

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

For the transition period from _____ to _____

Commission file number: **001-35105**

PRIME ACQUISITION CORP.

(Exact name of the Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

**No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China**
(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Ordinary Shares
Units
Warrants
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

On December 31, 2018, the issuer had 2,043,351 ordinary shares issued, of which 1,903,723 shares are outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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CERTAIN INFORMATION

Except where the context requires otherwise and for purposes of this report only:

- “Prime,” “we,” “us,” “our company,” “the Company”, or “our,” refers to Prime Acquisition Corp., a company with limited liability incorporated in the Cayman Islands;
- “Business Combination” refers to the acquisition by Prime of entities owning 11 commercial real estate properties in Italy on September 30, 2013.
- “IPO” or “initial public offering” refers to the Company’s initial public offering pursuant to its prospectus, dated March 24, 2011, which was consummated on March 30, 2011;
- “shares” or “ordinary shares” refers to our ordinary shares, par value \$0.001 per share;
- “Group” refers to Prime Acquisition Corp., and its subsidiaries acquired on the closing of the Business Combination on September 30, 2013;
- “Manager” refers to BHN LLC, our former manager; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.
- “IFRS” refers to International Financial Reporting Standards; and
- “IASB” refers to International Accounting Standards Board.

FORWARD-LOOKING STATEMENTS

The statements contained in this report that are not purely historical are forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipates," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this report may include, for example, statements about our:

- Continued compliance with government regulations;
- Changing legislation or regulatory environments;
- Requirements or changes affecting the businesses in which we are engaged;
- Industry trends, including factors affecting supply and demand;
- Labor and personnel relations;
- Credit risks affecting the combined business' revenue and profitability;
- Changes in the real estate industry;
- Ability to effectively manage Prime's growth, including implementing effective controls and procedures and attracting and retaining key management and personnel;
- Changing interpretations of generally accepted accounting principles;
- Public securities' limited liquidity and trading;
- General economic conditions; and
- Other relevant risks detailed in Prime's filings with the Securities and Exchange Commission.

The forward-looking statements contained in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading "Risk Factors." Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and/or if and when management knows or has a reasonable basis on which to conclude that previously disclosed projections are no longer reasonably attainable.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Prime Acquisition Corp. Selected Financial Data

The following selected consolidated financial data has been derived from our consolidated financial statements as of December 31, 2018, 2017 and 2016 and for the years then ended, which are included elsewhere in this report. The consolidated financial statements for December 2018, 2017 and 2016 have been prepared and presented in accordance with IFRS as issued by IASB and its related interpretations. The results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. See "Risk Factors" included elsewhere in this report. The selected consolidated financial information as of December 31, 2018, 2017 and 2016 should be read in conjunction with those consolidated financial statements and the accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report. Our selected consolidated financial data as of December 31, 2015 and 2014 and for the years then ended has been derived from our previously filed audited consolidated financial statements for those years.

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Statements of financial position data					
Total assets	\$ 30,276,062	\$ 34,426,148	\$ 36,819,528	\$ 38,553,356	\$ 49,130,528
Total liabilities	36,774,074	41,781,165	41,583,313	43,564,172	47,353,887
Shareholders' (deficit)/equity	(6,498,012)	(7,355,017)	(4,763,785)	(5,010,816)	1,776,641
Ordinary shares, \$0.001 par value (Authorized 50,000,000 shares)	2,043	2,043	2,040	2,040	2,429
Shares issued	2,043,351	2,043,351	2,040,451	2,040,451	2,428,532
Shares outstanding	1,903,723	1,903,723	1,954,651	1,954,651	2,428,532
Shares as treasury shares	139,628	139,628	85,800	85,800	—

Selected statement of profit/(loss) data:	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016*	Year ended December 31, 2015*	Year ended December 31, 2014*
Revenues	\$ 2,683,572	\$ 2,937,871	\$ 2,991,738	\$ 2,828,366	\$ 3,318,862
Operating expenses	1,449,902	2,143,524	2,248,834	3,084,032	2,493,872
Operating profit/(loss)	1,233,670	794,347	742,904	(255,666)	824,990
Profit/(loss) for the year from continuing operations	1,016,941	(2,933,067)	(339,697)	(6,113,639)	4,057,885
Net profit/(loss) for the year	1,016,941	(3,687,136)	(565,144)	(7,561,686)	3,419,319
<i>From continuing operations</i>					
Basic earnings/(loss) per share	0.53	(1.50)	(0.17)	(2.66)	1.31
Diluted earnings/(loss) per share	0.51	(1.50)	(0.17)	(2.66)	1.23

* Restated for discontinued operations (see note 9 to our consolidated financial statements — Discontinued Operations)

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

An investment in our securities involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this annual report before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline and you could lose all or part of your investment.

Risk Factors Relating to Our Business

Prior to becoming members of our management team, no member of our management team had direct experience in operating businesses such as ours, which could lead to errors in the management of the business.

Prior to becoming our officers and directors, our management team had no direct experience in operating real estate assets and will rely on third party managers to operate the real estate properties. This lack of experience could lead to errors in managing our company, which could harm our results of operations.

Substantial doubt about our being able to continue as a going concern

The Group's consolidated financial statements have been prepared assuming the Group will continue as a going concern. The Group has generated an operating profit, but has negative cash flows from operations, and a working capital deficiency as of December 31, 2018. These factors raise substantial doubt about the Group's ability to continue as a going concern. Our auditors have included an explanatory paragraph in their auditors' report about there being substantial doubt about our ability to continue as a going concern.

While our real estate portfolio of eight properties in Italy did not generate sufficient positive cash flows, Management believes that when the market conditions are more favorable, some of these properties may be sold to generate cash. Although economic conditions in the greater Milan area improved during 2017 compared to 2016 and 2015, economic growth has slowed down during 2018. As such, there still have been relatively few sales transactions when compared to pre-financial crisis level and an actual transaction may take longer than viable for the company's current needs.

There are material weaknesses in our internal controls.

Our internal controls over financial reporting were not effective due to material weaknesses in our internal controls over financial reporting as of December 31, 2018, and such weaknesses have not been remediated as of the filing date of this annual report on Form 20-F. Material weaknesses in our internal controls include the lack of segregation of duties, improper checks and balances, lack of an audit committee, and the fact that the Company's review procedures in connection with financial reporting are limited. Our current management further identified other weaknesses in entity level controls, including, but not limited to, control environment, risk assessment processes, information sharing, and monitoring processes. During 2015 and continuing through 2018, our current management designed and implemented certain processes and procedures to address the material weaknesses identified. Management intends to further implement processes and procedures that will provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with IFRS and its related interpretations as funding becomes available to implement additional processes and procedures.

Current economic conditions and the global tightening of credit may adversely impact the financial condition of our business.

Since the onset of the "credit crisis" in mid-2007, the number of banks advancing new loans against Southern European properties has fallen substantially and that decline, together with a tightening of lending policies, has resulted in a significant contraction in the amount of debt available to fund re-financings, acquisitions, developments and other commercial real estate investments. There can be no assurance that the continuation of current economic conditions will not affect our real estate properties. For example, such properties could experience higher levels of vacancy than anticipated, which could adversely impact the financial performance of our company.

As a foreign private issuer, we are exempt from certain rules that are applicable to U.S. companies and you may receive less information about us and our operations than you would receive if such rules were not waived or we were a U.S. company.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from certain of the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Therefore, you may receive less information about us than you would receive if we were a U.S. company.

Because we are incorporated under the laws of the Cayman Islands, you may face difficulty protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited.

We are a company incorporated under the laws of the Cayman Islands, and all of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States in a way that will permit a U.S. court to have jurisdiction over us.

We are incorporated as a Cayman Islands exempted company. A Cayman Islands exempted company:

- is a company that conducts its business outside the Cayman Islands;
- is exempted from certain requirements of the Cayman Companies Law, including the filing of an annual return of its shareholders with the Registrar of Companies;
- does not have to make its register of shareholders open to inspection; and
- may obtain an undertaking against the imposition of any future taxation.

Our corporate affairs are governed by our Articles of Association, the Companies Law of the Cayman Islands, as the same may be supplemented or amended from time to time, which we refer to herein as the Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands, as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The Cayman Islands courts are also unlikely:

- to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States. We have been advised by Conyers Dill & Pearman, our counsel as to Cayman Islands law, that (i) they are unaware of any proceedings that have been successfully brought in the Cayman Islands to enforce judgments of the courts in the United States or to impose liabilities based on the civil liability provisions of the securities laws of the United States or any state in the United States; (ii) a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation; and (iii) because it is uncertain whether a Cayman Islands court would determine that a judgment of a U.S. court based on the civil liability provisions of the securities laws of the United States or any state in the United States is in the nature of a penalty, it is uncertain whether such a liability judgment would be enforceable in the Cayman Islands. The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

Legislation enacted in the Cayman Islands as to Economic Substance may affect our operations.

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“Cayman ES Law”) that came into force on January 1 2019, a “relevant entity” is required to satisfy the economic substance test set out in the Cayman ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands (such as the Company); however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in the U.S., it is not required to satisfy the economic substance test set out in the ES Law. If we ceased to be a tax resident outside the Cayman Islands and failed to satisfy the economic substance test set out in the Cayman ES Law, we may initially be subject to penalty in accordance with the Cayman ES Law.

Because some of our directors and officers reside, and all of our assets are held, outside of the United States, it may be difficult for you to enforce your rights against them or to enforce U.S. court judgments against them outside the United States.

Some of our directors and officers reside, and all of our assets are held, outside of the United States. As a result, it may be necessary to comply with local law in order to obtain an enforceable judgment against certain of our directors and officers and assets. It may therefore be difficult for investors in the United States to enforce their legal rights, to effect service of process upon our directors or officers outside of the United States or to enforce judgments of U.S. courts predicated upon civil liabilities and criminal penalties of our directors and officers under U.S. federal securities laws. Further, it is unclear if extradition treaties now in effect between the United States and certain countries would permit effective enforcement of criminal penalties of the U.S. federal securities laws.

Our ordinary shares may be subject to the SEC’s penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

Because we have net tangible assets of \$5,000,000 or less and our ordinary shares have a market price per share of less than \$5.00, transactions in our ordinary shares may be subject to the “penny stock” rules promulgated under the Securities Exchange Act of 1934. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser’s written agreement to the transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in “penny stocks” and which describe the market for these “penny stocks” as well as a purchaser’s legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a “penny stock” can be completed.

Because our ordinary shares may be subject to these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

Our qualification as a passive foreign investment company, or “PFIC,” could result in adverse U.S. federal income tax consequences to U.S. investors.

