2018, the volume of office investment sales increased in 2019, with Real Capital Analytics reporting sales for the past 12 months of just over US$940 million. Annual sales have ranged between US$435 and US$940 million since 2015. Continued compression of capitalisation rates was evident, with an average rate of 7.57% for the past 12 months.

Outlook

Look for increased volume of speculative development proposals aiming to benefit from office market and industry successes in and around Ballpark Village, the Cortex Innovation District, Clayton and Chesterfield.

Qualified Opportunity Zones, a new federal initiative that provides a tax advantage to investors who invest capital gains into historically disinvested areas, could stimulate additional redevelopment activity in the City. One of the first projects to tap into QOZ funding will be the redevelopment of the Globe Democrat building, the home of Square's recently announced expansion in St. Louis. The project is expected cost around US$60 million.

Dallas, Texas

Economic Indicators

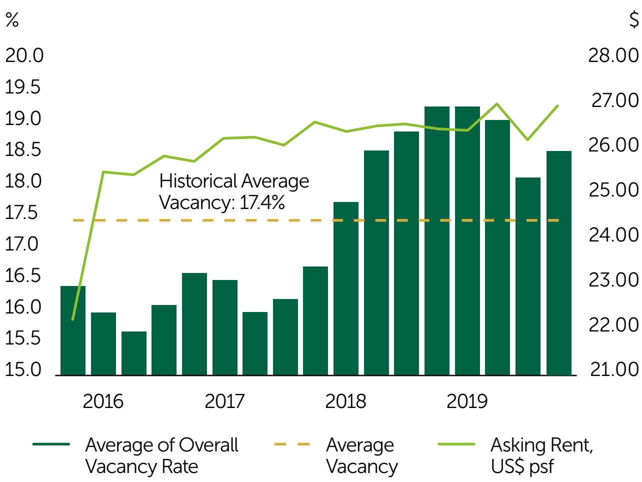
	Q4 18	Q4 19	12-Month Forecast
Dallas-Ft Worth MSA Employment	3,793k	3,901k	▲
Dallas-Ft Worth MSA Unemployment	3.4%	3.1%	▲
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

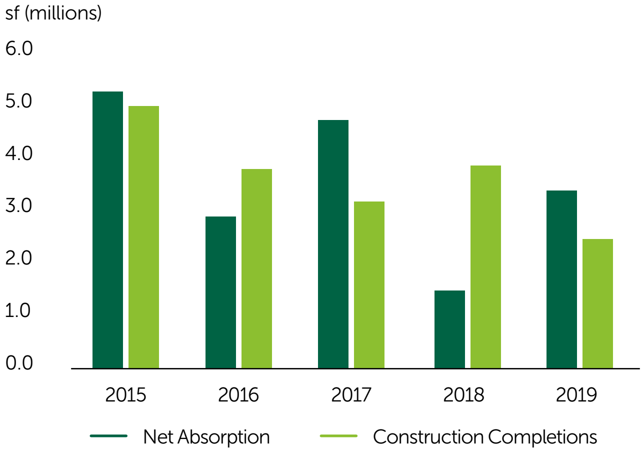
	Q4 18	Q4 19	12-Month Forecast
Vacancy	19.2%	18.5%	▼
YTD Net Absorption (sf)	1,475k	3,348k	▲
Under Construction (sf)	3,041k	3,517k	▼
Average Asking Rent*	US$26.39	US$26.87	▲

* Rental rates reflect gross asking US$psf/year

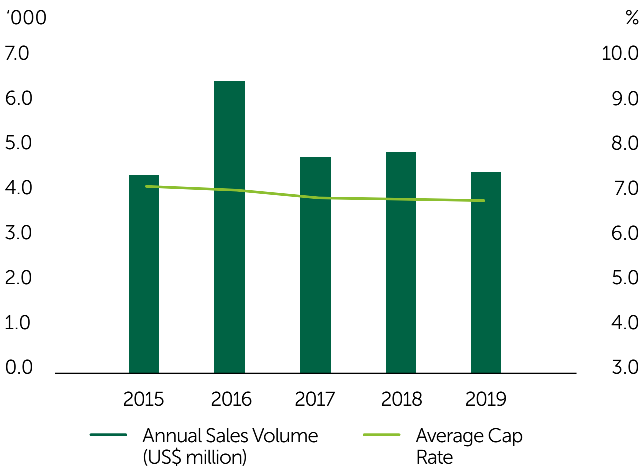
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT MARKET REPORT

Local Economy

The Dallas-Fort Worth (DFW) economy continued to thrive with strong population and employment growth. The region's population increased by 130,800 people YoY, equating to an average of 360 new residents per day. As of December 2019, the population reached a new high of 7.7 million residents while employment grew by 108,000 over the past year.

Per Moody's Analytics, office-using jobs accounted for 32% of the new positions added. With solid increases in employment over the past year, the unemployment rate declined by 30 bps to 3.1% and remained below the national unemployment rate.

Office Market Trends

The DFW office market maintained positive momentum through the end of December with signs of market activity leveling out. The year closed with almost 2.5 msf of new product delivered.

Currently there are 3.5 msf in the pipeline to be completed over the next 12 to 24 months. With less than half of under construction inventory reported as vacant, projects continued to be delivered preleased as occupiers pursue a flight to quality. In turn, this will continue to offset tenant move-outs from third-generation spaces.

The DFW office market continued its trajectory of positive occupancy growth and absorbed over 3.3 msf in 2019, including 806,000 sf in fourth quarter.

Vacancy ended the year at 18.5%, down 70 bps YoY. Due to much of new projects being delivered being Class A inventory, Class A space held the highest overall vacancy at 19.8%, while Class B and C trailed at 17.2% and 11.3%, respectively. Submarkets with the lowest overall vacancy rates included West Fort Worth (2.7%), South Fort Worth (7.9%), and Lewisville/Carrollton (10.8%).

Overall rental rates increased by 1.8% YoY to US$26.87 psf on an annual full-service basis. The Uptown/Turtle Creek submarket remained the leader with the highest overall average asking rates in DFW with rents at US$47.24. Preston Center followed at US$39.40 and Legacy/Frisco at US$34.25. As expected, Class A registered the highest average asking rate at US$30.84 psf, while Class B and C reported more economical rates of US$20.53 and US$16.68, respectively.

After peaking at US$6.4 billion in 2018, investment sales volume declined to about US$4.4 billion for 2019. While this is the lowest annual total since 2015, it is higher than any annual total prior to 2015. Capitalisation rates continued to compress, averaging 6.7% in 2019.

Outlook

Dallas' office market fundamentals remain positive, with record rent levels, positive absorption, and strong levels of leasing activity in most submarkets. Rental rate growth is expected to decelerate after double digit growth over the last five years in most submarkets, but the diverse local economy is among the leaders in the nation, and it has shown no signs of slowing. Thus, the Dallas office market is expected to continue to trend positively over the short- and long-term.

San Antonio, Texas

Economic Indicators

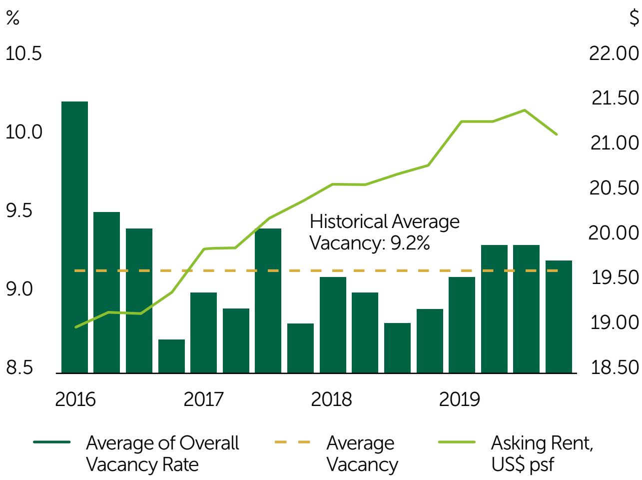
	Q4 18	Q4 19	12-Month Forecast
San Antonio MSA Employment	1,156k	1,184k	▲
San Antonio MSA Employment	3.3%	3.0%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

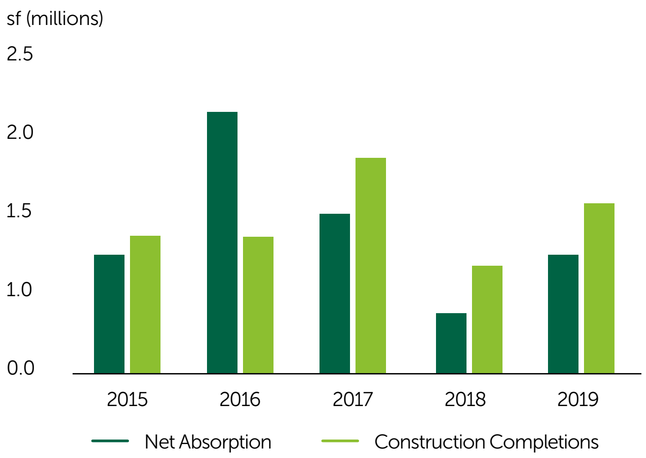
	Q4 18	Q4 19	12-Month Forecast
Vacancy	8.9%	9.2%	▲
YTD Net Absorption (sf)	468k	922k	▲
Under Construction (sf)	2,014k	2,014k	▬
Average Asking Rent*	US$20.80	US$21.14	▲

* Rental rates reflect gross asking US$psf/year

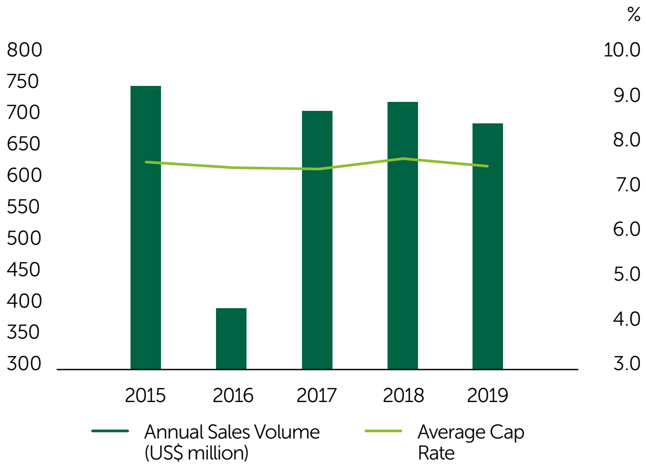
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

The San Antonio economy continued to thrive with strong population and employment growth. The region's population increased by 28,000 people YoY, equating to an average of 76 new residents per day. As of December 2019, the population reached a new high of 2.52 million residents.

Per Moody's Analytics, office-using jobs accounted for 29% of the new positions added. With solid increases in employment over the past year, the unemployment rate declined by 30 bps to 3.0% and remained below the national unemployment rate.

Office Market Trends

San Antonio's office market is healthy, though the cycle's performance remains rather unremarkable. San Antonio's economy is driven primarily by defense, tourism, and healthcare—all light office-using sectors—as well as the energy and office support services sectors. Construction remains an ever-present risk - about 1.0 msf delivers on average in each year (about 2.0 msf is underway as of January), and continues to stall the recovery. San Antonio has broadly outperformed the national benchmark through much of the cycle, owing to strong local business sentiment.

San Antonio's vacancy has vacillated between 9%-11% since 2008. Without consistent improvement, there hasn't been much momentum for fundamentals, although job growth has been centered in the professional and business services sector, which typically translates to office demand, meaning occupancy tightening may be coming. Long-run demand drivers are positive because San Antonio's low business costs make it an ideal metro for back-office operations and it's situated to become a cyber security hub.

San Antonio's rent growth has been strong by historical standards. In most previous cycles, the ease of construction often sapped the ability from landlords to push rents, but the broader economic recovery, along with the strong leasing in high-end properties, has allowed rent growth to top 3% every year since 2014. Over the last decade, rent growth has averaged only 2.2% annually - landlords are certainly enjoying San Antonio's strong growth. Ordinarily, outsized rent growth would prompt a heavy wave of speculative construction, but it's stayed in check so far this cycle. As the broader U.S. economy slows, San Antonio should outperform, though expecting 4% rent growth year after year may be a bit too bullish moving forward.

After peaking at US$743 million in 2015, investment sales volume declined to about US$686 million for 2019. San Antonio is a smaller office market lacking the liquidity of the other major Texas metros. The market is consistent, however, with sales volume totalling about US$700 million in a typical year.

Outlook

San Antonio office market fundamentals remain positive, with record rent levels, positive absorption, and strong levels of leasing activity in most submarkets. Rental rate growth is expected to decelerate after steady growth over the last five years in most submarkets. Thus, the San Antonio office market is expected to continue to trend positively over the short- and long-term.

INDEPENDENT
MARKET REPORT

Philadelphia, Pennsylvania

Economic Indicators

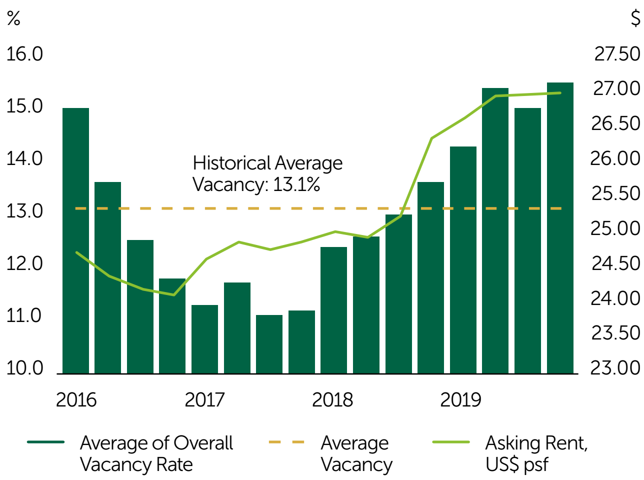
	Q4 18	Q4 19	12-Month Forecast
Philadelphia MSA Employment	2,966k	3,025k	▲
Philadelphia MSA Unemployment	3.3%	3.0%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

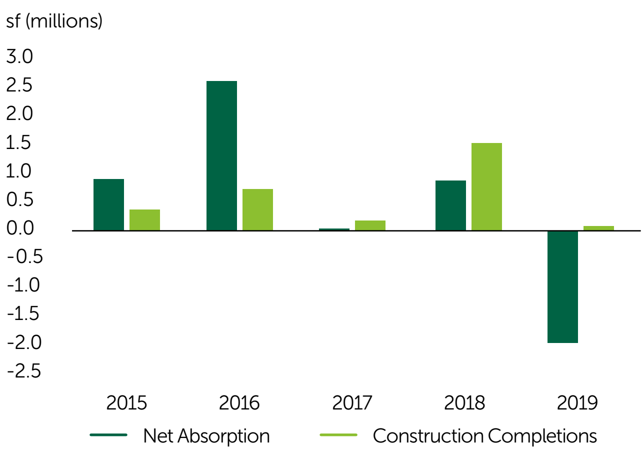
	Q4 18	Q4 19	12-Month Forecast
Vacancy	13.6%	15.5%	▲
YTD Net Absorption (sf)	856k	-1,905k	▲
Under Construction (sf)	1,485k	1,085k	▲
Average Asking Rent*	US$26.34	US$26.97	▲

* Rental rates reflect gross asking US$psf/year

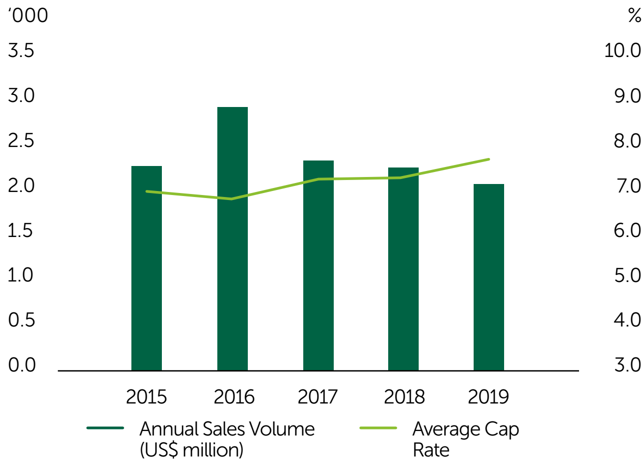
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

The Philadelphia economy continued to post strong employment figures in the fourth quarter of 2019, adding 59,000 jobs over the past 12 months, representing a 2.0% increase. This growth was driven by professional and business services, education and healthcare services and leisure and hospitality sectors, each of which, respectively, represented 31.1%, 25.9% and 17.7% of the jobs added during this period. The unemployment rate for the region fell by 30 bps to 3.0% in the fourth quarter, while the national unemployment rate was 3.5%.

Office Market Trends

New leasing activity in the Philadelphia suburbs at year end 2019 was just under 3.2 msf. Hamilton Lane signed a 130,000 sf build-to-suit lease at Seven Tower Bridge in Conshohocken. The construction of the 260,000 sf, 14-story office building began in November and is scheduled to be completed in the winter of 2020. In Plymouth Meeting, PayPal signed a 102,331 sf lease at Metroplex One.

Overall absorption for 2019 was -1.9 msf. The negative absorption was driven primarily by a 203,000 sf move-out of Toll Brothers at 250 Gibraltar Road in Horsham, PA. The home construction company relocated about 900 employees into new, smaller corporate headquarters at 1100 Virginia Drive in Fort Washington, PA. Fourth quarter negative absorption pushed overall vacancy rate to 15.5%, up 190 bps from year end 2018.

Asking rental rates for all classes ended the fourth quarter 2019 at US$26.97 psf, a 2.4% increase year-over-year. This rise in asking rates was driven by Class A rents, which have climbed by around 12.8% over the past five years to US$28.97 psf. Class B rents also had a strong five-year increase, up by more than 6.9% to US$23.55 psf. Expect this trend to continue in 2020, as tenants are willing to pay more for premium space near mass-transit accessible locations with modern building amenities.

Real Capital Analytics estimated investment sales volume at approximately US$2.05 billion for the past 12 months, down only slightly from US$2.24 billion in 2018. While down from US$2.90 billion in 2016, sales volumes in 2018 and 2019 were in line with levels achieved in 2013 through 2015 and well above the levels of 2008 through 2012. Capitalisation rates continued a slight upward trend, averaging approximately 7.7% for the year.

Outlook

The economy in the Philadelphia metro continues to support growth in the office sector. While gains in the office market slowed in 2019, market fundamentals remain solid. The lack of space currently in the market and the long lead times it takes for new office construction means that Philadelphia will remain a landlord's market for the foreseeable future, and tenant demand is expected to remain high for office product which will keep vacancy tight and push rental rates higher.

Suburban Maryland

Economic Indicators

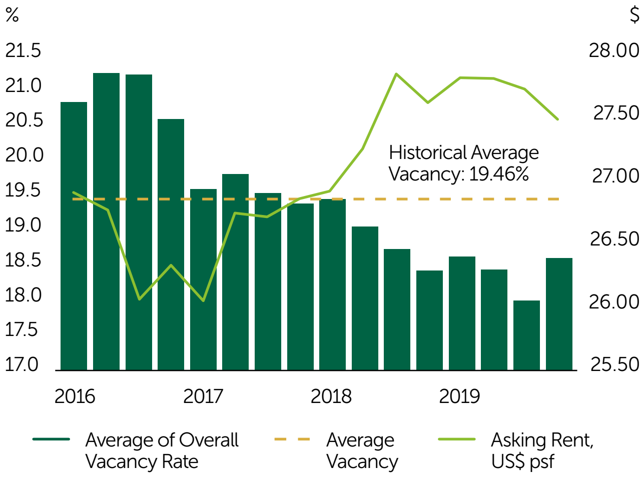
	Q4 18	Q4 19	12-Month Forecast
Suburban Maryland MSA Employment	1,439k	1,488k	▲
Suburban Maryland MSA Employment	3.8%	3.5%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

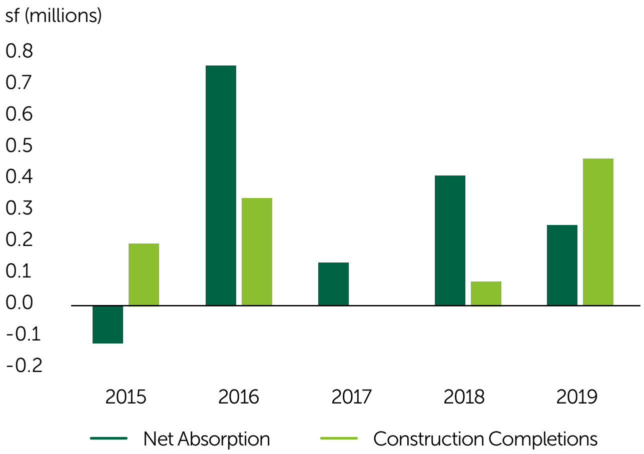
	Q4 18	Q4 19	12-Month Forecast
Vacancy	18.4%	18.6%	▲
YTD Net Absorption (sf)	404k	248k	▼
Under Construction (sf)	2,202k	2,245k	▼
Average Asking Rent*	US$27.62	US$27.49	▲

* Rental rates reflect gross asking US$psf/year

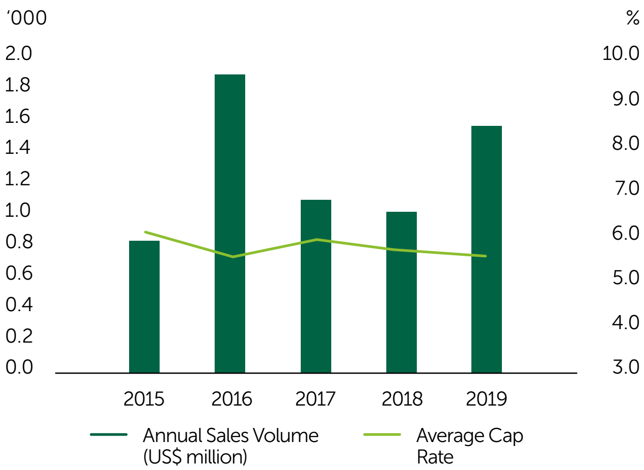
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT MARKET REPORT

Local Economy

The Suburban Maryland market is buoyed by increased employment, decreasing unemployment, the education and health services sectors contributing significantly to job creation and although contracting slightly, the strength of Federal Government employment. Financial services, mining, logging and construction also experienced net losses in jobs over the past year.