In general, we will be treated as a PFIC for any taxable year in which either (1) at least 75% of our gross income (looking through certain 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of our assets (looking through certain 25% or more-owned corporate subsidiaries) is attributable to assets that produce, or are held for the production of, passive income. Passive income generally includes, without limitation, dividends, interest, rents, royalties, and gains from the disposition of passive assets. If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section of this annual report on Form 20-F captioned “Taxation – United States Federal Income Taxation — General”) of our securities, the U.S. Holder may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements. Based on the composition and estimated values of our assets and the nature of our income for our 2018 taxable year, we believe that we are a PFIC for such taxable year. Our actual PFIC status for our current (2019) taxable year or any subsequent year will not be determinable until after the end of such taxable year. We urge U.S. Holders to consult their own tax advisors regarding the possible application of the PFIC rules. For a more detailed explanation of the tax consequences of PFIC classification to U.S. Holders, see the section of this annual report on Form 20-F captioned “Taxation – United States Federal Income Taxation — U.S. Holders — Passive Foreign Investment Company Rules.”

Our current portfolio of real estate properties is geographically concentrated in Italy, and factors affecting the local economy could reduce our revenues.

Our current portfolio of real estate properties is geographically concentrated in Italy, specifically in Milan and its immediate surroundings. Therefore, any adverse effect on the local economy could impact our tenants' ability to continue to meet their rental obligations or otherwise adversely affect the average size of our tenant base, which could reduce revenues.

Any downturn in the office, commercial and industrial sectors of the real estate industry, or the industries of our tenants, could reduce our revenues and the value of our properties.

Our properties are concentrated in the office, commercial, industrial and logistics sectors and our tenants are mainly retail, office and industrial tenants. Any economic downturns in the office, commercial and industrial and logistics sectors may make us susceptible to adverse events to a greater extent than if our properties included greater diversification into other sectors of the real estate industry. Likewise, the concentration of our tenants in certain industries, and the fact that we have a large tenant (namely, Microelettrica Scientifica, producing braking systems for trucks and trains), could adversely impact us if those industries or significant tenants experience a downturn. This could result in a reduction in our revenues and the value of our properties.

We face possible adverse changes in tax laws, which may result in an increase in our tax liability.

From time to time changes in tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues of governments in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

We may change our policies without obtaining the approval of our shareholders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Directors. Accordingly, our shareholders do not control these policies.

Geopolitical conditions and global economic factors may adversely affect us.

Our operating results may be adversely affected by the uncertain geopolitical conditions and global economic factors. Adverse factors affecting economic conditions worldwide have contributed to a general inconsistency in the real estate industry and may continue to adversely impact our business. The uncertainty of the international economic situation, civil unrest, terrorist activity and military actions may continue to adversely affect global economic conditions. Economic and market conditions could deteriorate as a result of any of the foregoing reasons. We may experience material adverse effects upon our business, operating results, and financial condition as a consequence of the above factors or otherwise.

Capital markets and economic conditions can materially affect our financial condition, results of operations and the value of our securities.

There are many factors that can affect the value of our securities, including the state of the capital markets and the economy. Demand for office, retail and industrial space may decline nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Government action or inaction may adversely affect the state of the capital markets. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, which may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially affect our financial condition and results of operations and the value of our securities.

We may seek to make, one or more material acquisitions in the future. The announcement of such a material acquisition may result in a rapid and significant decline in the price of our securities.

We are continuously looking at material transactions that we believe will maximize shareholder value. However, an announcement by us of one or more significant acquisitions could result in a quick and significant decline in the price of our securities.

Risk Factors Related to Our Real Estate Business

Real estate investments' value and income fluctuate due to various factors.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also adversely impact our revenues and cash flows.

The factors that affect the value of our real estate investments include, among other things:

- National, regional and local economic conditions;
- Competition from other available space;
- Local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- How well we manage our properties;
- The development and/or redevelopment of our properties;
- Changes in market rental rates;
- The timing and costs associated with property improvements and rentals;
- Whether we are able to pass all or portions of any increases in operating costs through to tenants;
- Changes in real estate taxes and other expenses;
- Whether tenants and users such as customers and shoppers consider a property attractive;
- The financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- Availability of financing on acceptable terms or at all;
- Fluctuations in interest rates;
- Our ability to obtain adequate insurance;
- Changes in zoning laws and taxation;
- Government regulation;
- Consequences of any armed conflict or terrorist attacks;
- Potential liability under environmental or other laws or regulations;
- Natural disasters;
- General competitive factors; and
- Climate changes.

The rents or sales proceeds we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If rental revenues, sales proceeds and/or occupancy levels decline, we generally would expect to have less cash available to pay indebtedness. In addition, some of our major expenses, including mortgage and finance lease payments, real estate taxes and maintenance costs generally do not decline when the related rents decline.

Real estate is a competitive business.

Our business operates in a highly competitive environment. We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments than we are. Principal factors of competition include rents charged, sales prices, attractiveness of location, the quality of the property and the breadth and quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulation, legislation and population trends.

We depend on leasing space to tenants on economically favorable terms and collecting rent from tenants who may not be able to pay.

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a majority of our income comes from renting real property, our income, funds available to pay indebtedness will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain occupancy levels on favorable terms. If a tenant does not pay its rent, we may not be able to enforce our rights as landlord without delays and may incur substantial legal costs. During periods of economic adversity, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates.

Bankruptcy or insolvency of tenants may decrease our revenue, net income and available cash.

Our tenants may declare bankruptcy or become insolvent in the future. The bankruptcy or insolvency of a major tenant could cause us to suffer lower revenues and operational difficulties, including leasing the remainder of the property. As a result, the bankruptcy or insolvency of a major tenant could result in decreased revenue, net income and funds available for the payment of indebtedness.

We may incur costs to comply with environmental laws.

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. Our predecessor companies may be subject to similar liabilities for activities of those companies in the past. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure to contamination at or from our properties.

Each of our properties has been subject to varying degrees of environmental assessment. The environmental assessments did not, as of this date, reveal any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in clean-up or compliance requirements could result in significant costs to us.

Inflation or deflation may adversely affect our financial condition and results of operations.

Although neither inflation nor deflation has materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgages and interest rates and general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable. Conversely, deflation could lead to downward pressure on rents and other sources of income. In addition, we own residential properties which are leased to tenants with one-year lease terms. Because these are short-term leases, declines in market rents will impact our residential properties faster than if the leases were for longer terms.

Some of our potential losses may not be covered by insurance.

We currently maintain all risk property and rental value insurance with limits of €7.89 million (approximately \$9.04 million) for three of our subsidiaries' properties, including coverage for terrorist acts, with sub-limits for certain perils such as floods. The property and rental value insurance for the remaining five investment properties are included in the finance lease applicable to such property. The limits of such insurance were determined by each finance lease creditor with payments of such policies included in the finance lease scheduled payments. Directors' & Officers' liability insurance was maintained until December, 31, 2016 with a limit of \$1 million and has not been renewed subsequent to December 31, 2016.

We will continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

The debt instruments of our subsidiaries, consisting of mortgage loans secured by the subsidiary's properties, senior unsecured notes and revolving credit agreements contain customary covenants requiring the applicable subsidiary to maintain insurance. Although we believe that our subsidiaries have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Compliance or failure to comply with certain governmental regulations could result in substantial costs.

Our properties are subject to various governmental regulatory requirements, such as fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Our investments are concentrated in Italy. Economic circumstances affecting these areas could adversely affect our business.

All of our properties are located in Italy and are affected by the economic cycles and risks inherent to those areas. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or declines in real estate markets in these areas could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in these regions include:

- Financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- Business layoffs or downsizing;
- Industry slowdowns;
- Relocations of businesses;
- Changing demographics;
- Increased telecommuting and use of alternative work places;
- Infrastructure quality; and
- Any oversupply of, or reduced demand for, real estate.

It is impossible for us to assess the future effects of trends in the economic and investment climates of the geographic areas in which we concentrate or the real estate markets in these areas. Local, national or global economic downturns would negatively affect our businesses and profitability.

Natural disasters could have a concentrated impact on the areas where we operate and could adversely impact our results.

Natural disasters could impact our properties. Additionally, natural disasters, including earthquakes, could impact several of our properties in other areas in which we operate. Potentially adverse consequences of “global warming” could similarly have an impact on our properties. As a result, we could become subject to significant losses and/or repair costs that may or may not be fully covered by insurance and to the risk of business interruption. The incurrence of these losses, costs or business interruptions may adversely affect our operating and financial results.

We may acquire or sell assets or entities or develop properties. Our failure or inability to consummate these transactions or manage the results of these transactions could adversely affect our operations and financial results.

We may acquire or develop properties or acquire other real estate related companies when we believe that an acquisition or development is consistent with our business strategy. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we may not succeed in leasing or selling newly developed or acquired properties at rents or sales prices sufficient to cover costs of acquisition or development and operations. Difficulties in integrating acquisitions may prove costly or time consuming and could divert management’s attention. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in weaker than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred, and we may devote management time to a matter not consummated. Furthermore, acquisitions of new properties or companies will expose us to the liabilities of those properties or companies, some of which we may not be aware of at the time of acquisition. Development of our existing properties presents similar risks.

Our decision to dispose of real estate assets would change the holding period assumption in our valuation analyses, which could result in material impairment losses and adversely affect our financial results.

We evaluate real estate assets using the discounted cash flow method conducted by an independent qualified professional valuation expert. The methods and assumptions adopted for the real estate appraisal carried out by the expert in determining the fair value of the investment property is in accordance with IAS 40, Investment Property. Depending on the result of the evaluation, we may record a gain/loss that would favorably/adversely affect our financial results due to the valuation change on these investment properties. This gain/loss could be material to our results of operations in the period that it is recognized.

It may be difficult to buy and sell real estate quickly, which may limit our flexibility.

Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions.

We may not be permitted to dispose of certain properties or pay down the debt associated with those properties when we might otherwise desire to do so without incurring additional costs. In addition, when we dispose of or sell assets, we may not be able to reinvest the sales proceeds and earn similar returns.

As part of an acquisition of a property, or a portfolio of properties, we may agree, and in the past have agreed, not to dispose of the acquired properties or reduce the mortgage indebtedness for a long-term period, unless we pay certain of the resulting tax costs of the seller. These agreements could result in us holding on to properties that we would otherwise sell and not pay down or refinance our debts. In addition, when we dispose of or sell assets, we may not be able to reinvest the sales proceeds and earn returns similar to those generated by the assets that were sold.

The United Kingdom leaving the European Union could have a negative impact on the economy in Italy, and result in reduced rents.

The government of the United Kingdom held an in-or-out referendum on its membership in the European Union on June 23, 2016. The referendum resulted in a vote in favor of the exit of the United Kingdom from the European Union (“Brexit”). The uncertainty caused by Brexit could negatively impact all of the economies of the European Union. The Brexit process also may lead to greater volatility in the global markets generally. Disruptions in the Italian economy caused by Brexit could reduce economic activity and rents, which would reduce our revenues.

Risks Related to Our Warrants

Our outstanding warrants may adversely affect the market price of our ordinary shares.

We have outstanding warrants to purchase 6,733,292 ordinary shares and available options to purchase 473,195 ordinary shares. The sale, or even the possibility of sale, of the shares underlying the warrants and options could have an adverse effect on the market price for our securities or on our ability to obtain future financing. If and to the extent these warrants and options are exercised, you may experience dilution to your holdings.

An effective registration statement may not be in place when an investor desires to exercise warrants, thus precluding such investor from being able to exercise his, her or its warrants for cash.

Holder of our warrants will be able to exercise the warrants for cash only if we have an effective registration statement covering the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to such ordinary shares and, even in the case of a cashless exercise which is permitted in certain circumstances, such ordinary shares are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the various holders of warrants reside. Under the terms of the warrant agreement, we have agreed to use our best efforts to meet these conditions and to maintain a current prospectus relating to the ordinary shares issuable upon exercise of the warrants until the expiration of the warrants. However, we cannot assure you that we will be able to do so, and if we do not maintain a current prospectus related to the ordinary shares issuable upon exercise of the warrants, holders will only be able to exercise their warrants on a cashless basis.

An investor will only be able to exercise a warrant if the issuance of ordinary shares upon such exercise has been registered or qualified or is deemed exempt under the securities laws of the state of residence of the holder of the warrants.

No public warrants will be exercisable and we will not be obligated to issue ordinary shares unless the ordinary shares issuable upon such exercise has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Because the exemptions from qualification in certain states for resales of warrants and for issuances of ordinary shares by the issuer upon exercise of a warrant may be different, a warrant may be held by a holder in a state where an exemption is not available for issuance of ordinary shares upon exercise of the warrant and the holder will be precluded from exercising of the warrant. As a result, the warrants may be deprived of any value, the market for the warrants may be limited and the holders of warrants may not be able to exercise their warrants if the ordinary shares issuable upon such exercise is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside.

We may amend the terms of the warrants that may be adverse to holders with the approval by the holders of a majority of the then outstanding public warrants.

Our warrants were issued in registered form under a warrant agreement between American Stock Transfer & Trust Company as warrant agent and us. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of a majority of the then outstanding public warrants, in order to make any change that adversely affects the interests of the holders of public warrants. Accordingly, we may amend the terms of the warrants in an adverse way to a warrant holder if a majority of the public holders approve of such amendment.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Prime Acquisition Corp. is an exempt company organized on February 4, 2010 under the laws of the Cayman Islands, formed to acquire through a merger, capital stock exchange, asset acquisition, stock purchase or similar business combination, or control through contractual arrangements, one or more operating businesses.

On March 30, 2011, the initial public offering (“IPO”) of 3,600,000 of our units was consummated. Each unit issued in the IPO consisted of one ordinary share, par value \$0.001 per share, and one warrant. Each warrant entitles the holder to purchase one ordinary share at a price of \$7.50. On January 4, 2014, we reduced the exercise price of the warrants from \$7.50 to \$5.00 and extended the expiration date from March 30, 2016 to March 30, 2018. In February 2018, we further extended the expiration date from March 30, 2018 to March 30, 2021. Prior to the consummation of the IPO, the Company completed a private placement of 2,185,067 warrants to the Company’s founding shareholders, generating gross proceeds of \$1,638,800. On May 10, 2011, we announced that the underwriters of our IPO exercised their over-allotment option in part, for a total of an additional 52,975 units (over and above the 3,600,000 units sold in the IPO). The 3,652,975 units sold in the IPO, including the 52,975 units subject to the over-allotment option, were sold at an offering price of \$10.00 per unit, generating gross proceeds of \$36,529,750. A total of \$36,606,096, which includes a portion of the \$1,638,800 of proceeds from the private placement of warrants to the founding shareholders, was placed in trust. On May 25, 2011, the ordinary shares and warrants underlying the units sold in the IPO began to trade separately on a voluntary basis. The warrants issued prior to and in connection with the IPO are exercisable provided that there is an effective registration statement or post-effective amendment covering the ordinary shares issuable upon exercise of the warrants. A registration statement relating to the resale of these shares was declared effective by the SEC on September 29, 2016. In addition, we can only call for redemption of such warrants if the last sale price of our ordinary shares on the stock exchange equals to or exceeds \$15.00 per share for any 20 trading days within a 30 trading day period after the completion of business. As of the date of this report, the sales price requirement has not been met.

Since we could not complete an acquisition prior to March 30, 2013, the date by which we were required to complete our initial business combination by our Amended and Restated Memorandum and Articles of Association, our board of directors determined that it would be in the best interests of our shareholders for us to continue our existence for an additional six months (until September 30, 2013) rather than dissolve as required by our Articles of Association, which we refer to as the Extension. In order to effect the Extension, our shareholders approved certain amendments to our Articles of Association at a special meeting of shareholders held on Wednesday, March 27, 2013. In connection with the Extension, our board of directors determined that it was in our best interest to allow shareholders with the opportunity to redeem their ordinary shares for cash by means of a tender offer, which we refer to as the Extension Tender Offer. Following approval of the Extension, the Extension Tender Offer expired at 5:00 p.m., United States Eastern Time on the evening of Thursday, March 28, 2013. Pursuant to the terms of the Extension Tender Offer, 3,008,955 of our ordinary shares were tendered and accepted for redemption by the Company for an aggregate purchase price of \$30,149,729.

On June 22, 2013, June 24, 2013 and July 9, 2013, Prime entered into a series of definitive agreements to acquire certain real estate assets in Italy, as more fully described below.

On September 27, 2013, Prime completed the Business Combination Tender Offer and redeemed the one share validly tendered and not withdrawn, and on September 30, 2013, it consummated its initial Business Combination by acquiring 100% of Seba S.r.l. (“Seba”), Nova S.r.l. (“Nova”), Delfin S.r.l. (“Delfin”), SIM S.r.l. (“SIM”), Dieci Real Estate S.r.l. (“Dieci”), Ellegi S.r.l. (“Ellegi”), G.S.I. S.r.l. (“GSI”), Magfin S.r.l. (“Magfin”), all of which are Italian limited liability companies (Delfin, SIM, Dieci, Ellegi, GSI and Magfin, collectively the “Bell Group”; Bell Group, Seba and Nova, collectively the “Subsidiaries”), which collectively owned 11 commercial real estate properties based in Italy, for an aggregate of 1,719,317 ordinary shares. As a result, immediately following consummation of the Business Combination, Prime had a total of 3,635,344 ordinary shares outstanding.

On December 18, 2014, Prime entered into a Stock Purchase Agreement (the “Purchase Agreement”) with Prime Luxembourg S.a.r.l., the Company’s wholly owned subsidiary (“LuxCo”), Seba, at the time LuxCo’s wholly owned subsidiary, Francesco Rotondi and Luca Failla. Pursuant to the Purchase Agreement, on December 18, 2014, Messrs. Rotondi and Failla acquired all of the outstanding equity interests in Seba in exchange for the return of 497,308 of our shares. Seba’s sole asset consists of four floors of Corso Europa 22, an office building in central Milan.

In connection with the Purchase Agreement, we, LuxCo, Nova, and Mr. Rotondi entered into an option agreement (the “Option Agreement”) pursuant to which Mr. Rotondi would have the right to purchase all of the equity interests in Nova owned by LuxCo in the event that (i) the mortgage payments that Mr. Rotondi has personally guaranteed are not made, or (ii) a certain power of attorney that would facilitate the transfer of Nova’s equity interests to Mr. Rotondi is not renewed. The consideration for the exercise of the option would be the return of 50,000 shares of our ordinary shares. On November 10, 2017, Mr. Rotondi exercised this option on the return of 50,000 shares of our ordinary shares, together with 3,828 of our shares that Mr. Giuseppe Pantaleo (a related party of Mr. Rotondi) owned, in exchange for 100% ownership of Nova. As a result, a total of 53,828 shares were returned to the Company and remained as treasury shares. Nova’s sole asset consists of two floors of Corso Europa 22, an office building in central Milan.

On June 26, 2015, we entered into a Stock Purchase Agreement (the “SIM Purchase Agreement”) with Prime Luxembourg S.a.r.l., the Company’s wholly-owned subsidiary (“LuxCo”), GSI S.r.l, LuxCo’s wholly-owned subsidiary (“GSI”), SIM S.r.l., at the time owned by LuxCo and GSI (“SIM”), Bell Real Estate S.r.l. (“Bell”), Cesare Lanati and Stefano Lanati (Bell, Cesare Lanati and Stefano Lanati are collectively referred to as the “SIM Buyers”). On July 7, 2015, the SIM Buyers acquired all of the outstanding equity interests in SIM in exchange for the return of 220,000 of our shares (the “SIM Consideration Shares”). 134,200 shares (61%) were returned to the Company for immediate cancellation, 85,800 shares (39%) were returned to GSI and remained as treasury shares. SIM’s sole asset consists of the property located at Via Newton 9, Milan, Italy. In addition, in connection with the transactions contemplated by the SIM Purchase Agreement, we extinguished certain trade liabilities associated with its portfolio of properties and the SIM Buyers.

During 2015, we established a new wholly-owned subsidiary in Italy, Imperatrice S.r.l. (“Imperatrice”), through LuxCo. Imperatrice was established for potential future acquisitions of real estate investment properties in Italy. During 2017, we determined to voluntarily liquidate Imperatrice. The liquidation of Imperatrice was completed as of December 31, 2017.

On February 8, 2018, we sold approx. 52% (which translates to approx. 2,246 sqm of gross leasable area) of the via Lazio property to an unrelated entity for €1,850,000 (approx. \$2,270,000 as of February 8, 2018). The occupancy rate is 100% subsequent to the sale on the remaining portion of the property.

On February 9, 2018, we entered into a contract granting an unrelated entity an option to purchase the via Buoizzi property for €150,000. The option was exercised on December 20, 2018. As a result, we sold the via Buoizzi property for the contract price of €150,000 (approx. \$171,000 as of December 20, 2018).

The Company continues to seek additional capital and liquidity sources through investment bankers and potential investors.

B. Business Overview

We currently own real estate assets that consist of office, commercial and industrial properties in Italy.

We plan to acquire additional properties to create a diverse portfolio of commercial real estate assets, including, primarily, well located office buildings and industrial/warehouse buildings. We may also acquire retail properties, including regional malls, shopping centers and single-tenant retail locations, which are leased to national, regional and local tenants. We plan to target properties strategically situated in densely populated, middle and upper income markets in Southern Europe, primarily in Italy, Spain and Portugal.