Office Market Trends

Overall vacancy in Suburban Maryland in the fourth quarter is 18.6%, which is 50 bps below the historical vacancy in the market. JBG Smith's trophy development at 4747 Bethesda Avenue delivered this quarter. The 291,414 sf building is just over 93% leased, therefore avoiding a vacancy rate spike. There is over 2.2 msf currently under construction with 65% centered in the Bethesda/Chevy Chase submarket, which includes the Marriott headquarters at 7750 Wisconsin Avenue. As Suburban Maryland continues to attract new tenants, new supply must maintain a growing pace to satiate a market with a desire for high quality space.

Congressional Bank captured the largest lease of the quarter, renewing for 37,551 sf at 4445 Willard Avenue in Chevy Chase. Peraton will join AGM University and Children's National Health System after signing a deal to occupy over 32,000 sf at 1 Inventa place. As this building continues to lease up, the Silver Spring submarket will return to normal vacancy levels, after increasing from 10.3% in Q1 19 to 17.4% in Q2 19 when Discovery vacated. In the fourth quarter, Silver Spring's vacancy has already decreased to 16%. Leasing activity for the fourth quarter was over 450,000 sf, a 6.3% increase year-over-year (YoY), bringing the 2019 total to over 2.1 msf.

Asking rents fell by 0.47% YoY, closing the quarter at US$27.49 psf. The high amount of space coming online and delivering soon bodes well for investor confidence in the market and attracts tenants to new, desirable space, resulting in the increases in rents. As trophy developments continue to push buildings to new standards, it has forced Class A owners to improve their buildings to stay competitive in the market.

Real Capital Analytics estimated investment sales volume at approximately US$1.55 billion for the past 12 months, up from US$1.01 billion in 2018. While down from US$2.87 billion in 2016, sales volumes in 2018 were up from with levels achieved in 2013 through 2015 and well above the levels of 2008 through 2012. Capitalisation rates continued a slight downward trend, averaging approximately 6.2% for the year.

Outlook

Suburban Maryland's continued economic growth can be seen throughout the office market fundamentals. The increasing willingness to invest large sums in the city's urban core, decreasing vacancy rates, high lease rates, along with the first trophy-grade building in southern Maryland delivered in 2019 (the JBG Smith's 4747 Bethesda Avenue building) combine to create a vibrant and dynamic office landscape. Optimism continues in 2020 as the lack of new speculative construction protects the market from exposure to oversupply.

Suburban Virginia

Economic Indicators

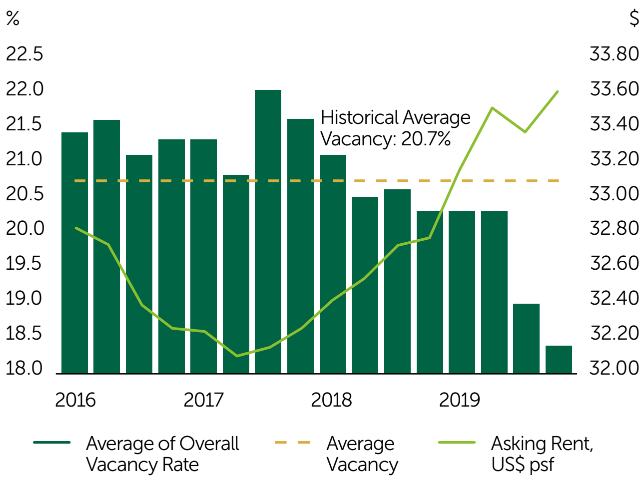
	Q4 18	Q4 19	12-Month Forecast
Suburban Virginia MSA Employment	820k	841k	▲
Suburban Virginia MSA Employment	3.1%	2.9%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

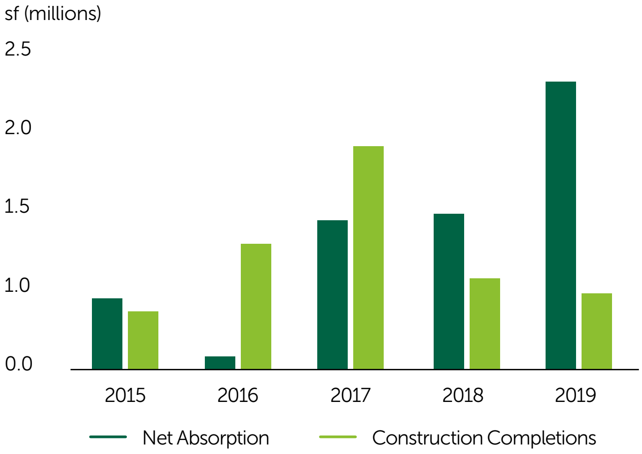
	Q4 18	Q4 19	12-Month Forecast
Vacancy	20.3%	18.4%	▼
YTD Net Absorption (sf)	1,203k	2,234k	▲
Under Construction (sf)	2,100k	2,655k	▼
Average Asking Rent*	US$32.75	US$33.57	▲

* Rental rates reflect gross asking US$psf/year

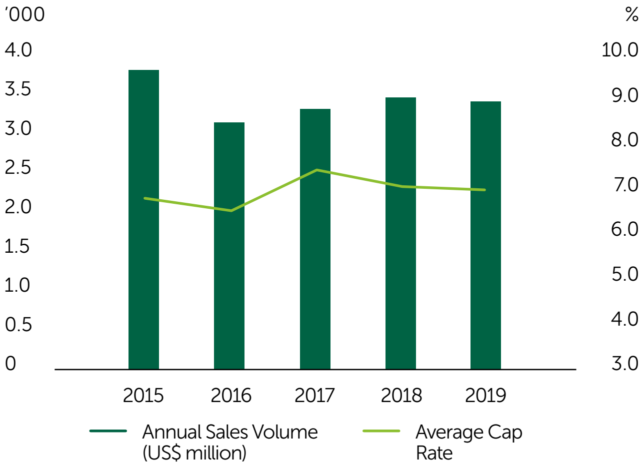
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

The suburban Virginia market has been strengthened by over 21,000 new jobs creased within 2019, with office-using sector accounting for 62% of the new job growth, the largest gain being in the professional and business sector which had over 2.0% growth from the prior year. Unemployment fell by 20 bps and is 60 bps lower than the U.S. Unemployment rate.

Office Market Trends

Overall vacancy in the Northern Virginia (NoVA) market is 18.4%, down 190 bps YoY. This is largely driven by the Ballston, Rosslyn and Crystal City submarkets. Currently, there is almost 2.7 msf of Class A product under construction in the market, a majority in Tysons Corner and along the Reston/Herndon Toll Road. As new Class A product delivers, leasing activity is expected to remain strong.

The largest lease of the quarter was a renewal signed by the GSA for 334,103 sf at 5107 Leesburg Pike in the I-395 submarket. ICF signed the largest new lease of the quarter for 208,000 sf at Reston Station (1902 Reston Metro Plaza) and will relocate from Vienna in the first quarter of 2022. Another significant new lease signed this quarter was by Neustar at Reston Station (1906 Reston Metro Plaza) for 100,000 sf and will move in second quarter of 2020 upon the building's delivery. Tenants signing large leases and relocating to the Reston/Herndon submarket shows high-demand to be on Toll Road where companies can get high quality space and upgraded amenities while having more transit options compared to other NoVA submarkets.

Asking rents rose US$0.82 YoY to close the fourth quarter at US$33.57 psf. Vacancy has dropped 190 bps YoY to close 2019 at 18.4% vacancy, continuing to allow landlords to push for higher asking rates. Thus, the NoVA submarket is a landlord-favored market. Tenants are demanding more high-quality product and amenities, so space will continue to become more competitive.

Real Capital Analytics estimated investment sales volume at approximately US$3.32 billion for the past 12 months, down from US$3.39 billion in 2018. The 2018 level was the highest since 2007 when the market recorded US$9.9 billion. Capitalisation rates continued a slight downward trend, averaging approximately 6.9% for the year.

Outlook

Suburban Virginia's continued economic growth can be seen throughout the office market fundamentals. The positive net absorption, significant amount of construction, increasing rental rates and decreasing vacancy rates combine to create a vibrant and dynamic office landscape. Optimism continues in 2020 as vacancy rates decrease as significant development occurs.

INDEPENDENT MARKET REPORT

Atlanta, Georgia

Economic Indicators

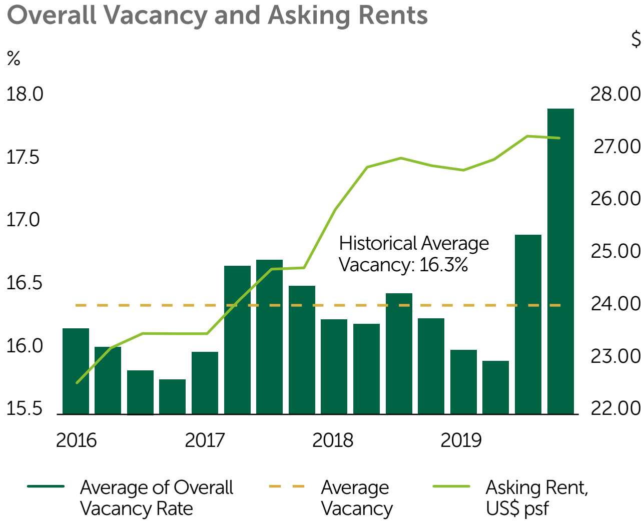
	Q4 18	Q4 19	12-Month Forecast
Atlanta MSA Employment	2,962k	3,004k	▲
Atlanta MSA Employment	3.6%	3.0%	▼
US Unemployment	3.9%	3.5%	▼

Office Market Indicators (Overall, All Classes)

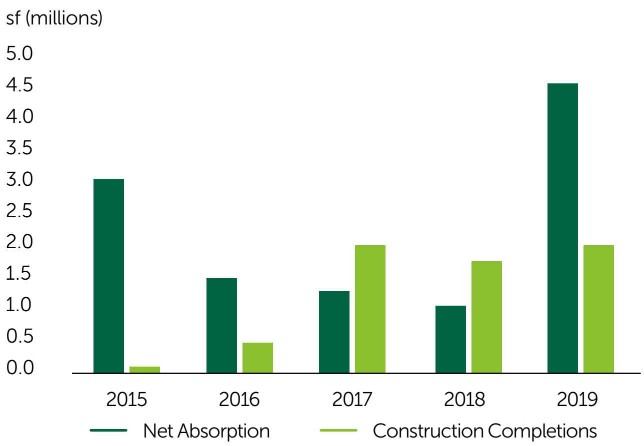
	Q4 18	Q4 19	12-Month Forecast
Vacancy	16.2%	17.9%	▲
YTD Net Absorption (sf)	1,066k	4,519k	▲
Under Construction (sf)	3,500k	5,808k	▼
Average Asking Rent*	US$26.67	US$27.19	▲

* Rental rates reflect gross asking US$psf/year

Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales

Source: Real Capital Analytics

Local Economy

Metro Atlanta's economy continued to improve throughout the fourth quarter of 2019. Employment trended higher at a growth rate of 1.4% as non-farm employment rose by 42,000 jobs YoY. Office-using industries experienced healthy annual job growth, with professional and business services as well as financial activities rising by 1.5% and 0.3% respectively. The Metro Atlanta unemployment rate decreased 60 bps YoY to 3.0%, below the national average. This marks the lowest unemployment recorded in Atlanta this expansion cycle.

Office Market Trends

More than 4.5 msf of positive net absorption was recorded across Metro Atlanta throughout 2019, the largest annual net gains in recent history. Absorption was almost equally distributed, with the CBD and suburban areas achieving totals of 2.2 msf and 2.3 msf of gains respectively.

Construction was completed on 15 projects in 2019, totaling 2.0 msf and providing 1.7 msf of speculative space to the market. In addition to build-to-suit facilities for Serta Simmons and others, robust leasing activity in speculative buildings before construction completion or shortly thereafter resulted in only 30.4% of the newly-delivered space remaining vacant by the close of the year.

Despite strong absorption, the combination of large space dispositions and speculative construction completions contributed to an increase in Atlanta's vacancy rate to a recent high of 17.9%, up 170 bps YoY. The CBD drove this increase, with vacancy climbing to 16.9% as large tenants shed long-expected blocks of space. Including those spaces disposed of over the past year, there are currently 26 vacancies in excess of 100,000 sf across Metro Atlanta. Large-block availabilities of this size comprise 29.2% of all vacant space in the CBD market, while they account for only 13.2% in the suburbs. Ample opportunities for tenants of all sizes exist within high-quality assets throughout the region, as 65.2% of available space is contained within the Class A inventory.

At US$27.19 psf gross, the direct average asking rental rate reached its highest year-end point this cycle, rising US$0.52 psf YoY. This increase was driven by a rise in higher-priced available space in the Class B inventory, which recorded a 4.4% rent increase since 2018. Meanwhile, the lease-up of premium space in Midtown caused a modest dip in the Metro Atlanta Class A average to US$30.26 psf.

Transaction volume for investment sales has trended downward over the past five years, with Real Capital Analytics estimating sales at nearly US$3.5 billion for 2019. Capitalisation rates were stable, averaging 7.0% in both 2018 and 2019.

Outlook

While new construction and tenant consolidations have pushed vacancy upward, economic and population growth in metro Atlanta shows no signs of slowing in the coming year. Developers are responding to the strong demand with a robust pipeline of 5.8 msf of office projects under construction. While this could result further increases in vacancy over the short term, job and population growth should maintain pace in Atlanta, fueling future demand and positioning the office market for another impressive year.

Use and Reliance

This Independent Market Review (IMR) was prepared and compiled by Cushman & Wakefield Western, Inc. and affiliates (Cushman & Wakefield). The content of this IMR is for information only and should not be relied upon as a substitute for professional advice. KBS US Prime Property Management Pte. Ltd. (as Manager of Prime US REIT) is the only identified Intended Users of the IMR. The IMR is to be used in connection with the publication of an annual report. C&W disclaims any and all liability to any party with regard to the IMR other than the Intended Users identified herein.

The information contained within this IMR is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

Methodology

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office markets. Generally, owner-occupied and federally-owned buildings are not included. Single tenant buildings and privately-owned buildings in which the federal government leases space are included. Older buildings unfit for occupancy or ones that require substantial renovation before tenancy are generally not included in the competitive inventory. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

INVESTOR RELATIONS

Timely and Transparent Disclosures

The Manager is committed to full disclosure of material information in a timely and transparent manner. All material updates are released via SGXNet, PRIME's corporate website www.primeusreit.com or through media releases, to provide the investment community with ease of accessibility to PRIME's latest information. The website is regularly updated, and members of the public can also subscribe to email alerts to receive PRIME's announcements promptly.

Proactive Investors Engagement

The Manager views ongoing investor engagement as a pivotal platform to deepen relationships with the investment community and provide greater understanding of PRIME's performance and growth strategies.

With a dedicated investor relations team, the Manager engaged in post-results group meetings, conference calls, one-on-one meetings, and non-deal roadshows and met over 170 institutional investors and fund managers in Asia since listing on 19 July 2019. The Manager held media and financial analyst briefings for senior management to provide updates on PRIME's latest developments and to address queries directly. At present, three brokers, MBKE, BAML and DBS have active research coverage on PRIME. PRIME continues to invest time and resources into engaging other non-covering brokers to enhance their understanding of the portfolio and better appreciate PRIME's investment proposition. The Manager also participates in offshore investor meetings and non-deal road shows in the region to raise awareness and diversify PRIME's investor base.


Analyst briefing at PRIME's office

To ensure Unitholders of PRIME fulfil their tax obligations, investor packs that contain information and relevant tax forms were dispatched to the Unitholders on a monthly basis from December 2019 to March 2020. The taxation information, with sample of form completion, is also available on PRIME's corporate website for ease of reference.

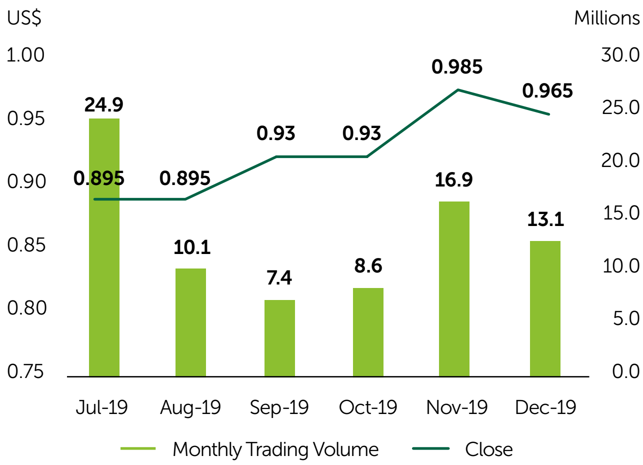
Milestone and Commitment

PRIME was included in the MSCI Singapore Small Cap Index as of the close of market trading on 26 November 2019. This marked an important milestone to raise PRIME's profile in global capital markets as well as to diversify investor base and enhance trading liquidity.

As a member of the REIT Association of Singapore (REITAS) and Investor Relations Professionals Association (Singapore) (IRPAS), the Manager strives to garner strong relations amongst investment community through continuous information and knowledge sharing.

Through regular communications with regulators, the Manager remains committed to uphold good corporate governance practice and transparency.

Monthly Trading Performance*
(19 July 2019 - 31 December 2019)



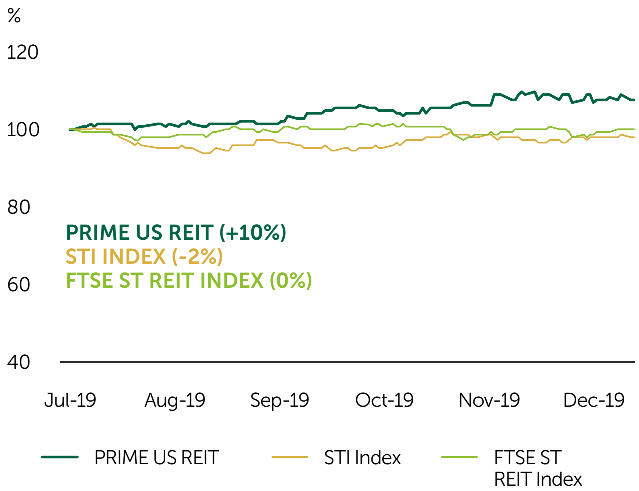
Unit Price Performance*	
Opening Price as at First Trading Day of the Year - 19 July 2019 (US$ per unit)	0.87
Closing Price as at Last Trading Day of the Year - 31 December 2019 (US$ per unit)	0.97
Highest closing price (US$ per unit)	0.99
Lowest closing price (US$ per unit)	0.88
Average closing price (US$ per unit)	0.93
Trading Volume (million units)	81.0
Number of Units in Issue as at 31 December 2019 (million units)	925.0
Market Capitalisation as at 31 December 2019 (US million)	892.6

*Source: Bloomberg and SGX

IR Calendar	
1Q2019	Pre-IPO investor roadshows in Singapore and Asia Analysts' properties visit in the U.S.
2Q2019	Pre-IPO investor roadshows in Singapore and Asia
3Q2019	Pre-IPO media and analyst briefings Listed on the SGX-ST Initiation coverage by MBKE and BAML
4Q2019	Maiden 3Q2019 Financial Results Initiation coverage by DBS Inclusion in MSCI Singapore Small Cap Index

PRIME IPO congratulatory banner

PRIME's Performance since IPO*
(19 July 2019 - 31 December 2019)



*Source: Bloomberg

Dynamic Tenant Engagement

Tenant satisfaction is one of the key elements in maintaining high retention ratios and occupancy levels. The Manager works alongside the best-in-market third party leasing and property management teams to ensure optimum outcomes for all tenants.

While third-party property managers specialise in maintaining good relationships with onsite facilities contacts and decision-makers, the Manager also performs an annual tenant survey, customised by Kingsley Associates, to ensure direct feedback from tenants.

The Kingsley survey gathers information on tenants' overall satisfaction, satisfaction with management, maintenance and engineering team, renewal intentions and staff recommendations. This provides real time feedback and allows the Manager to customise the service offerings to meet each tenant's needs.

Of the five major topics surveyed by Kingsley, PRIME's properties greatly exceed Kingsley's national averages on all fronts. On a scale of 1 to 5, 5 being the highest, PRIME scored above 4.6 on overall satisfaction as compared to 4.3 for the Kingsley national average. In summary, PRIME benefits from a highly satisfied customer base that supports above-market tenant retention and rental reversion.

The Manager hosted various festive season and holiday events at PRIME's properties to express appreciation and strengthen tenants' relations.

In October 2019, Tower 909 hosted a Halloween party where office occupants dressed in costumes to work. Tower I at Emeryville hosted a "Holiday Traditions From Around The World" celebration where tenants were treated to cuisines from different cultures around the world. In December, Promenade I & II hosted an annual holiday party in each of its Tuscan-inspired lobbies as a modest appreciation gesture. In addition to festive and holiday celebrations, tenants were also offered complimentary chocolates and snacks during fire drill exercise at Reston Square.


Halloween Party at Tower 909

CORPORATE SOCIAL RESPONSIBILITY

These events create opportunities for management to directly engage with tenants, resulting in greater tenant satisfaction, and higher probabilities of tenant retention.

Cohesive Community Engagement

In partnership with the American Red Cross, the Manager organised blood donation drives at most of PRIME's properties throughout the period of 3Q2019 and 4Q2019. With participations from the properties' tenants, the activities helped to foster tenant relations and raise community awareness of important needs within the community.

At Promenade, the Manager worked with Northwestern Mutual's Community Impact team (NMImpact) in organising Alex's Lemonade Stand by placing lemonade dispensing stands in the lobbies, with proceeds raised for child cancer research.

At 171 17th Street, the Manager partnered with Canstruction to host competitions, exhibitions and events showcasing colossal structures made entirely out of full cans of food. The creations were displayed as a giant art exhibition at the lobbies and were donated to the Atlanta Community Food Bank at the end of the events.

Community engagement events at Promenade (top) and 171 17th Street (bottom)

In addition, flu vaccination clinics were held at CrossPoint and Tower I at Emeryville as part of community health and wellness initiatives.

In celebration of Christmas, Tower 909 and VCS I hosted annual toy collection drives for tenants to show love and care to families in need during the festive season.

Sustainable Environmental Management

The Manager recognises the increasing importance of sustainable value creation from both tenants and investors. 10 out of 11 PRIME's properties are Leadership in Energy and Environmental Design ("LEED") or Energy Star certified. LEED is an internationally certification that recognises resource efficiency green buildings. The Manager conducts regular maintenance works to achieve greater energy and water efficiency, with most properties equipped with environmentally friendly amenities and facilities such as bicycle racks, recycling programmes, automatic lighting sensors, water conservation features and weather proofing window panels. This is an affirmation of our continuous efforts towards sustainability and value creation for the long-term.

Stewardship of Human Capital

The Manager recognises human capital as its key assets and is committed to nurturing employees through an open and empowering environment. The priority lies in attracting and retaining employees who play instrumental roles in the growth and success of PRIME. Every employee is a valued individual contributing to a positive work environment that serves to challenge and engage each team member. Employee evaluations are conducted on an annual basis with revisions to remuneration based on performance.

Health and wellness are integral to PRIME's corporate culture. The Manager encourages an active lifestyle through regular exercise and healthy eating habits. Committing to the safety and welfare of its employees, the Manager provides health and insurance benefits to all and extends coverage to their immediate families.

To encourage personal growth as well as to enhance each employee's contribution to PRIME, the Manager is committed to providing continuous training and development opportunities that enable employees to acquire new skills.

The Manager pledges to maintain diversity in its workforce by inviting a variety of perspectives and improvement to the quality of outcomes. The Manager does not tolerate any form of discrimination in the workplace environment and emphasise on providing equal treatment and opportunities across different ages, genders and ethnic groups. The Manager reports its findings on diversity to the Board bi-annually and has clear policies outlined in the employee handbook.

More details about our sustainability efforts will be shared in our upcoming Sustainability Report, which will be available on our website in the latter half of the year.

CORPORATE GOVERNANCE REPORT

The Singapore Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "**MAS**") on 6 August 2018 (the "**Code**") has played a significant role in corporate governance reform. Incorporating global principles and internationally recognised practices of corporate governance which are beyond the minimum required by statutory regulations has positively influenced the corporate governance practices of Prime US REIT ("**PRIME**") since its listing on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). PRIME was constituted by a deed of trust (as amended) dated 7 September 2018 entered into between KBS Prime US Property Management Pte. Ltd., as the manager (the "**Manager**") and DBS Trustee Limited, as the trustee (the "**Trustee**") (the "**Trust Deed**"). PRIME has adopted the above approach to promote greater internalisation of corporate governance culture.

The Board of Directors (the "**Board**" or "**Directors**" and individually, the "**Director**") of the Manager views corporate governance as a fundamental process contributing towards achieving long term Unitholders' value. The Board continuously strives to refine the corporate governance practices and processes to ensure it consistently reflects market practices and stakeholders' expectation where PRIME's competitive edge both locally and internationally remains undiminished. The term "corporate governance" refers to the entire system for managing and supervising an entity, including its organisation values, as well as all internal and external regulatory and monitoring mechanisms The Board and the management team of the Manager ("**Management**") are committed to good corporate governance practices that enhance the confidence placed in it by the Unitholders, business partners, employees and the financial markets.

This Corporate Governance Report (the "**Report**") sets out details on the applicability of each of the principles and provisions of the Code for the financial period from 19 July 2019 to 31 December 2019 (the "**FP2019**"). PRIME is pleased to confirm that it has adhered to the principles and provisions of the Code in all material aspects, save for any deviations which are then explained and provided for, as well as the practices adopted to be consistent with the intent and philosophy of the relevant principle in question within this Report.

THE MANAGER OF PRIME US REIT

As Manager, with general powers of management over the assets and is mainly responsible to manage the assets and liabilities of PRIME for the benefit of the Unitholders, our primary role is to formulate and establish the strategic direction and business plans of PRIME in accordance with its mandate. This includes making recommendations to the Trustee on any opportunities on the investment, divestment, development and/or enhancement of assets of PRIME in accordance with the investment strategy of PRIME. The Manager shall also ensure that the research, evaluation and analysis required for these purposes are coordinated and carried out, so as to maximise the returns from the investments and ultimately the distributions and total returns to Unitholders.

The Manager uses its best endeavours to ensure that PRIME conducts its business in a proper and efficient manner and conducts all transactions with or for PRIME on an arm's length basis and on normal commercial terms The Manager's principal functions and responsibilities include:

- Formulating investment strategy, including determining the location, sub-sector type and other characteristics of the property portfolio of PRIME, overseeing negotiations and providing supervision in relation to investments of PRIME, and making final recommendations to the Trustee;

- Formulating asset management strategy, including determining the tenant mix, asset enhancement works and the rationalisation of operation costs and providing supervision in relation to asset management of PRIME pursuant to the property management agreements signed for the respective properties and making final recommendations to the Trustee on material matters;

- Formulating plans for equity and debt financing for PRIME, which may contain proposals and forecasts on gross revenue, capital expenditure, acquisitions, sales and valuations, distribution payments, expense payments and property maintenance payments, as well as executing the capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee; and

- Attending to all regular communications and liaisons with Unitholders, investors, analysts and the investment community.

CORPORATE GOVERNANCE REPORT

The Manager discharges its responsibility for the benefit of the Unitholders in accordance with all applicable laws and regulations, including the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), the listing manual of the SGX-ST (the "**Listing Manual**"), the Code on Collective Investment Schemes issued by Monetary Authority of Singapore ("**MAS**") (the "**CIS Code**"), including Appendix 6 of the CIS Code (the "**Property Funds Appendix**") the Trust Deed, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of PRIME and the Unitholders as well as other applicable guidelines prescribed by SGX-ST, MAS or other relevant authorities and applicable laws.

BOARD MATTERS

Board's Conducts of Its Affairs

Principle 1 : The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board in striking a reasonable balance between the continual striving for the highest standard of corporate governance and performing their role of setting strategy foundation and policymaking as the ultimate decision-making body.

With the focus on enhancing sustainable value for Unitholders, the Board, in exercising due care and independent judgement in objective decision making, is responsible for the stewardship of the business and managing the assets and liabilities of PRIME. The Board has delegated certain responsibilities to respective Board Committees guided by their respective Terms of References ("**ToRs**"), each of which are chaired by independent directors (the "**IDs**") who report to the Board and is supported by the Chief Executive Officer (the "**CEO**"). The CEO, together with the Management team, is accountable to the Board.

ROLE OF THE BOARD AND BOARD'S APPROVAL

The Board has formalised a set of internal guidelines and protocols wherein key matters such as investments, divestments, bank borrowings, issuance of new units, income distributions and other returns to Unitholders, corporate strategies and policies of PRIME, annual budget, financial performance of PRIME and approval to release quarterly or semi-annual and full year results and, where applicable, audited financial statements, are specifically reserved for the approval of the Board, whereas approval of operational transactions below a certain level are delegated to the Management.

The principal roles and responsibilities of the Board, amongst others are:

- guiding the corporate strategy, policies and directions of the Manager;
- ensuring that Management discharges its responsibility to provide business leadership and demonstrates the highest quality of management skills with integrity and enterprise;
- overseeing the proper conduct of the Manager;
- ensuring measures relating to corporate governance, financial regulations, and other required policies are in place and enforced;
- ensuring that the necessary financial and human resources are in place for the Manager to meet their objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the interests of the Unitholders and its assets;

- reviewing Management's performance;
- identifying the key stakeholder groups and recognising that their perceptions affect the reputation of PRIME;
- setting the Managers' values and standards (including ethical standards), and ensuring that obligations to Unitholders and other stakeholders are understood and met; and
- considering sustainability issues (including environmental and social factors) as part of the Managers' overall strategy.

Directors are fiduciaries who act objectively in the best interests of the Manager and PRIME and hold Management accountable for performance. The Board, in discharging its responsibilities, sets the appropriate tone-from-the-top and desired organisational culture via a code of conduct and ethics with clear policies and procedures for dealing with conflicts of interest. Where a Director faces a conflict of interest, he or she will recuse him or herself from the discussions and decisions involving the issues of conflict.

COMPOSITION OF THE BOARD

The Board is comprised of:

- Mr Charles J. Schreiber, Jr. (Chairman, Non-Independent Non-Executive Director ("**NED**"))
- Mr Tan Ser Ping (Lead Independent Non-Executive Director) ("**LID**")
- Professor Annie Koh (Independent Non-Executive Director)
- Ms Cheng Ai Phing (Independent Non-Executive Director)
- Mr Chua Hsien Yang (Non-Independent Non-Executive Director)
- Mr John Robert French (Independent Non-Executive Director)
- Mr Loh Yew Seng (Non-Independent Non-Executive Director)

Profiles of the Board and the diverse skills and experience they brought to PRIME can be found between pages 7 and 9 of this Annual Report.

BOARD COMMITTEES

There is a clear delineation of roles between the Board and Management, with the CEO acting as the conduit between the Board and the Management in driving the success of PRIME's governance and management function. To assist in the delegation of its responsibilities, several Board Committees, namely the Nominating and Remuneration Committee (the "**NRC**") and Audit and Risk Committee (the "**ARC**"), were established to oversee the respective functions within PRIME. The Board Committees are governed by the respective ToR, which define the specific responsibilities, authorities and duties of the respective Board Committees.

The Board Committees and their delegated authority from the Board can be found between pages 53 to 59 and pages 65 to 68 of this Annual Report.

BOARD MEETINGS AND ACTIVITIES

Prior to Board meetings and on an on-going basis, Management provides complete, adequate and timely information to the Board to enable the Board to make informed decisions and discharge their duties and responsibilities more effectively. Management will make the necessary arrangements for these briefings, informal discussions, or explanations. Management is also required to furnish any additional information, when so requested by the Board, as and when the need arises.

Directors may request further explanations, briefings or informal discussions on any aspect of the Manager's operations or business issues from Management, and have separate and independent access to Management and the Company Secretary, namely Tan Lay Hong, at all times. The appointment and removal of the Company Secretary is subject to the approval of the Board. The Company Secretary (or her representatives) attends all Board and Board Committee meetings and is responsible for ensuring that Board procedures are followed, with periodic updates on the relevant regulatory changes affecting PRIME.

To keep pace with regulatory changes, where these changes have an important bearing on the disclosure obligations of the Manager of the Board, the Board is briefed either during the Board meetings of the Manager or at specially convened sessions involving the relevant advisers and professionals, where necessary, or via circulation of Board papers. The constitution of the Manager allows for participation in meetings via telephone conference, video conference or similar communications equipment where the physical presence of the Board member at such meetings is not feasible.

The Manager practices early planning of meeting schedules so that the Board members are able to plan ahead, provide the required time commitment and to ensure that there is sufficient time for the Board to deliberate and discuss the various matters. As such, the Board and other Board Committee meeting schedules were prearranged in the final quarter of the year for the forthcoming year to meet on a quarterly basis and moving forward following the change to semi-annual reporting, to meet on a semi-annual basis. In addition, ad-hoc meetings are convened as and when required to enable the Board to raise questions and seek clarification through discussion forums with Management in respect of significant matters passed via circular resolutions.

ORIENTATION AND TRAINING FOR DIRECTORS

Upon appointment to the Board, all Directors are given formal appointment letters explaining the terms of appointment and setting out the duties and obligations of a Director (including their roles as executive, non-executive and independent directors). In addition, an induction, training and development programme is arranged for newly-appointed Directors to familiarise them with the business, operations, and financial performance of PRIME. Prior to the Initial Public Offering, briefings were conducted by Allen & Gledhill LLP on the roles and responsibilities of a Director of a publicly listed company in Singapore and briefing on the Company's obligations as a REIT.

The newly-appointed Directors will also be briefed on the Manager's governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealing in the securities, and restrictions on disclosure of price-sensitive information. All directors are kept informed of the new updates on corporate governance processes, changes to accounting standards, Listing Manual and other regulatory developments from time to time.

The Manager will arrange for the Board to be kept abreast of developments in the real estate industry on a regular basis. To keep pace with the fast-changing laws and regulations and commercial risks, the Board receives further relevant training of their choice in connection with their duties as Directors. The Directors, either individually or as a group, may at the Manager's expense, seek independent professional advice, where appropriate, to discharge their duties effectively.

The Board believes that continuous training for Directors is vital for the Board members to enhance their skills and knowledge. Through participation in training and professional development programmes, Directors are routinely updated on developments and changes in the operating environment and applicable laws and regulations, including directors' duties and responsibilities, corporate governance matters and changes in financial reporting standards, to enable them to discharge their duties effectively as members of the Board and where applicable, as Board Committees members. The Directors may also attend other relevant courses, conferences and seminars, at the Managers' expense, including programmes run by the Singapore Institute of Directors. The NRC makes recommendations to the Board on relevant matters relating to the review of training and professional development programmes for the Board.

Board Composition and Guidance
Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board reviews the size and composition of the Board with a view to ensure effective decision-making by taking into account the scope and nature of the operations of PRIME.

REVIEW OF INDEPENDENCE OF DIRECTORS

The Board recognises the importance of independence and objectivity in its decision-making process, and that the presence of the IDs is essential in providing unbiased and impartial opinion, advice and judgment to ensure the interests of PRIME, Unitholders, employees, customers and other stakeholders in which PRIME conducts its businesses with are well-represented and taken into account.

The Board assesses the independence of IDs in accordance with the requirements of the Code and Regulations 13D to 13H of the Securities and Futures (Licensing and Conduct of Business) Regulations (the "**SFLCB Regulations**") to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of PRIME. A Director is considered to be independent if he or she is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, substantial shareholders who hold 5% or more of the voting shares of the Manager, or substantial Unitholders who hold 5% or more of the units in PRIME or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgment with a view to the best interests of PRIME, and is independent from the Management and any business relationship with the Manager and PRIME, every substantial shareholder of the Manager and every substantial Unitholder of PRIME, is not a substantial shareholder of the Manager or a substantial Unitholder of PRIME and has not served on the Board for a continuous period of nine years or longer.

The IDs individually complete an annual confirmation of independence whereby they are required to assess their own independence, including independence from the major shareholders and Management. The NRC considers this review, with each of the NRC members recusing him or herself from deliberations on his or her own independence.

CORPORATE GOVERNANCE REPORT

The Board, after considering the relevant requirements under the SFLCB Regulations, specifically Regulation 13E(b)(i) of the SFLCB Regulations and the Code, wishes to set out its view in respect of each of the Directors as follows:

Name of Director	(i) had been independent from the management of the Manager and PRIME during FP2019	(ii) had been independent from any business relationship with the Manager and PRIME during FP2019	(iii) had been independent from every substantial shareholder of the Manager and every substantial Unitholder of PRIME during FP2019	(iv) had not been a substantial shareholder of the Manager or a substantial Unitholder of PRIME during FP2019	(v) has not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FP2019
Mr Charles J. Schreiber, Jr.[(1)]	✓			✓	✓
Mr Tan Ser Ping	✓	✓	✓	✓	✓
Professor Annie Koh	✓	✓	✓	✓	✓
Ms Cheng Ai Phing	✓	✓	✓	✓	✓
Mr Chua Hsien Yang[(2)]	✓	✓		✓	✓
Mr John Robert French[(3)]	✓	✓	✓	✓	✓
Mr Loh Yew Seng[(4)]	✓	✓		✓	✓

Notes:

(1) Mr Charles J. Schreiber, Jr.. is the co-founder and CEO of KBS Realty Advisors, which is the U.S. asset manager for PRIME. Mr Schreiber is also a substantial shareholder of the Manager through his indirect interest of 50% in KBS Asia Partners Pte. Ltd. ("**KAP**") which in turn holds a 40% direct interest in the Manager. Pursuant to the SFLCB Regulations, during FP2019, Mr Schreiber is deemed not to be (i) independent from a business relationship with the Manager and PRIME by virtue of the payments made by PRIME to KBS Realty Advisors; and (ii) independent from every substantial shareholder of the Manager and substantial Unitholder of PRIME by virtue of his indirect interest of 50% in KAP. Nonetheless, the Board is satisfied that, as at 31 December 2019, Mr Schreiber was able to act in the best interests of all Unitholders of PRIME as a whole.

(2) Mr Chua Hsien Yang is the CEO of Keppel DC REIT Management Pte. Ltd.. Keppel DC REIT Management Pte. Ltd. is a related corporation (indirect subsidiary) of Keppel Corporation Limited which is a substantial Unitholder of PRIME and a substantial shareholder of the Manager. Pursuant to the SFLCB Regulations, during FP2019, Mr Chua is deemed not to be independent from every substantial shareholder of the Manager and substantial Unitholder of PRIME by virtue of his employment with Keppel DC REIT Management Pte. Ltd.. Nonetheless, the Board is satisfied that, as at 31 December 2019, Mr Chua was able to act in the best interests of all Unitholders of PRIME as a whole.

(3) Mr John Robert French retired from Ernst & Young LLP in June 2019 as a Senior Assurance Partner. Pursuant to the SFLCB Regulations under Regulations 13D(8), during FP2019, Mr French is not a director treated as an independent director by virtue of his employment with Ernst & Young LLP. Nonetheless, the Board is satisfied that, since his appointment as a director, Mr French was able to act in the best interest of all Unitholders of PRIME as a whole.

(4) Mr Loh Yew Seng is the Head, Capital Markets of Singapore Press Holdings Limited. Singapore Press Holdings Limited through its wholly-owned subsidiary, Times Properties Private Limited, is a substantial Unitholder of PRIME and a substantial shareholder of the Manager. Pursuant to the SFLCB Regulations, during FP2019, Mr Loh is deemed not to be independent from every substantial shareholder of the Manager and substantial Unitholder of PRIME by virtue of his employment with Singapore Press Holdings Limited. Nonetheless, the Board is satisfied that, as at 31 December 2019, Mr Loh was able to act in the best interests of all Unitholders of PRIME as a whole.

The Board has considered and determined, taking into account the views of the NRC, that Mr Tan Ser Ping, Professor Annie Koh, Ms Cheng Ai Phing and Mr John Robert French have demonstrated independence in character and judgement in the discharge of their responsibilities as Directors during FP2019 and is satisfied that each of them acted with independent judgment. The Board has also assessed the relationships or circumstances which are likely to affect or could appear to affect the Directors' judgement. Based on the annual review of the Directors' independence conducted by the NRC, the criteria of independence as set out in the Code and Listing Manual Rule 210 (5)(d) and the declarations by the IDs of their independence, the Board is satisfied that Mr Tan Ser Ping, Professor Annie Koh, Ms Cheng Ai Phing and Mr John Robert French are independent.

The Board presently comprises of seven directors, four of whom are IDs and all of whom are NEDs. Having a majority of IDs on the Board where the Chairman is not independent enables the management to benefit from their invaluable and objective perspectives on issues that are brought before the Board. The Board of the Manager was established on 26 July 2018 and none of the Directors has served on the Board beyond nine years since the date of their first appointment.

CORPORATE GOVERNANCE REPORT

The IDs contribute to the Board process by monitoring and reviewing the performance of management against goals and objectives. Their views and opinions provide an alternative perspective to PRIME's business which enables the Board to make informed and balanced decisions, and allows interaction between the Board and Management in shaping the strategic process. In the review of the proposals and decisions tabled by Management, the IDs bring their objective judgment to bear on business activities and transactions involving conflicts of interest and other complexities and in this regard, the IDs meet without the presence of the Management on an as-needed basis.

BOARD DIVERSITY POLICY AND COMPOSITION

The Board adopted a Board Diversity Policy as it acknowledges the importance of boardroom diversity in terms of age, gender, culture, nationality, ethnicity, tenure and recognises the benefits of this diversity. A diversity of tenure will achieve the progressive renewal of the Board so that there is the continuity of experienced directors as well as the onboarding of new directors to provide fresh perspectives on an ongoing basis. All director appointments will be based on merit, having due regard to the overall balance and effectiveness of the Board.