We believe that the current market environment in Southern Europe presents an opportunity to acquire performing properties at compelling yields and at values substantially below their replacement cost, offering us the potential to achieve attractive returns for our shareholders over time. The Southern European real estate market is currently experiencing significant weakness driven by economic uncertainty and sharply reduced capital availability. Despite the challenging economic environment in Europe, we believe that our properties have high quality lessees who are not credit impaired, long term leases, low vacancy rates and stable rents. These will also be characteristics that we will seek out for additional properties we may acquire in the future.

In addition, since the onset of the “credit crisis” in mid-2007, the number of banks advancing new loans against Southern European properties has fallen substantially and that decline, together with a tightening of lending policies, has resulted in a significant contraction in the amount of debt available to fund re-financings, acquisitions, developments and other commercial real estate investments. Our view is that, in the current capital constrained environment, many property owners have limited options to sell and the prospects for negotiating attractive acquisitions at compelling prices should be significant. There can be no assurance, however, that the continuation of current economic conditions will not impact certain of the properties we may acquire and such properties could experience higher levels of vacancy than anticipated at the time of our acquisition of such properties.

We believe we have a competitive advantage relative to other potential acquirers of such properties because we have the ability to issue publicly traded ordinary shares for a portion of the acquisition consideration and because we are not burdened by a legacy portfolio of assets that may have significant debt obligations. However, no assurance can be given at this time that these plans can be carried out successfully and that the risks associated with investing in real estate assets in the region can be properly mitigated.

Competition

The leasing of real estate is highly competitive. We compete for tenants with landlords and developers of similar properties located in our markets primarily on the basis of location, rent charged, services provided, balance sheet strength and liquidity, and the design and condition of our properties. We face competition from other real estate companies, including REITs, that currently invest in markets other than or in addition to Southern Europe, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors, and others that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or with different financial attributes than we are willing to pursue.

Litigation

From time to time in the normal course of conducting business the Group is subject to legal disputes of varying nature such as but not limited to expenses on building maintenance, moving expenses and others. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of our operations.

The following summarizes litigation that is outside of the normal course of the Group’s business.

Morgan Joseph and BHN LLC

In July 2014, Morgan Joseph filed a complaint against Prime and BHN LLC (“BHN”) for breach of contract, seeking at least approximately \$1.3 million plus damages from Prime. On October 20, 2014, Prime moved to dismiss the complaint on the basis there were no contracts between Morgan Joseph and Prime. On November 14, 2014, BHN moved to add additional cross-claims, among other things.

On March 19, 2015, the court dismissed Morgan Joseph's complaint against Prime as well as BHN LLC's cross-claim for indemnification from the Company but gave Morgan Joseph until May 1, 2015 to file an amended complaint.

On April 8, 2015, BHN brought an amended complaint against Prime for breach of contract, seeking approximately \$9 million in damages. BHN did not serve Prime or Prime’s legal counsel with this complaint. Separately, on April 27, 2015, Morgan Joseph filed an amended complaint against Prime and BHN, asserting claims of breach of contract and seeking approximately \$2.5 million plus damages.

We filed an answer to Morgan Joseph’s amended complaint on June 1, 2015. Management estimated the probability of damages in these cases is low due to (1) there being no formal contracts between us and Morgan Joseph, and (2) the court dismissing earlier complaints and (3) there being no new evidence brought forward in the amended complaints.

In addition, on June 26, 2015, we filed a cross-claim against BHN LLC and certain individuals connected with BHN LLC for damages and certain costs incurred by us. The amount of damages and costs are to be determined at trial. In January, 2017, BHN motioned to dismiss the Company’s claims against it and the Company has filed its defense in response. On August 30, 2017, the judge denied BHN’s move for a summary judgement and the parties undertook discoveries in 2018. During the first quarter of 2019, the Company reached a settlement agreement with BHN, and also settled with Morgan Joseph for a nominal amount. As part of the settlement agreement with BHN, a total of approximately \$573,000 of invoices accrued as trade and other payables for services rendered and reimbursable expenses incurred in 2013 and 2014 was forgiven.

On February 19, 2019, the Company entered into a one-year-consulting-agreement with Greenpoint Energy, LLC (“the Consultant”), a company controlled by the owners of BHN (the former manager of the Company). The engagement fees under this contract amounts to \$200,000. The Consultant was engaged by the Company to advise the Company on the refinancing and selling of certain assets and related services. In addition to the engagement fee, a success fee will be determined between the Company and the Consultant should the Company accept and approve the Consultant’s proposed transaction. However, there is no assurance that the Consultant will provide certain transaction proposals nor that the Company will approve these transaction proposals.

Andrea Crespi-Belskij

On July 19, 2016, Andrea Crespi-Belskij, formerly a consultant to the Company, filed a claim with the civil court of Milan against Prime and two Italian subsidiaries, Magfin Srl and Ellegi Srl, claiming, among other things, wrongful dismissal and incorrect classification of employment, and seeking various financial compensations for the claims as well as petitioning for a seizure of the Italian subsidiaries. In the August 2, 2016 hearing on the seizure, the presiding judge summarily dismissed the petition. Andrea Crespi-Belskij did not file an appeal of the judgement within 10 days after the judgement. The hearing on wrongful dismissal, which the claimant previously filed a similar claim against the Company and its subsidiaries in June 2016 which was dismissed by the court, began on September 29, 2016 and in a conclusive hearing held on March 9, 2017, the judge dismissed all claims against the Company and awarded €3,000 (which translates to approximately \$3,165) to the Company under the Abuse of Law provision. Andrea Crespi-Belskij filed an appeal in late 2017. During 2018, the judge again rejected the request by Andrea Crespi-Belskij and closed the case.

C. Organizational Structure

LuxCo is a Luxembourg company and the only wholly owned subsidiary of Prime. LuxCo holds all of the equity interests in each of the Italian limited liability companies (collectively the “Subsidiaries”), Delfin S.r.l. (“Delfin”), Dieci Real Estate S.r.l. (“Dieci”), Ellegi S.r.l. (“Ellegi”), G.S.I. S.r.l. (“GSI”), Magfin S.r.l. (“Magfin”).

D. Property, Plant and Equipment

We currently maintain our executive offices in an approximately 500 sq. foot suite at No. 322, Zhongshan East Road; Shijiazhuang; Hebei Province, 050011; China. We do not currently pay any rent for this space, which is owned by Kaiyuan Real Estate Development, an affiliate of Mr. Yong Hui Li, our former Chairman.

In addition, we maintain our property management office in an approximately 110 sq. meter (approximately 1,180 sq. foot) suite at Corso Europa 22, Milano, Italy. We pay annual rent of €22,000 (approximately \$25,200 as of December 31, 2018) and annual condominium expenses of €5,000 (approximately \$5,700 as of December 31, 2018). This office space is owned by an unrelated entity.

Description of Investment Properties

We own the following properties, which are office, logistics, commercial and industrial real estate assets located in the Milan metropolitan area, Italy.

	Property Name & Location	Type	Tenant	Average Lease Duration as of September 30, 2013 (Years)	Approx. Gross Leasable Area (sq. meters)	Purchase Price on September 30, 2013 (\$ in millions)
1	Milanofiori, Building A5	Office	Various int'l and Italian firms	10	865	\$ 3.13
2	Milanofiori, Building Q7	Office	Various int'l and Italian firms	10	586	\$ 1.27
3	Milanofiori, Building N	Office	Various int'l and Italian firms	10	1,750	\$ 4.48
4	Viale Lucania, Buccinasco	Office & Industrial	Microelettrica Scientifica	18	16,230	\$ 22.27
5	Via Lazio 95, Buccinasco	Office & Warehouse	Various Italian firms	10	2,074	\$ 2.40
6	Via Emilia, Buccinasco	Commercial	Italian commercial co.	10	200	\$ 0.35
7	Via Mulino, Buccinasco	Commercial	Merkur	8	360	\$ 1.37
8	Milanofiori, Building Q5	Office	Various Italian firms	10	400	\$ 1.26
	Total:				<u>22,465</u>	<u>\$ 36.53</u>

1. Property 1 is part of a large office complex, Assago Milanofiori, in the southern part of Milan. Milanofiori is a real estate business district built in the late 1970s with the aim to provide prime location to Italian and multinational firms in the service and high-tech service industries. The buildings in the area are connected by tree-lined roads and large parking lots. The property is Building A5 of the complex. The complex has a direct subway connection to the center of the Milan and is located near major freeways and highways. The building's 865 sqm are rented to Italian and international firms.
2. Property 2 is part of a large office complex, Assago Milanofiori, in the southern part of Milan. The property is Building Q7 of the complex. The complex has a direct subway connection to the center of the city and is located near major freeways and highways. The building's 586 sqm are rented to Italian and international firms.
3. Property 3 is part of a large office complex, Assago Milanofiori, in the southern part of Milan. The property is Building N of the complex. The complex has a direct subway connection to the center of the city and is located near major freeways and highways. The building's 1,750 sqm are rented to Italian and international firms.
4. Property 4 is an industrial and office building located on viae Lucania in Buccinasco, a large commercial and industrial area in the southern part of Milan. The property is located about 3 km from Milan, is very well connected with the major adjacent cities such as Assago, Corsico, Trezzano sul Naviglio and is near major freeways and the highway towards Genova. The facility encompasses a 16,230 sqm industrial plant, of which 10,230 sqm is a warehouse, and 6,000 sqm is office space. It is a flexible use structure that was recently renovated in 2011. The building is rented to Microelettrica Scientifica, a subsidiary of the large multi-national Knorr-Bremse group, a leading global producer of braking systems for trucks and trains.
5. Property 5 is an office and warehouse building. The property is located at via Lazio 95 in Buccinasco, a large commercial and industrial area in the southern part of Milan. The building is located near major freeways and the highway towards Genova. The building's 4,320 sqm are rented to Italian companies. On February 8, 2018, we sold approx. 52% (approx. 2,246 sqm of gross leasable area) of the via Lazio property to an unrelated entity for €1,850,000 (approx. \$2,270,000).
6. Property 6 is a commercial building located on via Emilia in Buccinasco, a large commercial and industrial area in the southern part of Milan. The building is located near major freeways and the highway towards Genova. The facility's 200 sqm are rented to an Italian commercial company.
7. Property 7 is a commercial building located on via Mulino in Buccinasco, a large commercial and industrial area in the southern part of Milan. The building is located near major freeways and the highway towards Genova. The facility's 360 sqm are rented to a gaming company.
8. Property 8 is part of a large office complex, Assago Milanofiori, in the southern part of Milan. The property is Building Q5 of the complex. The complex has a direct subway connection to the center of the city and is located near major freeways and highways. The building's 400 sqm are rented to Italian firms.