The Board also recognises that having a range of different dimensions of skills, backgrounds, knowledge and industry experience and diversity is essential to ensuring a broad range of viewpoints to facilitate optimal decision-making and effective governance. The Board is of the view that whilst promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. The Board from time to time undertakes a review of its composition to determine areas to strengthen and identify improvement opportunities. PRIME strives for diversity not only in the Board but also in the workplace as it is an essential measure of good governance, and is indicative of a well-functioning organisation and sustainable development.

Under the Board Diversity Policy, the NRC reviews and assesses the composition of the Board and makes recommendations to the Board on the appointment of new directors, taking into consideration aspects such as professional qualifications, industry and geographic knowledge, skills, length of service, age, gender and the needs of the Company. The NRC will review the structure, size, balance and diversity of the Board annually and propose any changes to the Board to complement the objectives and strategies of PRIME and in this regard review and report to the Board annually the objectives and progress made in achieving an appropriately diverse board composition.

Currently, the Board and its Board Committees comprise of Directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and auditing, mergers and acquisitions, fund and asset management, business advisory and development, real estate development, management consulting, corporate governance and strategic planning. The Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. The Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Management has benefited from the Directors' invaluable views and experiences. The Board continues to seek to introduce greater diversity as it progressively reviews the composition of the Board and its Board Committees.

The NRC is of the view that the members of the Board provide an appropriate balance and diversity of skills and commercial experience as elaborated on in the Board Diversity Policy section. The NRC believes that a Director's eligibility for selection, appointment and re-appointment goes beyond his attendance at meetings as the NRC takes into consideration a Director's competencies, commitment, contribution and performance and is committed to providing an appropriate balance and diversity of skills, experience and knowledge. The NRC members regularly review the skills matrix, which has been used to determine the skills needed for the running of a public listed company. Consideration will also be given to the diversity of the entire Board, which has achieved the 2020 objective that 20% of the Directors are female and will focus on attaining the 30% objective by the year 2030 as a means to achieve greater gender parity.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

The Board is led by the Non-Independent Non-Executive Chairman, Mr Charles J. Schreiber, Jr. and, apart from the Board and Board Committee members, is supported by the CEO of the Manager, Ms Barbara Cambon, with a wide range of expertise and experience. Besides ensuring the non-repetition of duties and authority, the separation of the roles of the Chairman and the CEO and the clarity of roles and distinct responsibilities provide a healthy professional relationship between the Board and Management. This enhances the appropriate existing balance of roles, responsibilities, power, authority and accountability to maintain an effective system of checks and balances. The Chairman and CEO collectively play an important role in the stewardship of the strategic direction and operations of PRIME. The Chairman and the CEO are not related, nor do they have any close family ties.

The Chairman has a robust leadership background and vast experience in various senior positions which led to his appointment as the Non-Independent Non-Executive Chairman of the Board. The Board has assigned the day-to-day affairs of PRIME's business to the various divisions of Management, comprising finance, operations and Investor Relations. The CEO is accountable for the conduct and performance of Management's business within the agreed business strategies.

CLEAR DIVISION OF ROLES BETWEEN CHAIRMAN OF THE BOARD AND THE CEO OF THE MANAGER

The Chairman's role is to:

- carry out a visionary leadership role in facilitating the effective conduct of the Board;
- create a culture of openness characterised by constructive debate and appropriate challenge on strategy, business operations, enterprise risks and other plans amongst Board members;
- promote and ensure the highest standards of integrity in regard to corporate governance processes and issues; and
- undertake primary responsibility for the Board to receive accurate, timely, clear information and is consulted on all relevant matters.

The CEO's role is to:

- assume overall responsibility for the management and conduct of the business of the Manager;
- be principally responsible for the business direction and operational decisions in managing PRIME;
- oversee Management;
- develop, recommend and implement organisational strategy, targets, business plans and policies;
- foster a corporate culture promoting ethical practices and integrity;
- manage day-to-day conduct of business and affairs; and
- be the public face, the official spokesperson of PRIME.

In view of the fact that the Board Chairman is not an ID, Mr Tan Ser Ping has been appointed as the Lead Independent Director. The LID will avail himself to the Board and Unitholders should they have concerns that have failed to be resolved, or were inappropriately or inadequately resolved through the normal channels of communications with the Chairman or management has failed to resolve such concerns. The LID is reachable via the general line +65 6951 8090, which is listed on PRIME's website at http://www.primeusreit.com/contact-us.html. The LID, Mr Tan Ser Ping has held meetings with the IDs without the presence of the NEDs and management as he deemed appropriate or necessary, and provided feedback to the Board.

Board Membership
Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

ROLES AND RESPONSIBILITIES OF THE NRC

The NRC is governed by the ToR which establishes the functions, powers, duties and responsibilities of the NRC, the NRC comprised of a majority of IDs, including the Chairman. The members of the NRC are as follows:

Name	Designation	Directorship
Mr Tan Ser Ping	Chairman	LID
Mr Charles J. Schreiber, Jr.	Member	Chairman of the Board, NED
Ms Cheng Ai Phing	Member	ID

On behalf of the Board, the NRC acts as a key gatekeeper in ensuring the Board and Board Committees have the right balance of skills, experience, independence and knowledge to effectively discharge their duties and responsibilities. The Board is mindful of the need for boardroom diversity. The NRC in evaluating, assessing and making recommends to the Board for approval shall take into consideration qualifications, credentials, core competencies vis-à-vis the compositions of required mix of skills to demonstrate knowledge, expertise and experience, character, gender, age, ethnicity, professionalism, integrity, competencies, time commitment and other qualities which the Director would bring to the Board to effectively discharge their roles and responsibilities as Director.

The ToR sets out the scope and authority in performing the function of the NRC, and these include assisting the Board in matters relating to:

- identification, selection and appointment of new Directors and re-appointment of existing Directors of the Board taking into account the contribution, performance and ability to commit sufficient time and attention to the affairs of PRIME as well as their respective commitments outside of PRIME;
- implementation and monitoring of the Board Diversity Policy to make recommendations to the Board on the diversity of skills, experience, gender, age, knowledge, size and composition of the Board;
- determining annually the independence of Director having regard the circumstances set forth in Provisions 2.1 and 2.2 of the Code and Listing Rule 210 (5)(d);
- review of succession plans in particular to the appointment and/or replacement of the Chairman, the CEO and the key management personnel (the "**KMP**");
- develop the process and criteria for evaluation of the performance of the Board or Board Committees and individual Directors; and
- review of training and professional development programmes for the Directors.

CORPORATE GOVERNANCE REPORT

SELECTION, APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The NRC is responsible for reviewing succession plans for the Board and Board Committees, in particular the appointment and/or replacement of the Chairman, the CEO and the KMP.

The NRC regularly reviews the existing attributes and competencies of the Board and the suitability of any candidates put forward for appointment and re-appointment in order to determine the desired experience or expertise required to strengthen or supplement the Board. The NRC is in charge of making recommendations to the Board regarding the identification and selection of new Directors and in identifying candidates for new appointments to the Board as part of the Board's renewal process. The NRC evaluates whether the candidate is fit and proper in accordance with MAS' fit and proper guidelines, taking into account the track record, age, experience and capabilities and such other relevant experience as may be determined by the Board. In addition, as part of regulatory requirements, MAS also requires prior approval for any change of the CEO. Candidates are evaluated and selected based on their relevant expertise and potential contributions where other factors including the current and medium-term needs, and goals of PRIME are also considered.

Upon establishment of the selection criteria, the search for potential candidates is initiated by considering recommendations from the Board, Management and the external search for candidates that fit the criteria, where the external search is conducted through the Singapore Independent Directors' Board Appointment Service. Candidates shortlisted and interviewed by the NRC, are then evaluated by the Chairman of the Board and the IDs, ensuring that recommendations made on proposed candidates are objective and well-supported. Once a candidate is selected for the Board, the NRC conducts due diligence and reference checks before recommending the candidate to the Board for approval. Currently, the Board is in the process of identifying an additional ID for appointment to the Board in the near term to further broaden the current skillsets, experiences and diversity of the existing Board.

Directors of the Manager are not subject to periodic retirement by rotation. Since a majority of the Board comprises IDs, the Manager will not voluntarily subject the appointment or re-appointment of Directors to the voting by Unitholders. The Board intends to continue being comprised of a majority of IDs.

The Manager believes that Board renewal is necessary and a continuous process for good governance. Board renewal ensures that the Board and Board Committees comprise Directors that, as a group, provide an appropriate balance and diversity of skills, experience and industry knowledge and knowledge of PRIME's business. Renewal or replacement of a Director does not necessarily reflect his or her performance or contributions to date. In reviewing the composition of the Board, the NRC and the Board also considered that an ID should serve no more than a maximum of nine years and as of 4 March 2020, the Board is in the process of identifying additional IDs for appointment to the Board in the near term as a means to broaden and widen the current skillsets, experiences and diversity of the existing Board.

INDEPENDENCE AND TIME COMMITMENT

The NRC is responsible for determining annually, and as and when circumstances require, the independence of Directors. In doing so, the NRC takes into account the circumstances and existence of relationships which would deem a Director not to be independent. Following due review, the NRC has endorsed the independence and deemed independence status of all IDs for FP2019.

An assessment was carried out on major commitments of the Directors, including employment and listed company directorships and took note of the number of listed company directorships held at present. The Board is to ensure that the duties of each Director have and can be suitably discharged. The NRC is of the view that setting a maximum number of listed company board representations a Director may hold is arbitrary, given that time requirements for each listed company varies and thus should not be prescriptive. The Board concurs with the view of the NRC.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. The attendance of the Board at Board and Board Committees meetings, as well as the frequency of such meetings during FP2019 given the listing date of PRIME on 19 July 2018 are as recorded below:

	Board of Directors		Audit and Risk Committee		Nominating and Remuneration Committee	
	Number of meetings					
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr Charles J. Schreiber, Jr.[(1)]	1	1^	2	1*	2	2
Mr Tan Ser Ping[(2)]	1	1	2	2	2	2^
Professor Annie Koh[(2)]	1	1	2	2^	1	1*
Ms Cheng Ai Phing[(2)]	1	1	2	2	2	2
Mr Chua Hsien Yang[(1)]	1	1	2	1*	1	1*
Mr John Robert French[(3)]	–	–	2	1*	2	1*
Mr Loh Yew Seng[(4)]	–	–	2	1*	2	1*

Notes:

^ Chairman.

* Attendance by invitation.

(1) Appointed as Non-Indepdenent Non-Executive Directors on 26 July 2018.

(2) Appointed as Independent Non-Executive Directors on 28 June 2019.

(3) Appointed as Independent Non-Executive Director on 8 November 2019.

(4) Appointed as Non-Independent Non-Executive Director on 8 November 2019.

Based on the Directors' attendance record at Board and Board Committee meetings and contributions outside of formal Board and Board Committees meetings, the NRC is satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for FP2019. The Manager has no alternate directors on its Board. Key information on the Directors such as academic and professional qualifications, committee membership, date of appointment, a list of the present and past directorships of each Director, and unitholding in PRIME and its related corporations are reflected on pages 7 and 125 of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

As PRIME recently attained its Listing on SGX-ST on 19 July 2019, an interim assessment of the effectiveness of the Board and the Board Committees for 2019 was carried out by the NRC. The assessment was presented to the Board with recommendations for key areas of improvement and follow up actions to be undertaken. The Board is currently in the process of developing a formal process for assessing the effectiveness of the Board as a whole and its Board committees, the contribution by each individual Director to the effectiveness of the Board, as well as the effectiveness of the Chairman of the Board.

The objective performance criteria will include Board composition and size, Unitholders' access to information, Board structure, Board processes, Board effectiveness, Board standards of conduct and financial performance indicators, corporate strategy and planning, risk management and internal controls, conduct of meetings and communication with stakeholders. The Board is of the view that this set of performance criteria allows for appropriate comparison and addresses how Directors have enhanced long-term Unitholders' value.

Evaluation of the contribution by each Director will take into consideration various factors, including individual performance of principal functions and fiduciary duties, participation in meetings and commitment of time to Director's duties. The NRC will also consider other contributions by a Director such as providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and the Director's accessibility to management outside of formal Board and Board Committees meetings. The performance of each Director will be taken into account in re-election or re-appointment.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies
Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Level and Mix of Remuneration
Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Disclosure on Remuneration
Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

ROLES AND RESPONSIBILITIES OF THE NRC

The NRC plays an important role in ensuring the appropriate attraction, recruitment, motivation and retention of talents which are qualified and valuable to PRIME through competitive remuneration and progressive policies so as to achieve PRIME's goals and to deliver sustainable Unitholder value, distribution income as well as growth in total returns. The ToR setting out the scope and authority in performing the function of the NRC have been written and include assisting the Board in matters relating to:

- reviewing and recommending to the Board a general framework of remuneration for the Board and the KMP;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the KMP;
- reviewing PRIME's obligations arising in the event of termination of NEDs and KMP's contracts of service and ensuring that such contracts of service contain fair, equitable and reasonable termination clauses which are not overly generous; and
- reviewing the disclosures in the Annual Report of the Manager's remuneration policies, level and mix of remuneration and the procedure for setting remuneration.

The NRC seeks to ensure that the remuneration paid to the Directors and KMP of the Manager are closely linked to the achievement of corporate and individual performance targets aligned with the interests of the Unitholders and other stakeholders, as well as promoting the long-term success of PRIME. The performance targets approved by the Board at the start of each year are set with the purpose of motivating a high degree of business performance, with an emphasis on both short- and longer-term quantifiable goals. At the close of each financial year, the NRC reviews the achievements of the Manager against the targets set to determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends. Based on this review, the NRC approves a bonus pool that commensurates with the performance achieved. Where necessary, the Board modifies the framework of remuneration to align the Manager's compensation with the interests of the Unitholders. Remuneration of the Directors, Management and employees of the Manager is not paid out of the deposited property of PRIME but paid by the Manager from the fees it receives. There were no termination, retirement and post-employment benefits granted to Directors, the CEO or the Chief Financial Officer (resigned on 7 February 2020) during FP2019.

REMUNERATION DETERMINATION AND DISCLOSURES

PRIME is externally managed by the Manager as it has no personnel of its own. The remuneration of all Directors and employees of the Manager is borne by the Manager rather than by PRIME. There is no employee with the Manager who is an immediate family member of a Director or the CEO of the Manager or a substantial Unitholders of PRIME and whose remuneration exceeds S$100,000 during the year and none of the employees are substantial Unitholders of the Manager.

In recommending the Directors and KMP's remuneration to the Board for approval as a whole with the Director concerned abstaining from the decision-making process and in encouraging long-term decision-making removing undue volatility from remuneration outcomes, the NRC takes into account the responsibilities of the Directors including the CEO, the pay and employment conditions of all employees, the corporate and individual performance, the current views of stakeholders, the general market conditions including accomplishment of strategic goals as well as regional and global corporate performance and benchmarking against the remuneration arrangements of other companies of a similar position, size and complexity for guidance.

The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of PRIME effectively whereas the remuneration of KMP is determined at a level which enables PRIME to attract, develop and retain high-performing and talented individuals with the relevant experience, level of expertise and level of responsibilities. The Board recommended that the level of remuneration should reflect the experience, effort, time-spent and the level of responsibilities undertaken by each NED and then recommended that the Directors' fees and other benefits payable to NEDs on a yearly basis to the Unitholders for approval at the Annual General Meeting.

The Board believes in a competitive and transparent remuneration framework. The Directors' remuneration received and receivable from PRIME for FP2019, based on the structure of the Directors' fees for NEDs, comprising a base fee for serving as a Director and additional fees for serving on Board Committees as the case may be, are set out in the table below and reported in the Annual Report:

Main Board	Chairman	S$0 per annum
	Director	S$60,000 – per annum
NRC	Chairman	S$20,000 – per annum
	Member	S$10,000 – per annum
ARC	Chairman	S$30,000 – per annum
	Member	S$20,000 – per annum

Name of Director	Salary (S$)	Performance Bonus (S$)	Director's Fees (S$)	Additional Fees for pre-IPO (S$)	Total (S$)
Below $250,000					
Mr Tan Ser Ping(1)	–	–	51,667	–	–
Professor Annie Koh(1)	–	–	46,500	–	–
Ms Cheng Ai Phing(1)	–	–	46,500	–	–
Mr John Robert French(2)	–	–	8,804	–	–
Mr Charles J. Schreiber, Jr.(3)	–	–	–	–	–
Mr Chua Hsien Yang(3)	–	–	–	–	–
Mr Loh Yew Seng(4)	–	–	–	–	–

Notes:

(1) Appointed as Independent Non-Executive Directors on 28 June 2019.

(2) Appointed as Independent Non-Executive Director on 8 November 2019.

(3) Appointed as Non-Independent Non-Executive Directors on 26 July 2018.

(4) Appointed as Non-Independent Non-Executive Director on 8 November 2019.

The Chairman of each Board Committees is paid a higher fee as compared with the members of such Board Committees in view of the greater responsibilities carried by chairing that office in addition to their existing roles.

The NRC will undertake to review the total remuneration structure for the financial year ended 31 December 2020 to which the total remuneration structure will be addressing four key objectives, namely:

- Unitholder alignment: to incorporate performance measures that are aligned to Unitholders' interests;
- Long-term orientation: to motivate employees to drive sustainable long-term growth;
- Simplicity: to ensure that the remuneration structure is easy to understand and communicate to stakeholders; and
- Value Creation: amount of value-add contributed by the individual, including but not limited to deal introduction to PRIME, cost-savings ideas and initiatives which have the potential of increasing the performance of PRIME and measured based on the monetary benefit or cost-savings which PRIME receives as a result of the value-add contributed by the individual Director and a KMP.

The Code has recommended that the Company should disclose on a named basis the detailed remuneration of at least the top five KMP in bands no wider than S$250,000 and in aggregate the total remuneration paid to these KMP where the size of the annual performance bonus pot of the Manager is determined by the financial performance of the Manager which is closely linked to PRIME's distributable income and is distributed to KMP based on their individual performance.

In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO and KMP who are not Directors or the CEO in bands of S$250,000 and is not disclosing the aggregate total remuneration paid. The Manager is of the view that such disclosure or non-disclosure as the case may be will not be prejudicial to the interests of the Unitholders as sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between remuneration paid to the CEO and its KMP and performance as set out on pages 56 to 58. The KMP and their total remuneration per annum are categorised into the various bands as follows:

Names of CEO and KMP[1]	**Salary (%)**	**Variable or Performance-related income or Bonus (%)**[2]	**Benefits-in-kind**	**Contingent award of units or shares in Cash**	**Contingent award of units or shares in RUP**
Above S$500,000 – S$750,000					
Ms Barbara Cambon	100	–	n.m.[3]	–	–
Above S$250,00 – S$500,000					
Mr Sandip Talukdar[4]	79	21	n.m.[3]	–	–

Notes:

(1) The Manager has less than five key management personnel other than the chief executive officer.

(2) The Chief Financial Officer was hired in mid-2018 with a contractual bonus amount to be paid to him. Chief Executive Officer did not receive any bonus for FY2019 as she was only hired in mid-2019.

(3) "n.m." – not material.

(4) Mr Sandip Talukdar, resigned as Chief Financial Officer of the Manager with effect from 7 February 2020.

The Managers currently do not have any share scheme or other forms of long-term incentive schemes in place. The Manager applies the principle that remuneration matters are to be sufficiently structured and benchmarked to good market practices in order to attract suitably qualified talent, in order to grow and manage PRIME. The Manager applies the principle that the remuneration for the Board and KMP should be viewed in totality. It is a concerted pursuit of strong and ethical leadership for the success of PRIME and the Manager. The NRC and Board have reviewed and ensured that the level and structure of remuneration for the Manager's Directors and KMP are in alignment with the long-term interests and risk management policies of PRIME.

Accountability and Audit
Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board acknowledges that it is responsible for the risk management and internal control system in PRIME which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity to safeguard Unitholders' investments and the PRIME's assets.

ROLES OF THE BOARD AND ARC IN ENSURING EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for PRIME's risk management framework and system of internal controls and for reviewing the adequacy and integrity of the risk management framework and system of internal controls. Accordingly, the Board is required to ensure that the Manager has in place an effective system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. The Board assumes the responsibility for the effectiveness and adequacy of the Group's risk management and internal control system and has delegated the responsibility of undertaking periodic review to the ARC with an established ToR to assist in discharging this responsibility. However, the Board as a whole remains ultimately responsible for the effectiveness, adequacy and integrity of the system of risk management and internal controls.

The ARC assists the Board in examining the adequacy and effectiveness of internal controls policies and procedures to ensure that a robust risk management framework and internal control system is maintained while the Board reviews the adequacy and effectiveness of the risk management and internal control system. The ARC also assesses the materiality of specific developments or risks that might have an impact on the security price of PRIME.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Risk Management

A sound and robust risk management framework ensures that the Manager is ready to meet challenges and seize opportunities.

The Enterprise Risk Management (the "**ERM**") framework provides a systematic approach to risk management. It outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools, as well as PRIME policies and limits in addressing and managing key risks identified. The ERM framework also allows PRIME to respond promptly and effectively in the constantly evolving business landscape.

5-STEP RISK MANAGEMENT PROCESS

Step 1. Identify – Understand business strategy and identify risk;

Step 2. Assess – Assess risk based on impact and likelihood of occurrence;

Step 3. Mitigate – Develop action plans to mitigate risks;

Step 4. Implement – Communicate and implement action plans; and

Step 5. Monitor – Monitor and review.

Robust ERM Framework

The Manager adopts a five-step risk management process comprising risk identification, risk assessment, formulation of risk mitigation measures, communication and implementation, as well as monitoring and review. The ERM framework is dynamic and evolves to adapt to the changing business environment.

The risk assessment takes into account both the impact and likelihood of occurrence, and covers the investment, financial, operational, reputational and other major aspects of PRIME's business. Tools deployed include risk rating matrices and risk registers to assist the Manager in its performance of risk management.

The Board is responsible for governing risks and ensuring that the Manager maintains a sound risk management system and internal controls to safeguard Unitholders' interests and PRIME's assets. Assisted by the ARC, the Board provides valuable advice to management in formulating various risk policies and guidelines where necessary. The ToR of the ARC are disclosed on page 66 of this Annual Report.

The Board and Management meet quarterly or more frequently, when necessary, to review PRIME's performance; assess its current and future operating, financial and investment risks; as well as respond to feedback from the risk and compliance manager and auditors.

The Board, assisted by the ARC, has in place three Risk Tolerance Guiding Principles for the Manager and PRIME. These principles, which determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives, include:

1. Risks taken should be carefully evaluated, commensurate with rewards, and are in line with PRIME's core strengths and strategic objectives;

2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger PRIME; and

3. PRIME does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

The risk management assessment framework also guides the Manager and the Board in assessing the adequacy and effectiveness of the risk management system within PRIME. For the period from the Listing Date, 19 July 2019 to 31 December 2019, the Board has assessed and deemed PRIME's risk management system to be adequate and effective in addressing the key risks identified below. Other current, evolving or emerging risks are as well monitored and reported where significant:

1. **Operational Risk**

   - All operations are aligned with PRIME strategies to deliver sustainable distributions and strong total returns to its Unitholders.
   - The Manager works closely with the property managers to optimise asset performance and control property expenses. The Manager oversees an active asset management program that has been put in place to oversee leasing, capital projects and operations at the properties. Measures include prompt lease renewals to reduce rental voids, active monitoring of rental payments from tenants to minimise rental arrears and bad debts, controlling property expenses to maximise net property income, and evaluating the counter-parties on an ongoing basis.
   - The Manager, through its relationship with the KBS asset management team, actively engages and fosters close relationships with tenants and manages a well-spread lease expiry profile.
   - Business continuity plans are updated and tested regularly to ensure PRIME is able to respond effectively to disruptions resulting from internal and external events, while continuing its critical business functions and minimising impact on its people, operations and assets.
   - PRIME's assets undergo regular audits to review the operational property management processes of the buildings and ensure safety standards and security processes are in line with latest local requirements.
   - Asset enhancement works are conducted, when applicable, to ensure that the properties remain competitive.
   - Insurance coverage is reviewed annually to ensure that PRIME's assets are adequately and appropriately insured.

2. **Economic and Taxation Risks**

   - PRIME may be adversely affected by economic and real estate market conditions in the US as well as changes in taxation legislation, administrative guidance or regulations.
   - The Manager manages this by closely monitoring the US political environment, economic developments and tax regime, and working closely with tax agents and advisors to anticipate and evaluate the impact of any changes in taxation legislation, administrative guidance and regulations on the business of PRIME and its Unitholders.

3. **Liquidity and Financing Risks**

   - Liquidity and financing risks are managed in accordance with established guidelines and policies. The Manager proactively monitors its cash flow, debt maturity profile, gearing and liquidity positions, including and evaluation of diversifying its future funding sources and managing tenure of borrowings, to ensure a well-staggered debt maturity profile.
   - The Manager maintains a robust cash flow position and working capital to ensure there are adequate liquid reserves to meet financial obligations. Steps have also been taken to plan for capital and expense requirements to manage the cash position at any point of time.

4. **Exposure to Financial Markets Risk**

- The Manager constantly monitors exposure to interest rates. It utilises various financial instruments, where appropriate, to hedge against such risks.
- As at 31 December 2019, 84.2% of the variable rate interest borrowing had been hedged using floating-for-fixed interest rate swaps.
- In 2019, PRIME was not exposed to significant foreign currency risk as its functional currency is in US$ and the cash flows from the operations of its properties are denominated in US$. The Trust will receive US$ distributions from the investment properties which will be passed to the Unitholders, either in US$ or converted to Singapore Dollar ("S$") at the spot foreign exchange rate on the designated date. PRIME also borrows in US$in order to manage the foreign currency risk.

  The Trust is exposed to fluctuations in the cross-currency rates of the US$ and S$ for operating expenses incurred in Singapore, which are not material. Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

5. **Credit Risk**

- Credit risk assessments of tenants are carried out prior to signing of lease arrangements. Credit risks are further mitigated through various mechanisms, including the upfront collection of security deposits where applicable.
- Systematic rental collection procedures are implemented to ensure regular collection of rents, thereby preventing rental arrears.
- The Manager also monitors the tenant mix to ensure no individual tenant contributes a significant percentage of the gross revenue.

6. **Investment Risk**

- Comprehensive due diligence is conducted prior to any proposed transaction to assess and evaluate potential investment risks. All investment proposals are evaluated objectively based on the Manager's investment criteria, as well as the target asset's specifications, location, expected returns, yield accretion, growth potential and performance sustainability, taking into account the prevailing economic climate and market conditions.
- The Board reviews and approves all investment proposals only after evaluating the feasibilities and risks involved.
- The Manager takes into consideration investment risk in a controlled manner, exercising the spirit of enterprise as well as prudence to earn the optimal risk-adjusted returns on invested capital.

7. **Compliance Risk**

- The Manager, being a Capital Markets Services Licence holder, complies with applicable laws and regulations, including the Listing Rules of the Singapore Exchange, CIS Code, Property Funds Appendix and conditions of the Capital Markets Services Licence for REIT Management issued by the MAS under the SFA.
- PRIME and the Manager undergo regular internal and external audits to ensure that they adhere to relevant policies and processes.
- Recognising that non-compliance with laws and regulations has potential significant reputational and financial impact, particular emphasis is placed on regulatory compliance in all of PRIME's business operations.
- The Manager closely monitors changes in legislations and regulations, as well as new developments in its operating environment.
- PRIME adopts a strong anti-corruption and anti-bribery stance and regularly communicates key policy requirements to ensure relevant policies, processes and controls are effectively designed, managed and implemented so that compliance risks and controls are effectively managed.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM

The ARC has been entrusted by the Board to review and monitor the risk management activities of PRIME and approve appropriate risk management procedures and measurement methodologies. The ARC provides guidance to Management in the formulation of risk policies and processes and in identifying, evaluating and managing key risks, while the ownership of risk management lies with the CEO supported by the management team. The nature and extent of risks are assessed regularly by Management and internal auditors, and reports are submitted to the ARC as and when necessary. The ARC reports to the Board on material findings and makes recommendations or seeks guidance from the Board in respect of any material risk issues. The ARC directs and reviews the adequacy and work scopes of the IA, any findings on material non-compliance or weaknesses in internal controls and risk management by the internal auditors are reported directly to the ARC. The recommendations to further improve the internal control system and risk management system are reported to the ARC and actions are taken by Management.

Further, the Board has obtained assurances from the CEO and Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of PRIME's operations and finance, as well as assurances from the CEO and other KMPs who are responsible regarding the adequacy and effectiveness of PRIME's risk management and internal control system.

Based on the internal control systems established and adhered to by PRIME, the assurances received from the CEO, Financial Controller and other KMP, work performed by the internal and external auditors, and compliance manager, reviews conducted by Management and various Board Committees, the Board, with the concurrence of the ARC, is of the opinion that PRIME's internal controls (including financial, operational, compliance and information) and risk management systems have been adequately designed and are operating effectively in all material aspects to address the risks faced by PRIME in its current business environment as at 31 December 2019.

The Board notes that the internal control systems established provide reasonable though not absolute assurance against material misstatement of loss and that PRIME will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board accepts that the internal control systems contain inherent limitations and notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, fraud and other irregularities.

INTERNAL CONTROL SYSTEM FOR RELATED PARTY AND INTERESTED PERSON TRANSACTIONS

An internal control system to ensure that all Related Party Transactions, Interested Party Transactions (as defined in the Property Fund Appendix) and Interested Person Transactions (as defined in the Listing Manual) (collectively "**IPT**") will be undertaken on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Unitholders of PRIME has been established by the Manager.

Related party transactions have been disclosed in the financial statements of this Annual Report. As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining, where practicable, quotations from parties unrelated to the Manager or obtaining valuations from independent professional valuers in accordance with the Property Funds Appendix. The Manager maintains a register to record all IPT which are entered into by PRIME and the bases on which they are entered into, including any quotations from unrelated parties and independent valuations obtained.

The Manager has incorporated into its internal audit plan a review of all IPT entered into by PRIME. The ARC will monitor the procedures established to regulate IPT, including reviewing any IPT entered into from time to time, and will direct the preparation of internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor IPT have been complied with, including relevant provisions of the Listing Manual and Property Funds Appendix. If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Further to that, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review will include an examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC. In addition, the following procedures will be adhered to:

- Transactions (whether individually, as part of a series or aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S$100,000 in value but less than 3.0% of the value of PRIME's latest audited net tangible assets/net asset value will be subject to review by the ARC at regular intervals;

- Transactions (whether individually, as part of a series or aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of PRIME's net tangible assets/net asset will be subject to the review and prior approval of the ARC. Such approval shall only be given if such transaction is conducted on an arm's length basis on normal commercial terms and consistent with similar types of transactions made with third parties which are not interested parties; and

- Transactions (whether individually, as part of a series or aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5.0% of the value of PRIME's net tangible assets/net asset value will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transaction would have to be approved by the Unitholders of PRIME at a meeting duly convened.

In the event where matters concerning PRIME relate to transactions entered into or to be entered into by the Trustee for and on behalf of PRIME with an interested party which would include relevant associates thereof, the Trustee is required to ensure that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of PRIME and the Unitholders of PRIME, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the said transaction. Furthermore, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested party. If the Trustee is to sign any contract with an interested party, the Trustee will review the contract to ensure that it complies with the requirements relating to IPTs in the Property Funds Appendix and the provisions of the Listing Manual relating to IPT as well as guidance prescribed by the MAS and SGX-ST.

Save for the IPT described under "Related Party Transactions in Connection with the Setting Up of PRIME US REIT and the Offering" and "Exempted Agreements" in the IPO prospectus, PRIME will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person as defined in the Listing Manual during the same financial year is 3% or more of the value of PRIME's latest audited net tangible assets.

The aggregate value of all Interested Person Transactions in accordance with the Listing Manual in FP2019, and which are subject to Rules 905 and 906 of the Listing Manual excluding transactions of less than S$100,000 in value, is disclosed below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920 US$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
KBS US Prime Property Management Pte. Ltd.	Manager of PRIME		
– Manager's management fees		2,977	Nil
DBS Trustee Limited	Trustee of PRIME		
– Trustee fees		76	Nil
Total		3,053	Nil

PRIME has not obtained a Unitholders' mandate pursuant to Rule 920 of the Listing Manual for IPT. Save as disclosed above, there are no other material contracts entered into by PRIME and/or its subsidiaries including the interests of the CEO, any director or controlling Unitholders, either still subsisting at the end of the year or entered into since the listing of PRIME in July 2019 and there were no additional IPT (excluding transactions of less than S$100,000 each) entered into during the period under review.

The entry into and the fees and charges payable by PRIME under the Trust Deed and Shareholders Agreements, the License Agreement and the leases set out in the section "Other Related Party Transactions" in the IPO Prospectus and/or circular, to the extent that details of these have been specifically disclosed in the IPO Prospectus and/or circular, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Unitholders upon purchase of the Unit Securities and/or in the Extraordinary General Meeting and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect PRIME.

Audit Committee
Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

AUDIT AND RISK COMMITTEE

The ARC is governed by the ToR which establishes the functions, powers, duties and responsibilities of the ARC. In line with the Code with regard the governance of the ARC, the ARC membership comprises at least three members, a majority of whom are IDs, including the Chairman. The members of the ARC are as follows:

Name	Designation	Directorship
Professor Annie Koh	Chairman	ID
Mr Tan Ser Ping	Member	LID
Ms Cheng Ai Phing	Member	ID

The Board is of the view that all members of the ARC bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains to discharge their responsibilities. The Board considers Professor Annie Koh as having sufficient financial management knowledge to discharge her responsibilities as Chairman of the ARC. Mr Tan Ser Ping and Ms Cheng Ai Phing have extensive audit, accounting and financial management expertise and experience. In particular, Ms Cheng Ai Phing is a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of CPA Australia, among other professional affiliations. The ARC members as a whole possess a wide range of necessary skills to discharge their duties and are financially literate. None of the ARC members are former partners or directors of PRIME's existing external auditing firm, Ernst & Young LLP ("**EY**").

ROLES AND RESPONSIBILITIES OF THE ARC

The ARC has explicit authority to investigate any matter within its ToR. The ARC has full access to and co-operation by Management and the internal and External Auditors and has full discretion to invite Management, the Sponsor, external consultants or advisers to attend its meetings. The internal and External Auditors have unrestricted access to the ARC. In FP2019, two ARC meetings were held and the ARC has also met separately with the internal auditor and External Auditors, without the presence of the Management of the Manager on both occasions to discuss issues and to confirm that they had full access to and received co-operation and support from the Management.

The ARC, having considered the nature and level of the provision of the non-audit related services and the statutory audit fee, is of the view that the auditor's independence and objectivity are not impaired or threatened. In reviewing the nomination of EY for re-appointment for FP2019, the ARC had taken into consideration the Audit Quality Indicators Framework. The ARC also considered the adequacy and experience of the professional staff and audit engagement partner assigned, EY's experience in the REIT sector and the size and complexity of the audit. The ARC is satisfied with the independence and work of the external auditors and has recommended to the Board the re-appointment of EY as the External Auditors of PRIME at the forthcoming annual general meeting. The Manager confirms that PRIME complies with the requirements of Rules 712 and 715 of the Listing Manual in respect of the suitability of the auditing firm for PRIME.

The ARC is collectively responsible in assisting the Board in corporate governance and compliance matters of PRIME. A summary of the work and key matters undertaken by the ARC during FP2019 included the following:

- Reviewing the significant financial reporting issues and judgements so as to ensure integrity of the financial statements of PRIME and any announcements relating to the financial performance;
- Reviewing the audit plans and reports of the internal and External Auditors and considering the effectiveness of actions or policies taken by the Management on the recommendations and observations;
- Reviewing the adequacy and effectiveness of the risk management and internal control systems;
- Reviewing the assurances from CEO and Financial Controller on the financial records and financial statements;
- Making recommendations to the Board on the proposal to the Unitholders on the appointment and removal of External Auditors and the remuneration and terms of engagement of the External Auditors;
- Reviewing the adequacy, effectiveness, independence, scope and results of the External Auditors and the Internal Audit Function ("**IAF**");
- Reviewing the nature and extent of non-audit services performed by the External Auditors;
- Reviewing the policy (including the Whistle Blowing Policy) and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

- Reviewing related party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" and the provisions of the Property Funds Appendix relating to IPT, and together with Interested Person Transactions, (the "**RPT**"); and

- Investigating any matters within the Manager ARC's purview, whenever it deems necessary.

Periodic updates on changes in accounting standards and their accounting implications on PRIME are prepared by External Auditors and circulated to members of the ARC so that they are kept abreast of such changes and and the potential corresponding impact on PRIME's financial statements, if any.

INTERNAL AUDITORS

The role of the internal auditors is to assist the ARC to ensure that the Manager maintains a sound system of internal controls by regularly monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high risks areas. The ARC approves the evaluation of the internal auditor, or the accounting or auditing firm or corporation to which the internal audit function is outsourced. PRIME's and the Manager's internal audit functions are performed by KBS Realty Advisors LLC ("**KBSRA**") and KPMG Services Pte. Ltd. ("**KPMG**"). Both KBSRA and KPMG adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA). The hiring, removal and compensation of internal auditors are performed by KBSRA where the internal auditors are independent of management and report directly to the Chairman of the ARC and administratively to the CEO.

The internal auditor plans the internal audit schedules in consultation with, but independent of the Manager. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. The internal auditor has unfettered access to all the Manager's documents, records, properties and personnel, including access to the ARC. The ARC reviews the internal audit report quarterly and monitors the implementation of the improvements required on internal control weaknesses identified. For the year under review, the ARC is of the view that the internal audit function is adequately resourced and has appropriate standing within the company. The ARC has reviewed and is satisfied with the adequacy, independence and effectiveness of the internal audit function.

The IAF, which is outsourced to KBSRA and KPMG, is independent of the activities and operations of other operating units. Its principal role is to undertake independent, regular and systematic reviews of the systems of risk management and internal controls to provide reasonable assurance that the systems continue to operate efficiently and effectively to ensure an acceptable level of risk exposure.

In line with best practices, the IAF adopts a risk-based methodology that in establishing its strategic and annual Internal Audit Planning Memorandum deploys audit resources to focus on significant risk areas which prioritises the audits to areas that have been assessed as having potentially higher risks for effective governance, risk management and internal controls. Where applicable, examinations were conducted on policies, manuals and standards governing the activities, processes, systems and on analysis of the data contained in the accounting and management information systems while key Management were interviewed.

REVIEWS CONDUCTED BY THE ARC

In FP2019, the ARC performed independent reviews of the quarterly and full year financial results of PRIME before recommending that the Board for approve the release of the financial statements and SGX announcements relating to PRIME's financial statements. In the process, the ARC reviewed the significant financial reporting issues and judgements, including the appropriateness of accounting policies and the quality and completeness of disclosure to ensure the integrity of the financial statements. The ARC also reviewed, among other matters, the following key audit matters ("**KAM**") identified by the External Auditors for FP2019:

Valuation of investment properties

The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of investment properties noted the objectivity, independence and expertise of the external appraisers engaged by the Manager, assessed the appropriateness of the valuation model and reasonableness of the significant assumptions adopted, evaluated major cost items capitalised in investment properties during the period for reasonableness and having reviewed the valuation reports and the carrying value of its investment properties are satisfied that the use of inputs and assumptions are reasonable and that the investment properties have been appropriately measured at fair value and valuations fall within a reasonable range.

The ARC has conducted a review of all non-audit services provided by EY during the year under review. The aggregate amount of fees paid and payable to EY was S$581,000, of which the audit fees amounted to S$500,000 and the non-audit fees amounted to S$81,000. The non-audit fees paid or payable to EY comprise non-audit related fees of S$66,000 (for general tax and GST compliance work) and audit-related fees of S$15,000 (for agreed upon procedures on financial information review for period ended 30 September 2019). There was also a one-off amount of US$1,738,000 being fees paid to the External Auditors for agreed upon procedures in relation to the pro forma financial information review and tax advisory services carried out for the REIT's Initial Public Offering.

The ARC reviewed and approved the audit plan and scope of the external auditors on the audit of the full year financial statements. The ARC also reviewed and approved the internal audit plan and scope of the internal auditors' work and audit programme. It reviewed the findings during the year and Management's responses thereto and it satisfied itself of the adequacy of the internal audit function. In addition, the ARC reviewed the IPT to ensure compliance with the Listing Manual and the Property Funds Appendix. Changes to the accounting standards and issues which have a direct impact on the financial statements were reported and discussed with the ARC at its meetings. In carrying out its function, the ARC may also obtain independent or external legal or other professional advice or appoint external consultants as it considers necessary at the Managers' cost.

WHISTLE BLOWING POLICY

PRIME acknowledges the importance of lawful and ethical behaviour in all its business activities and is committed to adhere to the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs in its workplace.

The Manager has put in place a Whistle Blowing Policy which serves to encourage its employees and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence and in good faith.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the ARC Chairman or the Ethics Hotline will be made available on PRIME's website. Any concerns which are not resolved by these channels may be raised with the ARC Chairman of the Manager or the Chief Audit, Compliance & IT Officer. Accounting and audit complaints or concerns may be raised with the ARC Chairman. Following a review of the complaint or concern, the ARC Chairman, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and management implement corrective measures.

Whistle blowers are given the option to remain anonymous and may report via an external independent hotline or directly to PRIME's Head of Internal Audit. Establishing these policies reflects the Manager's commitment to conduct its business within a framework that fosters the highest ethical standards. The Whistle Blowing Policy is made available to all employees when they join the Manager, and they are briefed on this. The policy will also be publicly disclosed on PRIME's website.