Current occupancy rates and approximate rent per square meter for each of the properties is as follows:

Property	Current occupancy	Rent per square meter (\$)
1 Milanofiori, Building A5 (1)	95%	198
2 Milanofiori, Building Q7	100%	156
3 Milanofiori, Building N	100%	123
4 Viale Lucania, Buccinasco	100%	87
6 Via Lazio, Buccinasco	100%	50
7 Via Emilia, Buccinasco	100%	70
8 Via Mulino, Buccinasco	100%	217
9 Milanofiori, Building Q5	100%	159

- (1) The occupancy rate of the property building A5 located in Milanofiori is at 95% due to the termination of a lease in 2017. The managers of the property are seeking new tenant for the vacant space.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Prime Acquisition Corp., a Cayman Island company, was incorporated on February 4, 2010 in order to serve as a vehicle for the acquisition of an operating business (through a merger, capital stock exchange, asset acquisition or other similar business combination). Prime did not engage in any substantive commercial business until the Business Combination.

On September 30, 2013, we consummated the Business Combination by purchasing all of the issued and outstanding stock of the Subsidiaries (Seba, Nova, Delfin, Dieci, Ellegi, SIM, Magfin, and GSI) (as defined in the section of this registration statement captioned “Business”), for a total consideration of \$18,843,714, as represented by the issuance of 1,719,317 of Prime’s shares from the treasury. As part of the Business Combination, the Group assumed all the current and non-current loans and borrowings associated with the investment properties which amounted to approximately \$50.9 million.

On December 18, 2014, Prime exchanged Seba with Francesco Rotondi and Luca Failla whereby Rotondi and Failla returned 497,308 of the Company’s shares (“Seba Unwinding”) for 100% of the ownership of Seba. Seba’s sole asset consisted of four floors of Corso Europa 22, an office building in central Milan.

On July 7, 2015, Prime exchanged SIM with its former owners Bell Real Estate S.r.l. (“Bell”), Cesare Lanati and Stefano Lanati whereby Bell returned 220,000 of the Company’s shares for 100% of the ownership of SIM. SIM’s sole asset consisted of the investment property on Via Newton, 9, an office building in Assago.

During 2015, the Company established a new subsidiary, Imperatrice S.r.l. (“Imperatrice”), for the potential future acquisitions of real estate investment properties in Italy. On December 31, 2017, the Company ceased the operations of Imperatrice through a voluntary liquidation process. There were no acquisitions of real estate investment properties consummated by Imperatrice.

On November 10, 2017, Francesco Rotondi (former owner of Nova) elected to exercise the Option Agreement connected to Seba Purchase Agreement. Pursuant to the Option Agreement, Prime entered into the Nova Purchase Agreement with Francesco Rotondi and Giuseppe Pantaleo (Nova’s former owners), and sold Nova in exchange for the return of 53,828 of our shares.

On February 8, 2018, we sold approx. 52% (which translates to approx. 2,246 sqm of gross leasable area) of the via Lazio property to an unrelated entity for €1,850,000 (approx. \$2,270,000 as of February 8, 2018). The occupancy rate is 100% subsequent to the sale on the remaining portion of the property.

On February 9, 2018, we entered into an option contract granting an unrelated entity the right to purchase the via Buoizzi property for €150,000. This option was exercised on December 20, 2018. As a result, we sold the via Buoizzi property for the contract price of €150,000 (approx. \$171,000 as of December 20, 2018).

The entirety of our revenues is derived from rental income from our tenants in the nine properties from January, 2018 to December 20, 2018, and eight properties from December 20, 2018 to December 31, 2018, respectively.

In addition, see Item 10C, Material Contracts, for certain details of contingent consideration.

Results of Operations

This section discusses our 2018, 2017 and 2016 financial results prepared under IFRS as issued by the IASB.

Years Ended December 31, 2018, 2017 and 2016

The information below is from the audited financial statements for the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016*
Continuing operations			
Rental income	\$ 2,403,475	\$ 2,561,322	\$ 2,508,586
Other revenues	280,097	376,549	483,152
Total Revenues	2,683,572	2,937,871	2,991,738
Depreciation, bad debt and other provisions	(42,848)	(67,528)	(3,229)
Other expenses	(1,407,054)	(2,075,996)	(2,245,605)
Total operating expenses	(1,449,902)	(2,143,524)	(2,248,834)
Operating profit	1,233,670	794,347	742,904
Finance income	1,761	9,223	19,617
Finance costs	(3,218,145)	(3,320,839)	(3,756,134)
Gain on revaluation of derivatives related to convertible promissory notes	3,291,010	292,562	3,085,253
Forgiveness of debt	91,623	273,037	-
Realized loss on sale of real estate investment	(271,908)	-	-
Less: previously recognized unrealized loss on real estate investment	309,221	-	-
Net fair value loss on revaluation of investment property	(101,626)	(806,891)	(519,276)
Profit/(loss) before tax	1,335,606	(2,758,561)	(427,636)
Tax expense, current	(591,736)	(158,639)	(42,367)
Deferred tax benefit/(expense)	273,071	(15,867)	130,306
Profit/(loss) from continuing operations	\$ 1,016,941	\$ (2,933,067)	\$ (339,697)
Loss from discontinued operations			
Net loss from discontinued operations	-	(754,069)	(225,447)
Profit/(loss) for the year	\$ 1,016,941	\$ (3,687,136)	\$ (565,144)
Other comprehensive income/(loss), net of income tax			
Foreign currency translation reserve	(180,146)	813,007	(139,370)
Total comprehensive income/(loss)	\$ 836,795	\$ (2,874,129)	\$ (704,514)

* Restated for discontinued operations (see note 9 to our consolidated financial statements — Discontinued Operations)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenues:

Revenues decreased by 8.66% to \$2,683,572 for the year ended December 31, 2018, from \$2,937,871 for the year ended December 31, 2017. The Euro to US dollar average exchange rate for the year increased by approximately 4.57% from 2017 to 2018. The decrease in 2018 was primarily due to the sale of a portion of the via Lazio property in February 2018.

Expenses:

For the year ended December 31, 2018, depreciation expense on tangible assets amounted to \$3,508, and \$39,340 of bad debt and other provisions was recorded on the Group's trade receivables.

In comparison, for the year ended December 31, 2017, depreciation expense on tangible assets amounted to \$3,574 and \$63,954 of bad debt and other provision was recorded on the Group's trade receivables. The decrease in the bad debt and other provisions from 2017 to 2018 is due to (1) non-recoverability of certain condominium expenses as a result of the bankruptcy of other occupants in the building structure during 2017, and (2) separately a risk of unrecoverable condominium expenses from a third party during 2017, both of which such factors were not present during 2018.

Approximately 24.48%, or approximately \$0.34 million, of Other Expenses (which totaled approximately \$1.41 million) in 2018 was comprised of professional and legal expenses, compared to 19.98%, or about \$0.41 million, in 2017. The decrease in professional and legal expenses in 2018 is primarily due to the successful resolution of most of the Group's legal disputes during 2016 and 2017. Daily operating costs such as administrative, rent, staff, maintenance, insurance and travel costs account for approximately 72.69% (or approximately \$1.02 million) of Other Expenses in 2018, compared to \$1.54 million, or approximately 74.35%, of Other Expenses in 2017. The decrease in operating costs during 2018 was largely attributable to the penalties on certain subsidiaries' accumulated unpaid taxes, and a retroactive recalculation of condominium expenses for an investment property during 2017. We incurred \$20,210 of stock option expense in 2018, compared to \$95,419 in 2017. The significant decrease on stock option expense is because a significant portion of our stock option became fully vested during 2017.

Balance Sheet

The Company had approximately \$29.81 million and \$33.84 million of non-current assets at December 31, 2018 and 2017, respectively. Investment properties, whose fair values are calculated using a discounted cash flow method prepared by an independent qualified professional valuation expert, were valued at \$29,801,631 at December 31, 2018, compared to \$33,829,902 at December 31, 2017. The decrease in value is primarily due to the sale of a portion of via Lazio and 100% of the via Buozzi investment properties. The Euro to US dollar year end exchange rate decreased by approximately 4.71% from December 31, 2017 to December 31, 2018.

Current trade and other receivables at December 31, 2018 and 2017 were \$229,131 and \$407,010, respectively, net of the allowance for bad debt. The decrease in current trade and other receivables is a result of the Group's proactive and steady collection policy. Non-current trade and other receivables at December 31, 2018 and 2017 was \$3,176 and \$0, respectively, which consists of taxes receivable.

There was \$107,983 and \$58,143 of cash at December 31, 2018 and 2017, respectively.

At December 31, 2018, the Company had total current and non-current borrowings amounting to approximately \$19.24 million. Non-current loans and borrowings from various institutions amounted to \$16.44 million and current loans and borrowings amounted to approximately \$2.80 million. At December 31, 2017, the Company had total current and non-current borrowings amounting to approximately \$22.58 million. Non-current loans and borrowings from various institutions amounted to \$18.15 million and current loans and borrowings amounted to approximately \$4.44 million. Loans and borrowings consist of bank loans, revolving lines of credit, finance leases, and other loans. Bank loans include only unsecured bank loans during 2018, and both secured and unsecured bank loans during 2017. Secured bank loans are secured by the investment properties. In addition, some of the secured loans are further personally guaranteed by the former owners of the properties. The revolving line of credit is unsecured and personally guaranteed by the former owners of the properties. Non-current other loans consist of one loan from the current tenant of the property located on Via Lucania in Buccinasco. Current other loans consist of an interest bearing convertible promissory note with the underwriter from our initial public offering.

In 2017, new Italian legislation amended the IRES rates from 27.5% to 24%, to be used for income tax calculations for accounting periods ended during and subsequent to the year ended December 31, 2016. At December 31, 2018, there was approximately \$2.36 million in deferred tax liabilities, which was calculated using a tax rate of 24%, if the temporary difference is subject only to IRES (an Italian corporate income tax of 24%) rules, or 27.90% if the temporary difference is subject both to IRES and IRAP (an Italian regional production tax of 3.9%) rules. In comparison, there was approximately \$2.75 million in deferred taxes liabilities at December 31, 2017, which was calculated using a tax rate of 24%, if the temporary difference is subject only to IRES rules, or 27.90% if the temporary difference is subject both to IRES and IRAP rules.

At December 31, 2018, the \$6,100,099 of current trade and other payables consisted largely of \$2.69 million of accrued expenses incurred by Prime with its service providers, and trade account payables of \$2.16 million incurred by the Subsidiaries. At December 31, 2017, the \$6,389,497 of current trade and other payables consisted largely of \$2.71 million of accrued expenses incurred by Prime with its service providers, and trade accounts payables of \$2.59 million incurred by the Subsidiaries. At December 31, 2018, the \$1,940 non-current trade and other payables consisted of \$1,940 of social security payments. At December 31, 2017, the \$19,597 non-current trade and other payables consisted of \$16,029 of property taxes payments and \$3,568 of social security payments.

At December 31, 2018 and 2017, the Group's provisions were \$50,465 and \$70,713, respectively, which consists of post-employment benefits, tax liabilities and other provisions. The decrease was due to the settlement of legal disputes during 2018, which had been reserved for during 2017. The other provisions were estimated based on management's evaluation of the amount at risk and legal considerations.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenues:

Revenues decreased by 1.80% to \$2,937,871 for the year ended December 31, 2017, from \$2,991,738 for the year ended December 31, 2016. The Euro to US dollar average exchange rate for the year increased by approximately 2.07% from 2016 to 2017. The decrease in 2017 was primarily due to a settlement payment the Company received from a tenant in connection with a lease dispute in 2016.

Expenses:

For the year ended December 31, 2017, depreciation expense on tangible assets amounted to \$3,574, and \$63,954 of bad debt and other provisions was recorded on the Group's trade receivables.

In comparison, for the year ended December 31, 2016, depreciation expense on tangible assets amounted to \$3,229 and no bad debt provision was recorded on the Group's trade receivables. The increase in the bad debt and other provisions from 2016 to 2017 is due to (1) non-recoverability of certain condominium expenses as a result of the bankruptcy of other occupants in the building structure, and (2) separately a risk of unrecoverable condominium expenses from a third party.

Approximately 19.98%, or approximately \$0.41 million, of Other Expenses (which totaled approximately \$2.08 million) in 2017 were comprised of professional and legal expenses, compared to 27.45%, or about \$0.62 million, in 2016. The decrease in professional and legal expenses in 2017 is primarily due to the successful resolution of most of the Group's legal disputes during 2015 and 2016. Daily operating costs such as administrative, rent, staff, maintenance, insurance and travel costs account for approximately 74.35% (or approximately \$1.54 million) of Other Expenses in 2017, compared to \$1.23 million, or approximately 54.56%, of Other Expenses in 2016. The increase in operating costs during 2017 was largely attributable to the penalties on certain subsidiaries' accumulated unpaid taxes, and a retroactive recalculation of condominium expenses for an investment property. We incurred \$95,419 of stock option expense in 2017, compared to \$370,040 in 2016. The significant decrease on stock option expense is due to the immediate vesting of a significant portion in 2016.

Balance Sheet

In connection with the acquisition of the Subsidiaries, we had approximately \$33.84 million and \$35.94 million of non-current assets at December 31, 2017 and 2016, respectively. Investment properties, whose fair values are calculated using a discounted cash flow method prepared by an independent qualified professional valuation expert, were valued at \$33,829,902 at December 31, 2017, compared to \$35,786,053 at December 31, 2016. The Euro to US dollar year end exchange rate increased by approximately 13.93% from December 31, 2016 to December 31, 2017. The decrease in value is primarily due to the sale of Nova with its underlying investment property.

Current trade and other receivables at December 31, 2017 and 2016 were \$407,010 and \$756,940, respectively, net of the allowance for bad debt. The decrease in current trade and other receivables is a result of the Group's proactive and steady collection policy implemented during 2016 and continuing in 2017. Non-current trade and other receivables at December 31, 2017 and 2016 was \$0 and \$143,137, respectively, which consists of taxes receivable.

There was \$58,143 and \$55,393 of cash at December 31, 2017 and 2016, respectively.

At December 31, 2017, the Company had total current and non-current borrowings amounting to approximately \$22.58 million. Non-current loans and borrowings from various institutions amounted to \$18.15 million and current loans and borrowings amounted to approximately \$4.44 million. At December 31, 2016, the Company had total current and non-current borrowings amounting to approximately \$25.32 million. Non-current loans and borrowings from various institutions amounted to \$21.11 million and current loans and borrowings amounted to approximately \$4.21 million. Loans and borrowings consist of bank loans, revolving lines of credit, finance leases, and other loans. Bank loans include both secured and unsecured bank loans. Secured bank loans are secured by the investment properties. In addition, some of the secured loans are further personally guaranteed by the former owners of the properties. The revolving line of credit is unsecured and personally guaranteed by the former owners of the properties. Non-current other loans consist of one loan from the current tenant of the property located on Via Lucania in Buccinasco. Current other loans consist of an interest bearing convertible promissory note with the underwriter from our initial public offering.

In 2017, new Italian legislation amended the IRES rates from 27.5% to 24%, to be used for income tax calculations for accounting periods ended during and subsequent to the year ended December 31, 2016. At December 31, 2017, there was approximately \$2.75 million in deferred tax liabilities, which was calculated using a tax rate of 24%, if the temporary difference is subject only to IRES (an Italian corporate income tax of 24%) rules, or 27.90% if the temporary difference is subject both to IRES and IRAP (an Italian regional production tax of 3.9%) rules. In comparison, there was approximately \$2.56 million in deferred taxes liabilities at December 31, 2016, which was calculated using a tax rate of 24%, if the temporary difference is subject only to IRES rules, or 27.90% if the temporary difference is subject both to IRES and IRAP rules.

At December 31, 2017, the \$6,389,497 of current trade and other payables consisted largely of \$2.71 million of accrued expenses incurred by Prime with its service providers, and trade account payables of \$2.59 million incurred by the Subsidiaries. In 2016, the \$5,914,549 of current trade and other payables consisted largely of \$2.79 million of accrued expenses incurred by Prime with its service providers, and trade accounts payables of \$2.30 million incurred by the Subsidiaries. At December 31, 2017, the \$19,597 non-current trade and other payables consisted of \$16,029 of property taxes payments and \$3,568 of social security payments. In 2016, the \$80,355 non-current trade and other payables consisted of \$17,212 of property taxes payments and \$63,143 of social security payments.

At December 31, 2017 and 2016, the Group's provisions were \$70,713 and \$40,208, respectively, which consists of post-employment benefits, tax liabilities and other provisions. The increase was due to the estimation of other provisions in 2017 as a result of a certain legal dispute in mediation progress during 2017. The other provisions were estimated based on management's evaluation of the amount at risk and legal considerations.

Liquidity and Capital Resources

The Company had \$107,983, \$58,143 and \$55,393 in cash at December 31, 2018, 2017 and 2016, respectively.

The Company did not generate sufficient cash flow in 2018 from its operations to fund all interest and day-to-day expenses and therefore was not cash flow positive and required capital infusions to fund current operations. Principal sources of cash in 2018 were the issuance of debt instruments from the Company to a director of the Company and the sale of investment properties. In the future, sources of cash may consist of a) the issuance of treasury shares in exchange for cash, b) exercise of warrants, c) disposition of real estate assets, d) the issuance of debt instruments, or a combination of the above four possibilities.

The Company may elect to, when market conditions are favorable, engage broker dealers to sell its securities from treasury to raise funding. However, management believes without improvements to the Company's stock performance both in terms of price and trading volume, as well as the current operating conditions, this may not be a viable solution.

The Company also has over 6 million warrants outstanding, exercisable at \$5.00 per common share. The warrants are exercisable if there is an effective registration statement or post-effective amendment covering the ordinary shares issuable upon exercise of the redeemable warrants. In addition, the Company can only call for the redemption of such warrants if the last sale price of its ordinary shares on the stock exchange equals or exceeds \$15.00 per share for any 20 trading days within a 30 trading day period after the completion of the Business Combination. As of December 31, 2018, the warrants were not callable because the conditions for redemption were not satisfied. It is unlikely we will call the warrants in the near future.

On November 10, 2017, Mr. Rotondi elected to exercise the Option Agreement connected to Seba Purchase Agreement. Pursuant to the Option Agreement, the Company sold Nova to Francesco Rotondi and Giuseppe Pantaleo (its former owners) in exchange for the return of 53,828 of the Company's shares. Nova's sole asset consisted of two floors of Corso Europa 22, an office building in central Milan, Italy.

On February 8, 2018, the Company sold approx. 52% (which translates to approx. 2,246 sqm of gross leasable area) of the via Lazio property to an unrelated entity for €1,850,000 (approx. \$2,270,000 as of February 8, 2018).

On February 9, 2018, we entered into an option contract granting an unrelated entity the right to purchase via Buozzi property for €150,000. This option was exercised on December 20, 2018. As a result, we sold the via Buozzi property for the contract price of €150,000 (approx. \$171,000 as of December 20, 2018).

The accompanying consolidated financial statements have been prepared assuming the Group will continue as a going concern. The Group has generated an operating profit, but has negative cash flows from operations, and a working capital deficiency as of December 31, 2018. These factors raise substantial doubt about the Group's ability to continue as a going concern.

While our real estate portfolio of eight properties as of December 31, 2018 in Italy did not generate sufficient positive cash flow, Management believes that when the market conditions are more favorable, more of these properties may be sold. Although economic growth in the greater Milan area improved during 2017, as compared to 2016 and 2015, economic growth slowed down in 2018. As such, there still have been relatively few sales transactions when compared to pre-financial crisis level, and an actual transaction may take longer than viable for the Company's current needs.

The Company is seeking lenders who will finance the Company and has been financing current operations using loans from Diana Liu, one of its directors. These unsecured convertible loans carry an interest rate of 10% per annum, compounding annually. The loans mature on the earlier of (i) the date on which the Company liquidates and winds-up its affairs, or (ii) one year from the date of the loans. The convertible feature grants the payee the option to convert the principal sum and any unpaid interest for the lower of (1) pre-set conversion price per share, or (2) the price per share of the Company's next round of financing. During 2016, 2017 and 2018, some of these loans reached maturity. The Company rolled-over these matured loans with an additional 10% to the principal for one year, with the same interest rate and terms as the original loans. As of April 30, 2019, a total of \$5,534,437 in such loans have been issued to Ms. Liu since the inception of Prime. There is no assurance the Company will be successful in finding lenders to finance the Company at market rates or that such practice of funding the Company's operations by Ms. Liu will continue.

The Company continues to seek additional capital and liquidity sources through investment bankers and potential investors. Management is currently in discussions with several funding sources for a combination of debt and equity financing. However, there can be no assurance the Group will be able to obtain funding from these sources.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

Our contractual obligations consist mainly of bank loans, revolving lines of credit and finance leases, and are expected to be repaid with our cash flow from operations.

Bank loans

Bank loans are comprised of unsecured bank loans as of December 31, 2018.

As of December 31, 2018, all bank loan contracts provide for floating rates and expire within one year. No bank loan contracts are scheduled to expire after one year.

2018	Floating rate	Total
Expiry within 1 year	\$ 330,407	\$ 330,407
Total	\$ 330,407	\$ 330,407

The bank loan associated with the via Lazio property has been repaid and closed during 2018.