DEALING IN UNITS

Each Director and the CEO of the Manager is to give notice to the Manager of any acquisition of Units or of any changes in the number of Units which he or she holds or in which he or she has an interest within two business days after such acquisition or the occurrence of such event giving rise to such changes in the number of Units to which he or she holds or in which he or she has an interest. All dealings in Units by the Directors and/or the CEO of the Manager will be announced via SGXNET. The Directors and employees of the Managers are encouraged to hold Units, but are prohibited from dealing in the Units in the period commencing one month before the public announcement of PRIME's annual results and property valuations and two weeks before the public announcement of PRIME's quarterly or semi-annual results, where applicable, and ending on the date of the announcement of the relevant results or as the case may be, the property valuations and at any time while in possession of price sensitive information. The insider trading rules stipulated in the SFA are to be adhered to and the dealing in the Units of PRIME on a short-term or speculative consideration are strongly discouraged. In addition to that, Directors, the CEO and employees of the Manager are required to obtain pre-approval from the Head of Compliance of the Manager before dealing in any units.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings
Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders
Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders
Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

CONDUCT OF GENERAL MEETINGS

PRIME supports and encourages active Unitholder participation at general meetings as general meetings serve as an opportune avenue for Unitholders to meet and interact with the Board and Management. Unitholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all Unitholders and via SGXNET. At general meetings, Unitholders are given the opportunity to participate effectively and vote. Where relevant rules and procedures govern such meetings (e.g. voting procedure), these rules and procedures are clearly communicated prior to the start of the meeting.

The Manager is not implementing absentia voting methods (such as voting via mail, email or fax) until issues such as the authentication of Unitholders identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, Unitholders are able to appoint up to two proxies to vote on their behalf should they be unable to attend the meeting. Based on the above, the Board is of the view that Unitholders will still be able to participate effectively in and vote at the general meetings even in the absence of absentia voting through appointment of proxies.

In addition to that, the Manager sets out separate resolutions on each substantially separate issue (which are not interdependent and not linked so as to form one significant proposal) at general meetings and supports the Code's provision as regards "bundling" of resolutions. Should there be resolutions which are interlinked, the Manager will provide reasons and material implications in the notice of the meetings or at general meetings to which Unitholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions sought to be passed.

For greater transparency and to better reflect Unitholders' interests, the Manager will be using poll voting at the general meetings to facilitate greater and more efficient participation of all Unitholders present or represented at the general meetings. The voting results of all votes cast for, against or abstaining from each resolution are then displayed at the general meeting and announced to SGX-ST after the general meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings.

All Board members, including the Chairman of the NRC and ARC, the Manager and representatives from the Trustee will be present at the general meetings of Unitholders which includes participation in person or by means of teleconference, video conference or similar communication methods without the need to be present physically to address relevant questions raised by the Unitholders. External Auditors will also be present provide professional independent clarification and to address Unitholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The minutes of Unitholders' general meetings which capture the attendance of Board members at the general meetings, matters approved by Unitholders, voting results and substantial and relevant comments or queries from Unitholders relating to the agenda of the general meeting together with responses from the Board and Management, are prepared by the Manager. These minutes are available to Unitholders upon their request.

FURTHER ENGAGEMENT

The Manager continues to engage and maintain the stakeholders' needs and expectations, taking into consideration their viewpoints and provide new perspective in generating positive impact to PRIME treating all Unitholders fairly and equitably striving to establish timeliness and consistency in its disclosure while maintaining regular interaction and dialogue with Unitholders to generate awareness and understanding of PRIME's strategic business model, competitive strengths, growth strategy and investment merits as well as to garner feedback and views for consideration. Committed to promoting regular, effective and communication with Unitholders in order to allow them to make informed decisions, the Trust Deed is available for inspection at the Manager's office where all announcements (i.e. press releases, presentations, annual and sustainability reports and financial statements) are uploaded onto SGXNET and on PRIME's website in a timely and accurate manner.

Continuous and informed dialogue between the Managers and Unitholders is a central tenant of good corporate governance. The CEO and the Investor Relations team of the Manager actively engage with institutional investors, analysts and fund managers to solicit and understand the views of the investment community via analyst briefings held after the financial results announcements; one-on-one or group meetings, conference calls, investor luncheons, local or overseas road shows and conferences and on PRIME's website at http://www.primeusreit.com/. An email alert option is available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications. In this way, the company seeks to establish good communication and engagement with all its stakeholders.

PRIME strives towards improving fiscal growth, optimising operational efficiency while creating a Sustainable Culture throughout to create long-term value based on Environment, Social and Governance ("**ESG**"). In recognition that stakeholders are important to PRIME's long-term growth and success, the Manager has identified stakeholder groups which have a significant influence and interest in PRIME's operations and business and engaged these stakeholders to understand their ESG expectations and in allowing us to have a good grasp on their concerns. The key stakeholders identified are the Manager's Board of Directors, employees, sponsor, Unitholders and investment community, the media, government regulators and industry or business associations, and the local community at large.

CORPORATE GOVERNANCE REPORT

The Manager adopts the principle that to build confidence among stakeholders, there is a need to deliver sustainable value. The Sustainability Report provides PRIME's approach in identifying its material stakeholders, as well as addressing stakeholders' concerns and methods of engagement. The Sustainability Report also sets out the key areas of focus in relation to the management of stakeholder relationships during the reporting period. PRIME is committed to conducting its business operations in a manner that upholds high standards of corporate governance and considers the environmental and social impact for sustainable growth as well to which PRIME has established a reporting team led by the CEO and comprised of the senior representatives from key departments for formulating and implementing PRIME's sustainability best practice. PRIME will publish its inaugural electronic version of Sustainability Report by December 2020 on its website.

DIVIDEND POLICY

PRIME's distribution policy is to distribute 100% of PRIME's annual distributable income for the period from the Listing Date to the end of Projection Year 2020, after which PRIME will distribute at least 90% of its annual distributable income. Such distributions are typically paid on a semi-annual basis. PRIME's distribution policy is to distribute as much of its income as practicable and the determination to distribute and the quantum of distributions to be made by PRIME will be at the discretion of the Board of Directors of the Manager. The Manager will endeavour to pay distributions no later than 90 days after the end of each distribution period. For FP2019, PRIME made its first distribution to Unitholders on 30 March 2020.

ADDITIONAL INFORMATION

ADDITIONAL DISCLOSURES ON FEES PAYABLE TO THE MANAGER

Pursuant to the revised CIS Code which came into effect on 1 January 2016, the methodology and justifications for each type of fees payable to the Manager should be disclosed, where such fees are payable out of the deposited property of PRIME. The methodology for the computation and payment of fees, with reference to the relevant clauses in the Trust Deed, is disclosed on pages 87 to 90 under the "Notes to the Financial Statements" section of this Annual Report.

The management fees are earned by the Manager for the management of PRIME's portfolio of properties. The various fees earned by the Manager and their rationale are further elaborated below.

BASE FEE AND PERFORMANCE FEE

The Base Fee, as contained in Clause 15.1 of the Trust Deed, covers the day-to-day operational, compliance, monitoring and reporting costs as well as administrative overheads incurred by the Manager. The Base Fee represents the compensation to the Manager for executing its core responsibilities and is based on a percentage of the value of PRIME's deposited properties, which is an appropriate metric to determine the resources required for managing PRIME. As PRIME grows in portfolio size, the complexity of management increases and the Manager is expected to expend greater effort in fulfilling its responsibilities.

The Performance Fee, as contained in Clause 15.1 of the Trust Deed, is based on the growth in DPU, and incentivises the Manager to proactively manage its portfolio, which may include but are not limited to asset enhancement initiatives, repositioning or re-branding of its properties, re-segmentation of its properties' customer base and driving cost efficiencies to improve profit margins. Such fee methodology aligns the interests of the Manager and Unitholders and ensures the long-term sustainability of the assets, instead of taking on excessive short-term risks to the detriment of the Unitholders.

ACQUISITION FEE AND DIVESTMENT FEE

The Acquisition Fee and Divestment Fee, which is contained in Clause 15.2 of the Trust Deed, seeks to continue delivering long-term sustainable distribution income to the Unitholders. The Manager regularly reviews its portfolio of properties and sources of growth opportunities and yield-accretive acquisitions, and efficiently recycles capital through the divestment of underperforming or non-core assets. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the acquisition or divestment to the existing portfolio and future growth expectations.

The Acquisition Fee and Divestment Fee payable to the Manager serve as a form of compensation for the time, effort and resources spent in sourcing, evaluating and executing potential opportunities to acquire new properties or in rebalancing and unlocking the underlying value of the existing properties within its asset portfolio to optimise PRIME's returns. The Manager provides these services over and above the provision of ongoing management services with the aim of ensuring income sustainability and achieving the investment objectives of PRIME.

The Acquisition Fee is higher than the Divestment Fee because the time and efforts undertaken in terms of sourcing, evaluating and conducting due diligence, and fund raising for an acquisition, are higher as compared to a divestment.

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FINANCIAL STATEMENTS

REPORT OF THE TRUSTEE

For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Prime US REIT (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of the units ("Unitholders") in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of KBS US Prime Property Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 7 September 2018 (as amended and restated) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the period covered by these financial statements, set out on pages 80 to 122, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
31 March 2020

STATEMENT BY THE MANAGER

For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

In the opinion of the directors of KBS US Prime Property Management Pte. Ltd. (the "Manager"), the Manager of Prime US REIT (the "Trust"), the accompanying financial statements set out on pages 80 to 122 comprising the Statements of Financial Position of the Group and the Trust as at 31 December 2019, the Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Changes in Unitholders' Funds and Consolidated Statement of Cash Flows of the Group, and Statement of Changes in Unitholders' Funds of the Trust for the financial period from 7 September 2018 (date of constitution) to 31 December 2019, Consolidated Portfolio Statement of the Group as at 31 December 2019 and notes to the financial statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2019, the consolidated comprehensive income, consolidated distributable income, consolidated changes in Unitholders' funds and consolidated cash flows of the Group, and changes in Unitholders' funds of the Trust for the financial period from 7 September 2018 (date of constitution) to 31 December 2019 and consolidated portfolio holdings of the Group as at 31 December 2019, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 7 September 2018 and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
KBS US Prime Property Management Pte. Ltd.

Professor Annie Koh
Director

Charles J. Schreiber Jr
Director

Singapore
31 March 2020

INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Prime US REIT
(Constituted under a Trust Deed dated 7 September 2018 in the Republic of Singapore)
For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Prime US REIT (the "Trust") and its subsidiaries (collectively, the "Group"), which comprise the Statements of Financial Position of the Group and the Trust as at 31 December 2019, the Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Changes in Unitholders' Funds and Consolidated Statement of Cash Flows of the Group, and Statement of Changes in Unitholders' Funds of the Trust for the financial period from 7 September 2018 (date of constitution) to 31 December 2019, Consolidated Portfolio Statement of the Group as at 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the Statement of Financial Position and the Statement of Changes in Unitholders' Funds of the Trust are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore, so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2019, the consolidated comprehensive income, consolidated distributable income, consolidated changes in Unitholders' funds and consolidated cash flows of the Group and changes in Unitholders' funds of the Trust for the financial period from 7 September 2018 (date of constitution) to 31 December 2019 and consolidated portfolio holdings of the Group as at 31 December 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and ACRA Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

Valuation of investment properties

As at 31 December 2019, the carrying value of investment properties was US$1.25 billion which accounted for 96.7% of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and the complexity of the valuation which is highly dependent on a range of estimates made by the Manager and the external valuers engaged by the Manager. As disclosed in Note 23(e), valuations of investment properties are highly sensitive to changes in the significant unobservable inputs, particularly those relating to discount rates, capitalisation rates and terminal yield. Accordingly, we have identified this as a key audit matter.

The Manager uses external valuers to determine the individual fair value of the investment properties. Our audit procedures included, amongst others, an assessment of the Group's process relating to the selection of the external valuers, the determination of the scope of work of the valuers, and a review of the valuation reports issued by the valuers. We evaluated the objectivity, independence and expertise of the external valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We involved our internal real estate valuation specialists to assist us in assessing the appropriateness of the valuation model and the reasonableness of the significant assumptions by reference to historical rates and market data. Our procedures also included validating the reliability of property related data used by the external valuers. In addition, we discussed with the external valuers the valuation techniques and basis for the significant assumptions used. We assessed the overall appropriateness of the movements in fair value of the investment properties as reported in the financial statements. We also assessed the adequacy of disclosures in Note 23(e) to the financial statements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGER FOR THE FINANCIAL STATEMENTS

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the CIS Code issued by the Monetary Authority of Singapore, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the Manager include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wei Hock.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 US$'000	Trust 2019 US$'000
Current assets			
Cash and cash equivalents	4	37,862	1,170
Trade and other receivables	5	2,411	1,356
Amount due from subsidiaries	5	–	19,466
Prepaid expenses		2,200	1
		42,473	**21,993**
Non-current assets			
Investment properties	6	1,254,700	–
Investment in subsidiaries	7	–	786,517
		1,254,700	786,517
Total assets		**1,297,173**	**808,510**
Current liabilities			
Trade and other payables	8	16,646	309
Amount due to related parties	8	476	421
Rental security deposits		276	–
Rent received in advance		5,061	–
		22,459	**730**
Non-current liabilities			
Loans and borrowings	9	432,824	–
Rental security deposits		2,294	–
Derivative liabilities	10	6,895	–
Preferred shares		125	–
Deferred tax liabilities	11	7,268	–
		449,405	**–**
Total liabilities		**471,864**	**730**
Net assets attributable to Unitholders		**825,310**	**807,780**
Represented by:			
Unitholders' funds		**825,310**	**807,780**
Units in issue and to be issued ('000)	12	**926,379**	**926,379**
Net asset value per unit (US$) attributable to Unitholders	13	**0.89**	**0.87**

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

	Note	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Gross revenue	14	60,657
Property operating expenses	15	(20,486)
Net property income		40,170
Manager's base fee		(2,977)
Trustee's fee		(76)
Other trust expenses	17	(1,008)
Net change in fair value of derivatives	10	(6,895)
Finance expenses	16	(7,078)
Finance income		40
Net income before tax and fair value change in investment properties		22,176
Net change in fair value of investment properties	6	18,795
Net income for the period before tax		40,971
Tax expense	18	(7,268)
Net income for the period attributable to Unitholders		**33,704**
Earnings per unit (US cents)		
Basic and diluted	19	**3.65**

The accompanying notes form an integral part of the financial statements.

DISTRIBUTION STATEMENT

For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Income available for distribution to Unitholders at the date of constitution	–
Net income for the period	33,704
Distribution adjustments (Note A)	(4,528)
Income available for distribution to Unitholders	**29,176**
Distribution per Unit (DPU) (US cents):	**3.15**
Note A – Distribution adjustments comprise:	
Property related non-cash items[1]	(2,792)
Manager's base fee paid/payable in Units	2,382
Trustee's fee	76
Amortisation of upfront debt-related transaction costs[2]	403
Transaction costs related to issuance of preferred shares	37
Net change in fair value of derivatives	6,895
Net change in fair value of investment properties	(18,795)
Deferred tax expense	7,268
Net distribution adjustments	**(4,528)**

(1) Mainly comprise straight-line rent adjustments and amortisation of lease incentives.

(2) Upfront debt-related transaction costs are amortised over the life of the borrowings.

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF
CHANGES IN UNITHOLDERS' FUNDS

For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

	Note	Attributable to Unitholders		
		Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
Group				
At 7 September 2018 (date of constitution)		–	–	–
Net income for the period		–	33,704	33,704
Net increase in net assets resulting from operations		**–**	**33,704**	**33,704**
Unitholders' transactions				
Issue of new Units:				
– Initial public offering	12	813,000	–	813,000
– Manager's base fee paid/payable in Units	12	2,382	–	2,382
Issue costs	12	(23,776)	–	(23,776)
Net increase in net assets resulting from Unitholders' transactions		**791,606**	**–**	**791,606**
At 31 December 2019		**791,606**	**33,704**	**825,310**
Trust				
At 7 September 2018 (date of constitution)		–	–	–
Net income for the period		–	16,174	16,174
Net increase in net assets resulting from operations		**–**	**16,174**	**16,174**
Unitholders' transactions				
Issue of new Units:				
– Initial public offering	12	813,000	–	813,000
– Manager's base fee paid/payable in Units	12	2,382	–	2,382
Issue costs	12	(23,776)	–	(23,776)
Net increase in net assets resulting from Unitholders' transactions		**791,606**	**–**	**791,606**
At 31 December 2019		**791,606**	**16,174**	**807,780**

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial period from 7 September 2018 (date of constitution) to 31 December 2019

	Note	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Operating activities		
Net income before tax		40,971
Adjustments for:		
Property related non-cash items		(2,792)
Manager's fee paid/payable in Units		2,382
Net fair value change in derivatives	10	6,895
Impairment loss on trade receivables	5	130
Foreign exchange gains		(18)
Finance expenses	16	7,078
Finance income		(40)
Net fair value change in investment properties	6	(18,795)
Operating cash flow before working capital changes		**35,811**
Changes in working capital		
Trade and other receivables		(2,541)
Prepaid expenses		(2,200)
Trade and other payables		7,762
Amount due to related parties		476
Rental security deposits		56
Rent received in advance		5,061
Net cash generated from operating activities		**44,423**
Cash flows from investing activities		
Acquisition of investment properties and related assets and liabilities	a	(1,214,185)
Settlement of liabilities in relation to the acquisition of investment properties		(5,075)
Additions to investment properties		(3,646)
Interest received		40
Net cash used in investing activities		**(1,222,867)**
Cash flows from financing activities		
Proceeds from issuance of Units	12	813,000
Payment for transaction costs relating to issuance of Units	12	(23,776)
Proceeds from loans & borrowings		471,196
Payment of transaction costs related to loans & borrowings		(5,175)
Repayment of loans & borrowings		(33,600)
Interest paid on loans & borrowings		(5,433)
Proceeds from issuance of preferred shares		125
Transaction costs related to issuance of preferred shares		(37)
Dividends on preferred shares		(12)
Net cash generated from financing activities		**1,216,287**
Net increase in cash and cash equivalents		**37,843**
Effect of exchange rate fluctuations on cash held in foreign currency		18
Cash and cash equivalents at end of the period	4	**37,862**

The accompanying notes form an integral part of the financial statements.

(a) Acquisition of investment properties and related assets and liabilities

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Agreed purchase consideration for investment properties	1,222,150
Acquisition costs	5,859
Capital expenditure and leasing costs under seller's responsibility	(1,880)
Net cash consideration for investment properties	1,226,129
Accrued expenses and other payables	(9,429)
Rental security deposits	(2,514)
Acquisition of investment properties and related assets and liabilities	1,214,185

The accompanying notes form an integral part of the financial statements.

PORTFOLIO STATEMENT

As at 31 December 2019

Description of property	Location	Tenure of land	Fair value as at 31 December 2019 US$'000	Percentage of total net assets as at 31 December 2019 %
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	125,800	15.2%
222 Main	Salt Lake City	Freehold	220,000	26.7%
Village Center Station I	Denver	Freehold	88,500	10.7%
Village Center Station II	Denver	Freehold	145,800	17.7%
101 South Hanley	St. Louis	Freehold	81,500	9.9%
Tower 909	Dallas	Freehold	82,400	10.0%
Promenade I & II	San Antonio	Freehold	75,000	9.1%
CrossPoint	Philadelphia	Freehold	99,500	12.1%
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	106,000	12.8%
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	49,200	6.0%
171 17th Street	Atlanta	Freehold	181,000	21.9%
Total investment properties			**1,254,700**	152.1%
Other assets and liabilities (net)			(429,390)	(52.1%)
Net assets			**825,310**	100.0%

The accompanying notes form an integral part of the financial statements.

1. GENERAL

Prime US REIT (the "Trust") is a Singapore real estate investment trust constituted pursuant to the trust deed (the "Trust Deed") dated 7 September 2018 (as amended and restated) between KBS US Prime Property Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group".

KBS Asia Partners Pte. Ltd. is the sponsor (the "Sponsor") of the Trust.

The Trust was inactive from the date of its constitution to 19 July 2019 (the "Listing Date"). The Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 19 July 2019.

The registered office and principal place of business of the Manager is located at 1 Raffles Place, #40-01 One Raffles Place, Singapore 048616.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The Group's key objectives are to provide sustainable distribution and strong total returns for Unitholders.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations.

The fee structures of these services are as follows:

(a) Manager's fees

The Manager is entitled under the Trust Deed to receive the following remuneration for the provision of asset management services:

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee at the rate of 10.0% per annum of the Trust's annual distributable income (calculated before accounting for the base fee and performance fee, if any). The base fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 80.0% of its base fee in the form of Units for the period from 19 July 2019 (Listing Date) to 31 December 2020.

The base fee, payable either in the form of cash and/or Units, is payable monthly/quarterly in arrears respectively. Where the base fee is payable in Units, the Units will be issued based on the volume weighted average price for a Unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of 10 business days (as defined in the Trust Deed) immediately preceding the relevant business day.

1. **GENERAL (CONT'D)**

(a) Manager's fees (cont'd)

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee equal to the rate of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial year with the DPU in the preceding financial year (calculated before accounting for performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year. As disclosed in the prospectus dated 8 July 2019, there shall be no performance fee payable for the financial period ended 31 December 2019.

The performance fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

Acquisition fee

Pursuant to the Trust Deed, the Manager is entitled to an acquisition fee of 1.0% of the purchase price of investment property acquired, whether directly or indirectly through one or more subsidiaries or such lower percentage as may be determined by the Manager in its absolute discretion.

The acquisition fee is payable to the Manager in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

Divestment fee

Pursuant to the Trust Deed, the Manager is entitled to a divestment fee of 0.5% of the sale price of investment property sold or divested, whether directly or indirectly through one or more subsidiaries or such lower percentage as may be determined by the Manager in its absolute discretion.

The divestment fee is payable to the Manager in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. Any payment to third party agents or brokers in connection with the disposal of any assets shall be paid to such persons out of the deposited property, and not out of the divestment fee received or to be received by the Manager.

(b) Trustee's fees

The Trustee fees are charged on a scaled basis of up to 0.1% per annum of the value of all the gross assets of the Group ("Deposited Property"), subject to a minimum of S$15,000 per month, excluding out-of-pocket expenses and GST.

1. GENERAL (CONT'D)

(c) Property management fees

Under the property management agreement in respect of each of the properties, the respective property manager will provide property management services and construction supervision services. The property manager is entitled to the following fees:

Property management fee and expenses

A monthly property management fee equal to a certain percentage of rent or gross revenues, as more specifically defined in each property management agreement. All the property managers are unrelated to the Sponsor.

Property management fees are assessed on a monthly basis and payable in arrears. The property management fees for the property portfolio is charged based on gross revenue income and ranges from 0.85% to 3.0% of the gross revenue income except that for Village Center Station II, the property management fee is US$2,750 per month. The specific percentages of the property management fees are set out in each of the property management agreements.

Notwithstanding that under the property management agreements the property management fee is payable in cash and not Units, Clause 15.7 of the Trust Deed allows for the payment of property management fee in the form of cash and/or Units. Prime US REIT may, in the future, enter into new property management agreements that provide for the payment of property management fee in Units.

Construction supervision fee

Except for CrossPoint and Village Center Station II, the property managers are entitled to construction supervision fees in connection with providing construction management services for certain construction projects with respect to the property managed by the property manager. All the property managers are independent third party service providers which are unrelated to the Sponsor.

Construction supervision fees are assessed as a percentage of the total cost of the applicable construction project with respect to the properties, as more specifically set forth in each Property Management Agreement, construction management addendum to the Property Management Agreement or separate project management agreement for the Property, with the applicable percentage decreasing as the total cost of a construction project increases.

With respect to such construction supervision fees, the percentages typically range from 0% to 6% of the total cost of a construction project. The Manager who oversees the property managers will negotiate the amount of Construction supervision fees while taking into account the complexity and scale of the construction project. Most commonly, projects with construction costs over US$1,000,000 are negotiable on a case by case basis such that each construction supervision fee is reasonable depending on the size and complexity of any given project. The Manager believes that the Construction supervision fees payable to the third party independent property managers are in line with market practice for property managers in the respective markets.

1. GENERAL (CONT'D)

(d) Lease commissions

Under the property management agreement in respect of the properties, the respective property manager will provide lease management services. The property manager is entitled to the following fees:

Leasing services commissions

Under the Leasing Services Agreements, the Leasing Agents, who are independent third-party service providers, are entitled to leasing services commissions, which are payable in cash.

Leasing services commissions for procuring leases with new tenants

The Leasing Agents are entitled to certain leasing services commissions for procuring leases with new tenants, and lease expansions which can range from US$2.00 per square foot per year of the lease term or 3.0% to 7.0% for the initial term of the lease.

Leasing services commissions for procuring lease renewals

The Leasing Agents are entitled to certain leasing services commissions for procuring lease renewals which can range from US$1.00 per square foot per year of the lease term or 2.0% to 7.0% for the term of the renewed lease.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in United States dollars ("US$"), which is the functional currency of the Trust. All financial information presented in United States dollars has been rounded to the nearest thousand (US$'000), unless otherwise stated.

Any differences in the tables included in the financial statements between the listed amounts and the totals thereof are due to rounding.

2. BASIS OF PREPARATION (CONT'D)

2.4 Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

Judgements made in applying accounting policies

There are no critical judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period are described in Note 23(e) – Valuation of investment properties.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The fair values of investment properties are determined with inputs from independent real estate valuation experts using recognised valuation techniques. These techniques include the Discounted Cash Flow Method, Income Capitalisation Method, and Direct Comparison Method. The key assumptions used to determine the fair value of these investment properties are provided in Note 23(e).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to the period presented in these financial statements.

3.1 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Trust. Consistent accounting policies are applied to like transactions and events in similar circumstances. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation and business combinations (cont'd)

(b) Business combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values as at acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Any excess of the sum of fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with the business combination are expensed as a fair value adjustment to investment properties as incurred.

When the acquisition of an investment property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values at the date of purchase. Acquisition-related costs are capitalised as part of the costs of investment property at the time the acquisition is completed.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

In the Trust's balance sheet, investment in subsidiaries are accounted for at cost less impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

(a) Foreign currency transactions and balances

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The Manager has determined the currency of the primary economic environment in which the Group operates, i.e. the functional currency, to be the US$.

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to US$ at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in the translation reserve in Unitholders' funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

Investment properties are properties that are held to earn rental income or for capital appreciation, or for both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially stated at cost, including transaction costs, and are measured at fair value thereafter, with any change therein recognised in profit or loss in the year in which they arise. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the CIS Code issued by MAS.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised and the carrying amounts of the replaced components are written off to profit or loss. To the extent that lease commissions paid increase the future economic benefits of investment properties, they are capitalized as part of the assets. Lease incentives are included in the carrying amount of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and its carrying amount) is recognised in profit or loss when control is transferred to the buyer.

3.4 Financial instruments

(a) Non-derivative financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Financial assets comprise receivables, cash and cash equivalents, and other receivables. Cash and cash equivalents comprise cash at bank.

Subsequent measurement

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(b) Non-derivative financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities not at fair value through profit or loss comprise trade and other payables, amounts due to related parties, rental security deposits and loans and borrowings.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) Preferred shares

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of such units, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as finance expenses in profit or loss as accrued.

(d) Derivatives

The Group holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment

(a) Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all trade and other receivables, including lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, including lease receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Non-financial assets

The Trust assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In which case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Unitholders' funds

Unitholders' funds are classified as equity. Issue costs relate to expenses incurred in connection with the issue of Units. These expenses are deducted directly against Unitholders' funds.

3.7 Revenue recognition

Rental income from operating leases

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. The difference between revenue recognised and the contractual cash received is included in the carrying value of the investment property and subsequently adjusted to fair value change for investment properties recognised in profit or loss. Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

Rental income also includes lease cancellation fees. Lease cancellation fees are recognised as revenue once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

Recoveries income

Recoveries from tenants are recognised as income in the period in which the applicable costs are incurred.

Other operating income

Other operating income comprise parking income and other non-rental income are recognised as services are provided and the performance obligations are satisfied. Car park income consists of contractual and transient car park income, which are recognised upon utilization of parking facilities.

Other operating income is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Other operating income is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The amount of other operating income recognised is the amount allocated to the satisfied performance obligation.

Finance income

Interest income is recognised as it accrues, using the effective interest method.

3.8 Finance expenses

Finance expenses comprise interest expense on borrowings, amortisation of borrowing-related transaction costs and commitment fees incurred on the borrowings and dividends on preferred shares that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Taxes

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured at fair value in the United States, the presumption that the carrying amounts will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investment in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.10 Distribution policy

Prime US REIT's distribution policy is to distribute 100.0% of its distributable income for the period from the Listing Date to 31 December 2020. Thereafter, Prime US REIT will distribute at least 90.0% of its distributable income for each financial year. The actual distribution will be determined at the discretion of the Board of Directors of the Manager.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Leases – as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 3.7.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank which are subject to an insignificant risk of changes in value.

3.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group's investment properties are primarily commercial office properties and are located in the United States. Therefore, the directors consider that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in the financial statements.

3.14 New standards issued but not yet effective

The Group has not adopted the following standards as applicable to the Group that have been issued but not yet effective:

	Effective for annual periods beginning on or after
IFRS 16 *Leases*	1 January 2019
IFRIC 23 *Uncertainty Over Income Tax Treatments*	1 January 2019
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Material	1 January 2020
Amendments to IFRS 3 *Business Combination*: Definition of a Business	1 January 2020
Amendments to IFRS 7, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*	1 January 2020

The adoption of the standards above will have no material impact on the financial statements in the year of initial application.

4. CASH AND CASH EQUIVALENTS

	Group 2019 US$'000	Trust 2019 US$'000
Cash at bank	37,862	1,170

Cash at banks earns interest at floating rates based on daily bank deposit rates.

5. TRADE AND OTHER RECEIVABLES AMOUNTS DUE FROM SUBSIDIARIES

	Group 2019 US$'000	Trust 2019 US$'000
Trade receivables	1,055	–
GST receivable	1,356	1,356
	2,411	1,356
Amounts due from subsidiaries	–	19,466

Trade receivables related to rent and services to tenants are billed 1 month in advance, non-interest bearing and are typically due within 5 days.

Amounts due from subsidiaries mainly relates to dividend receivable from one of its subsidiaries. These amounts are non-trade related, unsecured, interest-free, repayable on demand and to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables related to rent and services amounting to US$171,000 at 31 December 2019 that are past due at the end of the reporting period but not impaired. The analysis of their ageing at the end of the reporting period is as follows:

	Group 2019 US$'000
1 to 30 days	123
31 to 60 days	37
61 to 90 days	8
91 to 120 days	–
Greater than 120 days	3
	171

The Group believes that no impairment losses are necessary in respect of trade receivables that are past due as these receivables mainly arose from tenants with good past payment track record and the Group maintains security deposits or letter of credits in relation to these tenants as collateral.

5. TRADE AND OTHER RECEIVABLES (CONT'D) AMOUNTS DUE FROM SUBSIDIARIES (CONT'D)

Receivables that are impaired

The Group has also considered trade and other receivables to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts and recognised the impairment loss on the trade receivables accordingly. These receivables represent the excess of the total outstanding amounts over the collaterals held.

	Group Individually impaired 2019 US$'000
Trade receivables – nominal amounts	130
Less: Allowance for impairment	(130)
Balance at 31 December	–

Movement in the impairment loss on trade receivables was as follows:

	Group 2019 US$'000
At 7 September 2018 (date of constitution)	–
Charge for the period	(130)
Balance at 31 December	(130)

6. INVESTMENT PROPERTIES

	Group 2019 US$'000
Consolidated Statement of Financial Position	
At 7 September 2018 (date of constitution)	–
Acquisitions (including acquisition costs)	1,226,129
Capital expenditure (including leasing commissions and incentives)(1)	6,984
Fair value changes in investment properties	21,587
At 31 December	1,254,700
Consolidated Statement of Comprehensive Income	
Fair value changes in investment properties	21,587
Net effect of amortisation and straight-lining(2)	(2,792)
Net fair value change recognised in the Statement of Comprehensive Income	18,795

(1) Includes net lease commissions of US$1,241,000 and lease incentives of US$1,852,000

(2) Arising from accounting for rental income on a straight-line basis, the difference between revenue recognised and the contractual cash flow is included in the carrying value of the investment property and subsequently adjusted to reflect fair value change in investment properties recognised in profit or loss

6. INVESTMENT PROPERTIES (CONT'D)

Investment properties comprise office spaces which are leased to external tenants. The remaining lease terms range from less than 1 year to 13.8 years at 31 December 2019.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2019. The valuations were performed by Cushman and Wakefield Western, Inc, an independent valuer with a recognised and relevant professional qualification and with a recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs are disclosed in Note 23(e).

Property pledged as security

One of the investment properties amounting to US$220,000,000 is mortgaged to secure a loan (Note 9).

The investment properties held by the Group as at 31 December 2019

Property	Description and Location	Tenure	Appraised value US$'000
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	125,800
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	220,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	88,500
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	145,800
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	81,500
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	82,400
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	75,000
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	99,500
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	106,000
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	49,200
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	181,000
			1,254,700

7. INVESTMENT IN SUBSIDIARIES

	Trust 2019 US$'000
Unquoted equity investment at cost	786,517

Details of the subsidiaries of the Trust are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Trust 2019 %
Direct subsidiaries:			
Prime US REIT S1 Pte. Ltd.[1]	Investment holding	Singapore	100
Prime US REIT S2 Pte. Ltd.[1]	Investment holding	Singapore	100
Indirect subsidiaries:			
Prime US-Sub REIT, Inc[2]	Investment holding	United States of America	100
Prime US-Upper Tier, LLC[2]	Investment holding	United States of America	100
Prime US-Middle Tier, LLC[2]	Investment holding	United States of America	100
Prime US-Lower Tier, LLC[2]	Investment holding	United States of America	100
Prime US Properties, LLC[2]	Investment holding	United States of America	100
Prime US-Acquisition I, LLC[2]	Investment holding	United States of America	100
Prime US-Towers At Emeryville, LLC[2][3]	Property owner	United States of America	100
Prime US-222 Main, LLC[2]	Property owner	United States of America	100
Prime US-Village Center Station, LLC[2][3]	Property owner	United States of America	100
Prime US-Village Center Station II, LLC[2][3]	Property owner	United States of America	100
Prime US-101 South Hanley, LLC[2][3]	Property owner	United States of America	100
Prime US-Tower At Lake Carolyn, LLC[2][3]	Property owner	United States of America	100
Prime US-Promenade, LLC[2][3]	Property owner	United States of America	100
Prime US-CrossPoint At Valley Forge, LLC[2][3]	Property owner	United States of America	100
Prime US-One Washingtonian, LLC[2][3]	Property owner	United States of America	100
Prime US-Reston Square, LLC[2][3]	Property owner	United States of America	100
Prime US-171 17th Street, LLC[2][3]	Property owner	United States of America	100

(1) Audited by Ernst & Young LLP Singapore

(2) Audited by Ernst & Young LLP United States

(3) As disclosed in Note 9, the equity interests of these subsidiaries have been pledged in connection with the borrowings.

8. TRADE AND OTHER PAYABLES AMOUNT DUE TO RELATED PARTIES

	Group 2019 US$'000	Trust 2019 US$'000
Trade payables	14	–
Interest payable	1,193	–
Property tax payable	5,033	–
Building and tenancy improvement payables	5,960	–
Accrued expenses	4,446	309
Trade and other payables	16,646	309
Amount due to related parties	476	421

Amounts due to related parties mainly relate to expenses paid by the Manager on behalf of the Trust. These amounts are unsecured, non-trade, non-interest bearing, repayable on demand and to be settled in cash.

9. LOANS AND BORROWINGS

	Effective interest rate % per annum	Maturity	Group 2019 US$'000
Non-current			
Revolving credit facility	LIBOR + 1.05%	July 2022	52,596
Four-year term loan facility	LIBOR + 1.15%	July 2023	140,000
Five-year term loan facility	LIBOR + 1.15%	July 2024	140,000
Ten-year term loan facility	4.11%	August 2029	105,000
			437,596
Less: Unamortised transaction costs			(4,772)
Total loans and borrowings			432,824

Revolving credit facility

The total amount available under this facility is US$100.0 million. As at 31 December 2019, the Group has US$47.4 million of unutilised revolving credit facility. The weighted average interest rate during the period was 3.06% per annum.

The borrower of the facility is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entity owning the 222 Main property) for the facility.

The facility has two one-year extension options beyond its scheduled maturity date in July 2022.

9. LOANS AND BORROWINGS (CONT'D)

Four-year term loan facility
Five-year term loan facility

The amount drawn down from each facility is US$140.0 million. The borrower is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entity owning the 222 Main property) for the facilities.

Interest rates on the four and five-year term loans have been hedged using floating-for-fixed interest rate swaps. Taking into account the swaps, the weighted average interest rate (excluding amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings for the period ended 31 December 2019 was 3.06% per annum.

Ten-year term loan facility

The amount drawn down from the facility is US$105.0 million. The borrower is Prime US-222 Main, LLC, and the facility is secured by the 222 Main property.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	7 September 2018 (date of constitution) US$'000	Net cash flows US$'000	Amortisation of upfront debt-related transaction costs US$'000	31 December 2019 US$'000
Group				
Loans and borrowings	–	432,421	403	432,824

10. DERIVATIVE FINANCIAL INSTRUMENTS

		Group
	Contract/ Nominal amount US$'000	Liabilities US$'000
Interest rate swaps	280,000	6,895
Derivative financial instruments as a percentage of the Group's net assets		0.84%
Derivative financial instruments as a percentage of the Trust's net assets		0.85%

The Group enters into interest rate swaps to manage its exposure to interest rate movements on certain of its floating rate interest-bearing borrowings by swapping the interest expense on these borrowings from floating rates to fixed rates.

The Group holds the interest rate swaps to provide fixed rate funding for 5 years.

11. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group 2019 US$'000
Investment properties	7,268

Movements in deferred tax liabilities of the Group during the period are as follows:

	At 7 September 2018 (date of constitution) US$'000	Recognised in Statement of Comprehensive Income US$'000	At 31 December 2019 US$'000
Deferred tax liabilities			
Investment properties			
– Change in fair value of investment properties	–	4,557	4,557
– Depreciation claimed for income tax purpose in United States	–	2,711	2,711
	–	7,268	7,268

12. UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust 7 September 2018 (date of constitution) to 31 December 2019 No. of Units '000	US$'000
Units issued		
As at 7 September 2018 (date of constitution)	–[(1)]	–[(1)]
Issue of new Units:		
– Initial public offering	923,864	813,000
– Management fees paid in Units	1,140	1,044
– Issue costs	–	(23,776)
As at 31 December	925,004	790,268
Units to be issued		
Management fee payable in Units	1,375	1,338
Total Units issued and to be issued as at 31 December	**926,379**	**791,606**

(1) Less than 500.

12. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

On Listing Date, an aggregate of 923,864,000 Units were issued at US$0.88 per unit for gross proceeds of US$813.0 million.

For the period from 7 September 2018 to 31 December 2019, the Trust issued 1,139,872 new Units at US$0.916 per Unit and will issue 1,374,720 new Units at US$0.973 per Unit to the Manager as payment of 80% of the Manager's base fees.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- Have the right to receive notice of, attend and one vote per Unit at any meeting of the Unitholders.

The Unitholders are entitled to receive all distributions declared and paid by the Trust. Upon winding up, the Unitholders are entitled to a return of capital based on the asset value per Unit of the Trust.

The restrictions on Unitholders include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to redeem his Units while the Units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

Issue costs comprise professional, advisory and underwriting fees and other costs related to the issuance of Units. Included in issue costs are US$1,738,000 of fees paid to the auditors of the Group.

13. NET ASSET VALUE PER UNIT

	Note	Group 2019	Trust 2019
Net asset value per Unit is based on:			
– Net assets (US$'000)		825,310	807,780
– Total Units issued and to be issued at 31 December ('000)	12	926,379	926,379

14. GROSS REVENUE

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Rental income	48,130
Recoveries income	9,365
Other operating income	3,162
	60,657

Recoveries income includes, amongst others, charges to tenants for recovery of certain operating costs and real estate taxes and is estimated in accordance with the individual tenant leases.

15. PROPERTY OPERATING EXPENSES

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Utilities	2,886
Repair and maintenance expenses	2,585
Property management fees	2,513
Property taxes	7,471
Other property operating expenses	5,031
	20,486

16. FINANCE EXPENSES

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Interest expense on borrowings	6,572
Amortisation of upfront debt-related transaction costs	403
Transaction costs related to issuance of preferred shares	37
Commitment fees	54
Dividends on preferred shares	12
	7,078

Upfront debt-related transaction costs are amortised over the tenure of the borrowing.

17. OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Audit fees paid/payable to auditors of the Group	500
Non-audit fees paid/payable to auditors of the Group	81
Tax compliance fees	277
Valuation fees	85
Other expenses	65
	1,008

18. TAX EXPENSE

The major components of tax expense for the period ended 31 December 2019 are:

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Deferred tax expense	
Movement in temporary differences	7,268
Tax expense	7,268
Reconciliation of effective tax rate	
Net income for the period before tax	40,971
Tax calculated using United States tax rate of 21%	8,604
Income not subjected to taxation	(1,336)
Tax expense reported in Consolidated Statement of Comprehensive Income	7,268

United States tax rate is used as all the properties are based in the United States.

19. EARNINGS PER UNIT

Basic and diluted earnings per Unit is based on:

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Net income for the period	33,704

	Group 2019 No. of Units '000
Weighted average number of Units	924,119

Basic and diluted EPU are calculated based on the weighted average number of Units for the period. This comprises:

(i) The weighted average number of Units in issue for the period; and

(ii) The estimated weighted average number of Units to be issued as part payment of the Manager's base fees for the period from 1 October 2019 to 31 December 2019.

Diluted earnings per Unit is equivalent to the basic earnings per Unit as there were no dilutive instruments in issue during the period.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the period, in addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Acquisition of investment properties from a related party(1)	1,222,150
Management fees paid/payable to the Manager	2,977
Trustee fees paid/payable	76

(1) The investment properties were acquired from KBS Real Estate Investment Trust III, Inc., an entity related to the Sponsor.

21. FINANCIAL RATIOS

	Group 7 September 2018 (date of constitution) to 31 December 2019 %
Ratio of expenses to weighted average net assets[1]	
– Including performance component of the Manager's management fees	1.11
– Excluding performance component of the Manager's management fees	1.11
Portfolio turnover rate[2]	–

(1) The annualised ratio is computed in accordance with guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for the period ended 31 December 2019.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value in accordance with the formula stated in the CIS Code.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to tax risk, market risk, interest rate risk, credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors ("BOD") of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalized in the Manager's organizational and reporting structure, operating manuals and delegation of authority guidelines. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current financial period, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Tax risk

Changes in taxation legislation, administrative guidance or regulations, and/or any disagreement as to the interpretation thereof, may adversely affect the Group.

Any change in the tax status of the Group, or change in taxation legislation, administrative guidance, or regulation (or any disagreement as to the interpretation thereof) that applies to the Group, could adversely affect the distribution paid by the Group.