The significant decrease of bank loans from December 31, 2017 to December 31, 2018 was due to the repayment of the bank loan on the via Lazio property, which was partially sold in February 2018. The remaining bank loans as of December 31, 2018 are the subject of a legal dispute which the Company initiated as the plaintiff with the lender during 2016 to obtain the forfeiture of the outstanding balances due to the bank's breach of contract and the unlawful accrual of interest on the amounts in dispute. The lender has not disclosed the interest rate information on the disputed bank loans. The Company and the lender were pursuing active negotiations on the position of these outstanding balances as of December 31, 2018; however, the outstanding balances were considered to be in default (also see *Revolving lines of credit* below). In April, 2019, the lender has offered a settlement agreement to the Company, agreeing to forgive these outstanding balances (together with the disputed revolving lines of credit mentioned below) for a total settlement amount of €80,000 (approx. \$90,200 as of April 10, 2019) to be paid by the end of April, 2019. Of this amount, the Company is responsible for €20,000 (approx. \$22,430 as of April 10, 2019) with the remaining €60,000 (approx. \$67,290 as of April 10, 2019) to be paid by the guarantor of the loan and former owner of GSI (one of our subsidiaries). As of April 30, 2019, both the Company and the former owner of GSI have paid the total settlement amount and fulfilled the settlement agreement with the lender.

Revolving lines of credit

The Group has committed borrowing facilities available at December 31, 2018 as follows:

2018	Floating rate	Fixed rate	Total
Expiry within 1 year (current)	\$ 301,091	\$ 385,809	\$ 686,900
Total	<u>\$ 301,091</u>	<u>\$ 385,809</u>	<u>\$ 686,900</u>

The facilities expiring within 1 year are annual facilities subject to renewal at various dates. As at December 31, 2018, the effective interest rate was 8.025%.

The revolving lines of credit are unsecured, but personally guaranteed by the former owners of the properties. The total revolving lines of credit approved by the bank as of December 31, 2018 were \$114,560. At December 31, 2018, the total approved balance of the revolving lines of credit were \$113,742. At December 31, 2015, the Company had five lines of credit approved by the bank with an aggregate limit of \$575,527. During 2016, two of the lines of credit were revoked and one of the lines of credit expired without a renewal contract (all from the same lender). The balance on these three revoked lines of credit (all from the same lender), totaling \$573,158, remained outstanding at December 31, 2018. During 2016, the Company initiated a legal dispute as the plaintiff with the lender to obtain the forfeiture of these outstanding balances due to the bank's breach of contract and the unlawful accrual of interest on the amounts in dispute. The Company and the lender were pursuing active negotiations on the position of these outstanding balances and during the negotiations, the outstanding balances were considered to be in default. In April, 2019, the lender has offered a settlement agreement to the Company, agreeing to forgive these outstanding balances (together with the aforementioned disputed bank loans) for a total settlement amount of €80,000 (approx. \$90,200 as of April 10, 2019) to be paid by the end of April, 2019. Of this amount, the Company is responsible for €20,000 (approx. \$22,430 as of April 10, 2019) with the remaining €60,000 (approx. \$67,290 as of April 10, 2019) to be paid by the guarantor of the loan and former owner of GSI (one of our subsidiaries). As of April 30, 2019, both the Company and the former owner of GSI have paid the total settlement amount and fulfilled the settlement agreement with the lender.

Finance leases

Future lease payments are due as follows:

2018	Minimum lease payments	Interest	Present value
Not more than one year	\$ 1,673,915	\$ 782,610	\$ 891,305
Later than one year and not later than three years	3,340,317	1,385,919	1,956,400
Later than three year and not later than five years	3,192,391	1,204,586	1,987,803
Later than five years	13,974,542	2,427,715	11,546,827
Total	<u>\$ 22,181,165</u>	<u>\$ 5,800,830</u>	<u>\$ 16,382,335</u>

As at December 31, 2018, the effective interest rate varies from EURIBOR + 1.4% to EURIBOR+2.762%.

During 2018, the Group has been current with all scheduled lease payments and the repayment plans approved by the finance lease creditors. Further, in 2018, with the approval of the finance lease creditor, one of the subsidiaries suspended its repayment plan beginning in June 2018, and will restart such repayments beginning in January 2019 with quarterly installments.

Other loans

Non-current other loans consist of one loan from the current tenant of the property located on Via Lucania in Buccinasco. The loan proceeds were used for the modification of the property to the tenant's specifications. The repayment of this loan will start in 2021 for a period of three years, and will offset the rent to be collected from the tenant. The effective interest rate is fixed at EURIBOR+1.90%.

Current other loans consist of an interest bearing convertible promissory note with the underwriters.

Immediately following the closing of the Business Combination on September 30, 2013, the Company entered into a promissory note with its underwriter, Chardan Capital Markets, LLC ("Chardan") for the total remaining amount of \$889,833 due to the underwriter, bearing interest at the rate of 5% per annum, maturing on December 31, 2013. If the note was not repaid by December 31, 2013, Chardan had the right to convert the note and accrued interest into ordinary shares at a price of \$9.10 per share. In connection with the convertible right, \$184,584 was allocated to the value of the beneficial conversion feature. As of December 31, 2013, the full amount of the beneficial conversion feature has been recorded as interest expense. As of the date of this report, the convertible right had not been exercised. On December 31, 2013 (the note's maturity date), the Company was not able to repay the note. As a result of the payment default, an additional default interest rate of 10% per annum is added to the original 5% per annum interest rate starting December 31, 2013. Since inception of the notes and through April 30, 2019, \$753,254 of interest expense has been recorded in connection with this note. George Kaufman, one of our directors, is an employee of Chardan Capital Markets.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Our current directors and executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
William Tsu-Cheng Yu	58	Interim Chief Executive Officer and Director
Amy Lau	45	Interim Chief Financial Officer
Diana Chia-Huei Liu	55	Chairman, Director
George Kaufman	43	Independent Director

William Tsu-Cheng Yu has been a director since inception and our Chief Financial Officer from inception until September 30, 2013 and has been our Interim Chief Executive Officer since May 8, 2014. Mr. Yu was our President from April 2010 until September 30, 2013. Mr. Yu served as Chief Financial Officer and as a director of AutoChina International Limited (OTCBB: AUTCF) from October 2007 through April 2009 (during which time it was known as Spring Creek Acquisition Corp., a blank check company formed to acquire and operating business). Since July 2000, Mr. Yu has served as the Managing Partner of Cansbridge Capital. From October 2007 until January 2010, Mr. Yu served as Chief Financial Officer and Chief Operating Officer of Optoplex Corporation, a communication networks company. Mr. Yu served as a director of Optoplex Corporation from April 2004 until January 2010. From July 2006 through October 2008, Mr. Yu served as a special advisor to the Chief Executive Officer of Optoplex Corporation. Mr. Yu served as a director of Abebooks, Inc., the world's largest on-line used book seller, from 2001 to 2008, prior to its acquisition by Amazon.com (NASDAQ:AMZN). From February 2002 to August 2003, Mr. Yu served as the Chief Financial Officer to Telos Technology Corp., a supplier of wireless solutions for voice and data communication networks (acquired by UT Starcom (NASDAQ: UTSI) in 2004). Mr. Yu co-founded Intrinsic Software Inc. (TSE: ICS), a TSE-listed embedded software company, and served in various capacities including director, Chief Financial Officer, Executive Vice President and Chief Operating Officer from July 1996 to November 2002. From August 1994 to May 1996, Mr. Yu was an associate in the Asia Pacific corporate finance group of Marleau, Lemire Securities, Inc., an investment banking firm headquartered in Montreal, Canada. From July 1991 to August 1994, Mr. Yu was an investment portfolio manager at Discovery Enterprises Inc., a provincial-government sponsored venture capital fund. Mr. Yu also previously worked with China-Canada Investment and Development and the Lawson Mardon Group. He has also served in various Board-level capacities with the Monte Jade Science and Technology Association, a non-profit organization supporting entrepreneurship and investment in technology companies in North America and Asia. Mr. Yu earned a BS in Mechanical Engineering with Honors and an MBA with Honors from Queen's University in Canada. He serves as a member of the International Advisory Board of the Smith School of Business at Queen's University. Mr. Yu is married to Ms. Diana Liu, our Chairman and a director.

Amy Lau has been our Interim Chief Financial Officer since May 8, 2014. Ms. Lau is a Certified Management Accountant and previously served as a financial consultant to the Company from its inception in 2010 until September 2013. From 2007 to 2010, she served as controller at Optoplex Corp., an optic fiber component company based in Silicon Valley, CA. From 2008 to 2009, she served as a financial consultant to Spring Creek Acquisition Corp., a blank check company. In addition, Ms. Lau has been serving as the Director of Outsourced Services at Morling & Company, a financial services firm based in San Francisco, since April 2014.

Diana Chia-Huei Liu was our Chief Executive Officer and a director from our inception until September 30, 2013 and has been a director since May 5, 2014. Ms. Liu was also our President from inception until April 2010. Ms. Liu served as President of AutoChina International Limited (OTCBB: AUTCF) from its inception to April 9, 2009 (during which time it was known as Spring Creek Acquisition Corp., a blank check company formed to acquire an operating business), and currently serves as a director. Ms. Liu has served as the President of Cansbridge Capital Corp., a private investment firm specializing in early stage investments along the west coast of North America (namely U.S. and Canada) and Asia, since August 1998. Prior to Cansbridge, Ms. Liu served as the Executive Vice-President at Polaris Securities Group (TW: 6011), an investment firm in Taiwan, where she founded and managed its North American operations from April 1994 to August 1998. From August 1991 to April 1994, Ms. Liu was an account portfolio manager in global private banking at the Royal Bank of Canada (NYSE:RY), a full service banking firm. From October 1988 to August 1991, Ms. Liu served as the regional sales manager for the province of British Columbia, Canada, at CIBC Securities, a subsidiary of CIBC (NYSE:CM), a full service banking firm, where she founded and managed the mutual funds promotion division. Ms. Liu has served since June 2006 as a member of the Executive Committee and the Chair of the Investment Committee at the Asia Pacific Foundation, a Canadian federal government created think tank and policy advisory board where she works closely with the co-CEOs on operational issues and investment of its endowment funds. In addition, she also served as a director of the Vancouver Goh Ballet Society and BaySpec, Inc., a supplier of optical components based in Fremont, California. Ms. Liu graduated with a BA in economics from the University of British Columbia in Canada. Ms. Liu is married to Mr. William Yu, our Interim Chief Executive Officer and a director.