In addition, any such tax changes could adversely affect the value of the Group's investments, and/or increase the U.S. and non-U.S. tax liabilities of the Group and/or affect the Group's ability to achieve its investment objectives. Such changes could have a significant negative impact on the Group and its Unitholders.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Tax risk (cont'd)

On 20 December 2018, the United States Department of the Treasury released proposed regulations under Section 267A (the "Proposed 267A Regulations").

The Proposed 267A Regulations, are not expected to necessitate any further changes to Prime US REIT's structure in order to preserve the deductibility of interest paid on Prime US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations, will not have any material impact on the consolidated net tangible assets or distributions per unit of Prime US REIT.

The Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective as of 1 January 2018, could differ materially from the Proposed 267A Regulations and could result in additional costs and/or tax liability. The United States Office of Information and Regulatory Affairs has announced its completion of its review on the regulations on 26 February 2020 but the date of the release for the final regulations is still pending.

Market risk

(i) Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group's business is not exposed to significant currency risk as the portfolio of properties are located in the US and the cash flows from the operations of the properties are denominated in US$. The Group also borrows in the same currency as the assets in order to manage the foreign currency risk. The Trust will receive US$ distributions from the investment properties which will be passed to the Unitholders, either in US$ or converted to Singapore Dollar ("S$") at the spot foreign exchange rate on the designated date.

The Trust is exposed to fluctuations in the cross-currency rates of the US$ and S$ for operating expenses incurred in Singapore, which are not material. Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk. The Group has minimal exposure to currency risk.

(ii) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. The Manager will actively monitor and manage the Group's net exposure to interest rate risk through the use of interest rate hedging instruments and/or fixed rate borrowings, where applicable.

As at 31 December 2019, the Group had US$332.6 million of variable rate interest borrowings, of which US$280.0 million are hedged with interest rate swaps. The Group had not been exposed to significant interest rate risk.

Sensitivity analysis for interest rate risk

During the reporting period, if the interest rates of borrowings had been 1% per annum higher/lower with all other variables constant, the Group's net income before tax would have been US$205,000 lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings that are not hedged.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. In addition, tenants may experience financial difficulty and are unable to fulfil their lease commitments or tenants may fail to occupy and pay rent in accordance with lease agreements.

The Group mitigates credit risk through staggered lease maturities, diversification of revenue sources by ensuring no individual tenant contributes too significant a percentage of the Group's gross revenue and obtaining security deposits or letter of credits from the tenants, where applicable. The top tenant in 2019 accounted for 9.1% of total revenue. At the end of the reporting period, there were no significant trade receivables of the Group.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

Credit risk concentration profile

The Group evaluates the concentration of risk with respect to trade receivables as low, as its tenants are from different states and industries in the United States. As at the reporting date, the Group believes that there is minimal credit risk inherent in the Group's trade and other receivables, based on historical payment behaviours and the collaterals held. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statements of Financial Position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 5 (Trade and other receivables). There were no significant trade and other receivables that are past due but not impaired.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors the liquidity risk of the Group and maintains a level of cash deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

			Cash flows		
	Carrying amount US$'000	**Contractual cash flows US$'000**	**Within 1 year US$'000**	**After 1 year but within 5 years US$'000**	**After 5 years US$'000**
Group					
2019					
Non-derivative financial liabilities (current)					
Trade and other payables	16,646	16,646	16,646	–	–
Amount due to related parties	476	476	476	–	–
Rental security deposits	276	276	276	–	–
Non-derivative financial liabilities (non-current)					
Loans and borrowings	432,824	517,330	14,361	378,177	124,792
Rental security deposits	2,294	2,294	–	1,457	837
Preferred shares	125	203	16	63	125
	452,641	537,225	31,775	379,697	125,754
Derivatives					
Interest rate swaps (net-settled)	6,895	7,381	926	6,455	–
Trust					
2019					
Non-derivative financial liabilities (current)					
Trade and other payables	309	309	309	–	–
Amount due to related parties	421	421	421	–	–
	730	730	730	–	–

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Capital management

The Manager's objective when managing capital is to optimise the Group's capital structure within the borrowing limits as set out in the CIS Code issued by the MAS to fund future acquisitions and asset enhancement projects at the Group's properties. To maintain and achieve an optimal capital structure, the Manager may issue new units or source additional borrowings from both financial institutions and capital markets.

The Group has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group is subjected to the aggregate leverage limits as defined in the Property Funds Appendix set out in the CIS Code. The Property Funds Appendix stipulates that the total borrowings and deferred payments (collectively the "Aggregate Leverage") of a property fund shall not exceed 45.0% of the fund's deposited property.

The Manager actively monitors the term of each loan facility, the weighted average cost of debt, and variable debt as a proportion of overall debt outstanding. The Manager also monitors the debt covenants on an ongoing basis and ensures there is sufficient cash available to make the payments under the loan agreement.

The aggregate leverage ratio is calculated as the total borrowings and deferred payments divided by the total assets. The aggregate leverage ratio is 33.7% as at 31 December 2019. The Group has complied with the Aggregate Leverage limit of 45.0% during the financial period.

23. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classification and fair value

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities carried at amortised cost US$'000	Fair value – Hedging instruments US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group									
2019									
Financial assets not measured at fair value									
Cash and cash equivalents	4	37,862	–	–	37,862	–	–	–	–
Trade and other receivables(1)	5	1,055	–	–	1,055	–	–	–	–
		38,917	–	–	38,917	–	–	–	–
Financial liabilities not measured at fair value									
Trade and other payables	8	–	16,646	–	16,646	–	–	–	–
Amount due to related parties	8	–	476	–	476	–	–	–	–
Rental security deposits		–	2,570	–	2,570	–	–	–	–
Loans and borrowings	9	–	432,824	–	432,824	–	–	443,120	443,120
Preferred shares		–	125	–	125	–	–	125	125
		–	452,641	–	452,641	–	–	443,245	443,245
Financial liabilities measured at fair value									
Derivative liabilities	10	–	–	6,895	6,895	–	6,895	–	6,895
		–	–	6,895	6,895	–	6,895	–	6,895

(1) Excludes GST Receivables

Fair values of the Group's fixed loans and borrowings are determined by using the discounted cash flow method, using a discount rate that reflects the average market borrowing rate as at 31 December 2019.

Fair value determination of derivative liabilities is discussed in further detail in Note 23 (d).

23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classification and fair values (cont'd)

	Note	Carrying amount			Fair value			
		Financial assets at amortised cost US$'000	Financial liabilities carried at amortised cost US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Trust								
2019								
Financial assets not measured at fair value								
Cash and cash equivalents	4	1,170	–	1,170	–	–	–	–
Amount due from subsidiaries	5	19,466	–	19,466	–	–	–	–
		20,636	–	20,636	–	–	–	–
Financial liabilities not measured at fair value								
Trade and other payables	8	–	309	309	–	–	–	–
Amount due to related parties	8	–	421	421	–	–	–	–
		–	730	730	–	–	–	–

(c) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2019 US$'000 Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value – recurring				
Non-financial assets				
Investment properties				
– Commercial	–	–	1,254,700	1,254,700
Total non-financial assets	–	–	1,254,700	1,254,700
Liabilities measured at fair value – recurring				
Financial liabilities				
Derivative liabilities				
– Interest rate swaps	–	6,895	–	6,895
Total financial liabilities	–	6,895	–	6,895

23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

The fair values of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

(e) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurement

Investment properties

Investment properties are stated at fair value based on valuations by independent professional valuers. The independent professional valuers have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The fair values are based on its highest and best use, in accordance with IFRS 13 fair value measurement guidance.

The independent professional valuers have considered valuation techniques including direct comparison method, income capitalisation method and discounted cash flow method in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the nature, location or condition of the specific investment properties. The income capitalisation method capitalises an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flow method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group was US$1.25 billion as at 31 December 2019.

The above fair value has been classified as a Level 3 fair value based on the inputs to the valuation techniques used.

23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(e) Level 3 fair value measurements (cont'd)

(i) *Information about significant unobservable inputs used in Level 3 fair value measurement (cont'd)*

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the key unobservable inputs used:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flow method	• Discount rate of 6.50% to 8.50% • Terminal capitalisation rate of 6.00% to 7.75%	Higher discount rate or terminal yield would result in a lower fair value, while lower rate would result in a higher fair value.
Income capitalisation method	• Capitalisation rate of 5.50% to 7.50%	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Direct comparison method	• Price per square foot of US$218 to US$563	Higher price per square foot would result in a higher fair value, while lower rate would result in a lower fair value.

(ii) *Valuation policies and procedures*

The Group's Chief Executive Officer (CEO), who is assisted by the Chief Financial Officer (CFO) and US Asset Manager, oversees the Group's valuation process and is responsible for setting the Group's valuation policies and procedures.

For all significant valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and IFRS 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use up to two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

24. COMMITMENTS

Operating lease commitments – as lessor

The Group has entered into office space leases on its investment properties. These non-cancellable leases have remaining lease terms of up to 13.8 years.

Future minimum payments receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group 2019 US$'000
Not later than one year	98,156
Later than one year but not later than five years	329,526
Later than five years	130,165
	557,847

The above operating lease receivable are based on the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

25. SUBSEQUENT EVENTS

(a) Incorporation of Prime US REIT S3 Pte. Ltd.

On 8 February 2020, the Trust incorporated a new subsidiary Prime US REIT S3 Pte. Ltd. in Singapore with a paid-up capital of US$1.

(b) Distribution

On 12 February 2020, the Manager announced:

(i) a distribution of 3.15 US cents per Unit for the period from 19 July 2019 to 31 December 2019; and

(ii) an advance distribution of 0.96 US cents per Unit for the period from 1 January 2020 to 20 February 2020.

(c) Private placement

On 21 February 2020, the Trust issued 125,392,000 new Units at an issue price of US$0.957 for a total of US$120 million in proceeds. With the issue of new Units, the total number of units in issue was 1,050,395,872.

(d) Acquisition of property

As announced on 24 February 2020, the Group completed the acquisition of the property known as Park Tower located at 980 9th St and 1010 8th St, Sacramento, California for US$167.3 million (including acquisition costs) which was partially funded by the proceeds from the private placement.

(e) Issuance of management fee in units to the Manager

On 5 March 2020, 1,374,720 Units were issued as part payment of management fees for the financial period from 1 October 2019 to 31 December 2019.

25. SUBSEQUENT EVENTS (CONT'D)

(f) Outbreak of Coronavirus Disease ("COVID-19")

The Group is monitoring the COVID-19 situation very closely, both at the national level and at the individual property level. At the national level, the President of the United States has declared a national emergency to free up as much as US$50 billion in federal aid for states and municipalities affected by the pandemic. The States Centers for Disease Control and Prevention is aggressively responding to the outbreak of COVID-19 and preparing for the community spread in the United States. Many states have closed non-essential businesses in an effort to slow the spread of COVID-19 and the President of the United States has extended social-distancing guidelines until the end of April 2020. The United States Congress has passed a US$2 trillion COVID-19 response bill, known as the CARES Act, which includes several elements aimed at providing relief to individuals, small and big businesses, hospitals and public health, state and local governments, and education.

At the property level, asset management has implemented precautionary measures at all portfolio properties to safeguard tenants and their employees. In addition to increased frequency of cleaning in the common areas and sanitation of high traffic surfaces, hand sanitizers have also been placed in all buildings alongside preventive measures notices.

The ongoing outbreak will have an impact on the real estate sector though the Group believes that certain sectors are better positioned than others. The ultimate extent of the impact of COVID-19 on the Group's business, financial condition and financial performance will largely depend on the duration and severity of the pandemic, both in the United States and the world. Accordingly, the extent to which the Group's financial condition and results of operation will be affected is not predictable; however the Group believes that the Trust's portfolio is defensively positioned to manage any short-term economic impact from COVID-19 based on strong diversified tenant base, long term leases, excellent property locations and strong exposure to high growth industries. While there may be some negative impact on leasing activity, the Group believes that with the stability and resiliency of the portfolio, it is well positioned for the future.

26. COMPARATIVE INFORMATION

No comparative figures have been presented as this is the first set of financial statements prepared for the Group and the Trust since the date of constitution.

27. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 31 March 2020.

STATISTICS OF UNITHOLDINGS

As at 16 March 2020

ISSUED AND FULLY PAID UNITS

There were 1,051,770,592 Units issued in PRIME as at 16 March 2020 (voting rights: one vote per Unit).

There is only one class of Units in PRIME.

There are no treasury units and no subsidiary holdings held.

Market Capitalisation: US$794,086,797 based on market closing price of US$0.755 per Unit on 16 March 2020.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	0	0.00	0	0.00
100 – 1,000	241	8.85	228,327	0.02
1,001 – 10,000	1,635	60.02	9,557,800	0.91
10,001 – 1,000,000	830	30.47	36,207,050	3.44
1,000,001 AND ABOVE	18	0.66	1,005,777,415	95.63
Total	**2,724**	**100.00**	**1,051,770,592**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	DBS NOMINEES (PRIVATE) LIMITED	616,068,307	58.57
2	TIMES PROPERTIES PRIVATE LIMITED	68,181,000	6.48
3	KEPPEL CAPITAL INVESTMENT HOLDINGS PTE LTD	62,500,000	5.94
4	RAFFLES NOMINEES (PTE.) LIMITED	59,104,112	5.62
5	CITIBANK NOMINEES SINGAPORE PTE LTD	58,330,274	5.55
6	DBSN SERVICES PTE. LTD.	48,337,383	4.60
7	HSBC (SINGAPORE) NOMINEES PTE LTD	34,255,965	3.26
8	DB NOMINEES (SINGAPORE) PTE LTD	30,555,500	2.91
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	8,214,000	0.78
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,724,393	0.35
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,469,510	0.33
12	ABN AMRO CLEARING BANK N.V.	2,839,900	0.27
13	ONG TIONG SENG	2,258,600	0.21
14	PHILLIP SECURITIES PTE LTD	2,200,971	0.21
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,057,000	0.20
16	MAYBANK KIM ENG SECURITIES PTE.LTD	1,343,700	0.13
17	CHONG YEAN FONG	1,200,000	0.11
18	LIEW CHEE KONG	1,136,800	0.11
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	970,400	0.09
20	MERRILL LYNCH (SINGAPORE) PTE. LTD.	923,950	0.09
	Total	**1,007,671,765**	**95.81**

STATISTICS OF UNITHOLDINGS

As at 16 March 2020

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 16 March 2020)

Name of Substantial Unitholders	Direct Interest No. of Units	%[1]	Deemed Interest No. of Units	%[1]	Total Interest No. of Units	%[1]
Times Properties Private Limited	68,181,000	6.48	Nil	Nil	68,181,000	6.48
Singapore Press Holdings Limited[2]	Nil	Nil	68,181,000	6.48	68,181,000	6.48
Steppe Investments Pte. Ltd.	68,182,000	6.48	Nil	Nil	68,182,000	6.48
Temasek Holdings (Private) Limited[3]	Nil	Nil	88,754,073	8.44	88,754,073	8.44
Keppel Capital Investment Holdings Pte. Ltd.	62,500,000	5.94	Nil	Nil	62,500,000	5.94
Keppel Capital Holdings Pte. Ltd.[4]	Nil	Nil	62,500,001	5.94	62,500,001	5.94
Keppel Corporation Limited[5]	Nil	Nil	62,500,001	5.94	62,500,001	5.94
AT Investments Limited	85,226,000	8.10	Nil	Nil	85,226,000	8.10
Auctus Investments Limited[6]	Nil	Nil	85,226,000	8.10	85,226,000	8.10
Mr Arvind Tiku[7]	Nil	Nil	85,226,000	8.10	85,226,000	8.10
KBS REIT Properties III, LLC	289,561,899	27.53	Nil	Nil	289,561,899	27.53
KBS Limited Partnership III[8]	Nil	Nil	289,561,899	27.53	289,561,899	27.53
KBS REIT Holdings III, LLC[9]	Nil	Nil	289,561,899	27.53	289,561,899	27.53
KBS Real Estate Investment Trust III, Inc.[10]	Nil	Nil	289,561,899	27.53	289,561,899	27.53

Notes:

(1) The percentage of unitholding is calculated based on the total number of 1,051,770,592 Units in issue as at 16 March 2020.

(2) Singapore Press Holdings Limited's deemed interest arises from its shareholdings in Times Properties Private Limited, a wholly-owned subsidiary of Singapore Press Holdings Limited.

(3) Temasek Holdings (Private) Limited's deemed interest arises through DBS Group Holdings Ltd ("DBSH") and Keppel Corporation Limited ("Keppel"). DBSH and Keppel are independently managed Temasek portfolio companies. Temasek is not involved in their business or operating decisions, including those regarding their positions in Units.

(4) Keppel Capital Holdings Pte. Ltd.'s deemed interest arises from its shareholdings in (i) Keppel Capital Two Pte. Ltd., which holds 30% of the voting shares in the Manager; and (ii) Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd.

(5) Keppel Corporation Limited's deemed interest arises from its shareholdings in (i) Keppel Capital Two Pte. Ltd., which holds 30% of the voting shares in the Manager and is a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd., which is in turn a wholly-owned subsidiary of Keppel Corporation Limited; and (ii) Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd., which is in turn a wholly-owned subsidiary of Keppel Corporation Limited.

(6) Auctus Investments Limited's deemed interest arises from its shareholdings in AT Investments Limited, a wholly-owned subsidiary of Auctus Investments Limited.

(7) Mr Arvind Tiku's deemed interest arises from his capacity as the beneficiary of the Sai Charan Trust (the "Trust"). Auctus Investments Limited is wholly-owned by the Trust and is deemed to have an interest in the units deemed held by Auctus Investments Limited.

(8) KBS Limited Partnership III's deemed interest arises from its shareholding in KBS REIT Properties III, LLC a wholly-owned subsidiary of KBS Limited Partnership III.

(9) KBS REIT Holdings III, LLC's deemed interest arises from its shareholdings in KBS Limited Partnership III.

(10) KBS Real Estate Investment Trust III, Inc's deemed interest arises from its shareholdings in KBS REIT Holdings III, LLC, which a wholly-owned subsidiary of KBS Real Estate Investment Trust III, LLC, which is in turn holds 99.9% interest in KBS Limited Partnership III.

STATISTICS OF UNITHOLDINGS

As at 16 March 2020

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors Unitholdings as at 16 March 2020)

Directors	Direct Interest No. of Units	%[1]	Deemed Interest No. of Units	%[1]	Total Interest No. of Units	%[1]
Mr Charles J. Schreiber, Jr.[2]	–	–	26,362,500	2.51	26,362,500	2.51
Mr Tan Ser Ping	–	–	–	–	–	–
Professor Annie Koh	–	–	–	–	–	–
Ms Cheng Ai Phing	–	–	–	–	–	–
Mr Chua Hsien Yang	–	–	–	–	–	–
Mr John R. French	–	–	–	–	–	–
Mr Loh Yew Seng	–	–	–	–	–	–

Notes:

(1) The percentage of unitholding is calculated based on the total number of 1,051,770,592 Units in issue as at 16 March 2020.

(2) Schreiber KAP I, LLC holds a 50% interest in KBS Asia Partners Pte. Ltd. ("KAP"), Schreiber KAP I, LLC is indirectly controlled by Charles J. Schreiber, Jr.. Accordingly, Charles J. Schreiber, Jr. is deemed interested in KAP's direct interest in PRIME. KAP directly holds 20,681,000 units in PRIME. Also, the Schreiber Trust, whose beneficiaries include Charles J. Schreiber, Jr., holds 5,681,500 units in PRIME.

FREE FLOAT:

Based on information available to the Manager as at 16 March 2020, 33.20% of the Units in PRIME are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

AGM NOTICE AND PROXY FORM

The FY2019 Annual Report is not accompanied by the Notice of Annual General Meeting ("AGM") and the Proxy Form which will be separately sent to Unitholders at a later date.

In view of the measures put in place by the Government due to the COVID-19 outbreak, and the guidance issued by the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation, we will provide an update to Unitholders as to the indicative date of the AGM as soon as possible.

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CORPORATE INFORMATION

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Board of Directors

Mr Charles J. Schreiber, Jr.
Chairman and Non-Executive Director

Mr Tan Ser Ping
Lead Independent and Non-Executive Director

Professor Annie Koh
Independent and Non-Executive Director

Ms Cheng Ai Phing
Independent and Non-Executive Director

Mr Chua Hsien Yang
Non-Executive Director

Mr John R. French
Independent and Non-Executive Director

Mr Loh Yew Seng
Non-Executive Director

Audit and Risk Committee

Professor Annie Koh, Chairman
Mr Tan Ser Ping
Ms Cheng Ai Phing

Nominating and Remuneration Committee

Mr Tan Ser Ping, Chairman
Mr Charles J. Schreiber, Jr.
Ms Cheng Ai Phing

Company Secretary

Ms Tan Lay Hong

Auditor

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Partner-in-charge: **Mr Lee Wei Hock**
Appointment Date: 21 May 2019

Unit Registrar

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DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering ("IPO") of Prime US REIT (the "Offering"). DBS Bank Ltd., Merrill Lynch (Singapore) Pte. Ltd., China International Capital Corporation (Singapore) Pte. Limited, Credit Suisse (Singapore) Limited, Maybank Kim Eng Securities Pte. Ltd. and Oversea-Chinese Banking Corporation Limited were the joint bookrunners and underwriters for the Offering.

PRIME US REIT

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