George Kaufman was a director from March 2012 until September 30, 2013 and has been a director since May 5, 2014. Mr. Kaufman has served as the Managing Director of Investment Banking for Chardan Capital Markets, LLC, a New York based broker/dealer, since January 2006 and served as an Investment Banking Associate for Chardan from November 2004, when he joined the firm, to December 2005. As one of the seven original members of Chardan, Mr. Kaufman established the investment banking, brokerage and marketing protocols and standards. He has extensive experience with operating and development stage companies, having lead and/or managed over 30 public and private transactions. In addition, Mr. Kaufman founded Detroit Coffee Company, LLC, a national roaster, wholesaler and retail distributor of high-end specialty coffees in January 2002 and currently serves as its chief executive officer. Since June 2009, Mr. Kaufman has also served as a director of China Networks International Holdings Ltd. (OTCBB: CNWHF), a broadcast television advertising company based in China. Mr. Kaufman received a Bachelor of Arts degree in Economics from the University of Vermont in 1999.

B. Compensation

Director and Executive Compensation

Director Compensation

The Board of Directors did not receive compensation or stock option grants for their services in 2018.

Executive Compensation

Overview of our Executive Compensation

William Yu, our Interim Chief Executive Officer, did not receive compensation or stock option grants for services rendered in 2018.

Amy Lau, our Interim Chief Financial Officer was paid a monthly fee of \$2,000 per month for services rendered in 2018.

Share Options

Our board of directors has approved the grant of options to purchase up to 220,000 of our ordinary shares to our directors, employees, and consultants from time to time, with such terms and conditions as our officers may establish. Such option grants are governed by individual grant agreements and stock restriction agreements as determined by our board of directors, and may be subject to either time-based or performance-based vesting provisions. Our board of directors has the authority to amend, alter, suspend or terminate our right to grant such share options without the consent of our shareholders within the 220,000 options limit. Accordingly, such options may dilute the equity interest of our shareholders. In September 2015 and April 2016, our board of directors approved the grant of up to an additional 280,000 and 200,000 options, respectively, bringing the total number of options that may be granted to 700,000. As of the date hereof, 568,000 options have been granted since inception and 132,000 options are currently available for grant.

Employment Agreements

We do not currently have employment agreements with any of our officers.

Pension Benefits

None of our named executives participates in or have account balances in qualified or nonqualified defined benefit plans sponsored by us.

Nonqualified Deferred Compensation

None of our named executives participates in or have account balances in nonqualified defined contribution plans or other deferred compensation plans maintained by us.

Potential Payments upon Termination or Change in Control

None of our named executives is entitled to any payments upon termination or change in control of our company.

C. Board Practices

Board Committees

Given its small size, our board of directors has no committees.

Director Independence

Our board of directors has determined that George Kaufman qualifies as an independent director under the Nasdaq Marketplace Rules because he is not currently employed by us, and does not fall into any of the enumerated categories of people who cannot be considered independent in the Nasdaq Marketplace Rules.

D. Employees

We currently have two employees in two of our subsidiaries in Italy who perform certain administrative services for us.

E. Share Ownership

See Item 7, below.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**A. Major Shareholders**

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares, as of April 20, 2019:

- each person known to us to own beneficially more than 5% of our ordinary shares;
- each of our directors and executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership includes voting or investment power with respect to the securities and takes into consideration options exercisable by a person within 60 days after the date of this report. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them.

Name and Address (1)	Number of Shares Beneficially Owned	Percentage of Ownership (2)
Diana Chia-Huei Liu	2,511,639(3)	66.46%
William Tsu-Cheng Yu	2,511,639(3)	66.46%
Amy Lau	75,500(4)	3.83%
George Kaufman	136,250(5)	6.70%
All directors and executive officers as a group (4 individuals)	2,723,389	68.24%
Yong Hui Li	853,391(6)	33.16%
Bell Real Estate S.r.l.	582,499	30.60%
Puway Limited	341,357(7)	15.72%
Brudders Capital	225,000(8)	11.82%
Chardan Capital Markets	240,000(9)	11.20%

- (1) Unless otherwise noted, the business address for each of our beneficial owners is No. 322, Zhongshan East Road; Shijiazhuang; Hebei Province; 050011, China.
- (2) Based on 1,903,723 ordinary shares outstanding as of April 20, 2019. Beneficial ownership includes voting or investment power with respect to the securities and takes into consideration options exercisable by a person on April 20, 2019.
- (3) Consists of (i) 220,275 ordinary shares held by Diana Liu, (ii) 225,000 ordinary shares held by Brudders Capital, of which Diana Liu is the sole owner and director, (iii) 127,266 ordinary shares held by William Yu, (iv) 63,632 ordinary shares held by Conrad Yu and Byron Yu, (v) 886,942 shares issuable upon exercise of warrants owned by Ms. Liu, (vi) 724,892 shares issuable upon exercise of warrants owned by Mr. Yu, and (vii) 63,632 shares issuable upon exercise of warrants owned by Conrad Yu and Byron Yu. Diana Liu and William Yu are married, and Conrad Yu and Byron Yu are the sons of Diana Liu and William Yu, (viii) 100,000 stock options exercisable by William Yu and 100,000 stock options exercisable by Diana Liu.
- (4) Consists of (i) 5,500 ordinary shares, and (ii) 60,000 shares issuable upon exercise of options.
- (5) Consists of (i) 5,000 ordinary shares, and (ii) 150,000 shares issuable upon exercise of options.
- (6) Consists of (i) 183,562 ordinary shares, and (ii) 669,829 shares issuable upon exercise of warrants owned by Mr. Li.
- (7) Puway Capital is controlled by Gary Chang.
- (8) Diana Liu is the sole officer and director of Brudders Capital.
- (9) Kerry Propper has voting and dispositive power over the securities owned by Chardan Capital Markets.

As of April 20, 2019, 3.03% of our outstanding ordinary shares are held by 6 record holders in the United States.

B. Related Party Transactions

Concurrently with the Company's IPO in 2010, the Company issued to Chardan Capital Markets, LLC, the representative of the underwriters of the Company's IPO as additional compensation, for a purchase price of \$100, a unit purchase option to purchase 215,000 units for \$12.00 per unit. The units issuable upon exercise of this option were identical to those sold in the IPO, except for some differences in redemption rights. The unit purchase option was exercisable at any time, in whole or in part, commencing on the consummation of the Company's initial business combination, including the Business Combination, and expired on March 24, 2016. George Kaufman, our director, is an employee of Chardan Capital Markets.

The holders of the founders' units (including the founders' shares and founders' warrants, and the ordinary shares underlying the founders' warrants), as well as the holders of the placement warrants (and underlying securities), are entitled to registration rights pursuant to an agreement signed at the time of the Company's IPO. The holders of the majority of these securities are entitled to make up to two demands that the Company register such securities. The holders of the founders' units can elect to exercise these registration rights at any time commencing three months prior to the date on which these ordinary shares are to be released from escrow. The holders of a majority of the placement warrants (or underlying securities) can elect to exercise these registration rights at any time after the Business Combination. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the Company's consummation of a business combination, including the Business Combination. The Company will bear the expenses incurred in connection with the filing of any such registration statements, except that in no event will Chardan Capital Markets, LLC have more than one demand registration right at the Company's expense. A registration statement relating to the resale of these shares was declared effective by the SEC on September 29, 2016.

The Company agreed to pay to Kaiyuan Real Estate Development a total of \$7,500 per month for office space, administrative services and secretarial support for a period commencing on March 24, 2011 and ending on the earlier of the Company's consummation of a business combination, including the Business Combination, or the Company's liquidation. Kaiyuan Real Estate Development is an affiliate of Mr. Yong Hui Li, the Company's Chairman. This arrangement was agreed to by Kaiyuan Real Estate Development for the Company's benefit and is not intended to provide Mr. Li compensation. From February 1, 2012 until January 31, 2013, the Company secured approximately 150 sq. foot of additional office space, administrative services and secretarial support in Taipei, Taiwan. Fees for the additional office space, administrative services and secretarial support were included in the \$7,500 monthly fee paid to Kaiyuan. This arrangement terminated upon completion of the Business Combination. As of December 31, 2013, the Company owed Kaiyuan an aggregate of \$203,312 under this arrangement. During the year ended December 31, 2017, the outstanding amount was forgiven by Kaiyuan and is no longer due.

Diana Liu and William Yu loaned us an aggregate of \$4,135,000 to fund the Company's working capital requirements since the initial public offering as well as certain reimbursable expenses incurred on behalf of the Company. Such loans did not bear interest prior to the Business Combination, but currently bear interest at a rate of 10% per annum with convertible features and are repayable on demand or at maturity. During 2018, 2017 and 2016, certain such loans reached their maturity. Diana Liu and William Yu have renewed these matured loans along with the accrued and unpaid interest in the amount of \$1,399,437 to a future date. These new notes bear the same 10% per annum interest rate with convertible features. As of April 30, 2019, the Company owed Ms. Liu an aggregate of \$7,205,584 including \$1,671,147 of interest.

Immediately following the closing of the Business Combination on September 30, 2013, the Company entered into an interest-bearing promissory note with its underwriter, Chardan Capital Markets, LLC for the total remaining amount of \$889,833 due to the underwriter, at the rate of 5% per annum, maturing on December 31, 2013. If the note was not repaid by December 31, 2013, Chardan had the right to convert the note and accrued interest into ordinary shares at a price of \$9.10 per share. In connection with the convertible right, \$184,584 was allocated to the value of the beneficial conversion feature. As of December 31, 2013, full amount of the beneficial conversion feature has been recorded as interest expense. As of the date of this report, the convertible right had not been exercised. On December 31, 2013 (the note's maturity date), the Company was not able to repay the note. As a result of the payment default, an additional default interest rate of 10% per annum is added to the original 5% per annum interest rate starting December 31, 2013. As of April 30, 2019, \$753,254 of interest expense has been recorded in connection with this note. George Kaufman, one of our directors, is an employee of Chardan Capital Markets.

All ongoing and future transactions between the Company and any of the Company's executive officers and directors or their respective affiliates, including loans by the Company's directors or any forgiveness of loans, will require prior approval in each instance by a majority of the Company's disinterested directors, who had access, at the Company's expense, to the Company's attorneys or independent legal counsel.

C. Interests of Experts and Counsel

Not required.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See Item 18.

B. Significant Changes.

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details.

Prime's ordinary shares, warrants and units have been traded on the OTC market since October 11, 2013, under the symbols "PACQF," "PAQWF" and "PAQUF," respectively. Each of Prime's units consists of one ordinary share and one warrant, each to purchase an additional share of Prime's ordinary shares. Prime's units commenced to trade on Nasdaq Stock Market on March 24, 2011. Prime's ordinary shares and warrants commenced to trade separately from its units on March 25, 2011. Prime's securities were delisted from the Nasdaq Stock Market on October 10, 2013 due to failure to meet the minimum requirement of 300 shareholders. On April 8, 2019, the warrants trading under "PAQWF" were moved to the Pink Market due to its bid price being below \$0.001 for five consecutive trading days.

B. Plan of Distribution

Not Required.

C. Markets

Prime's ordinary shares, warrants and units have been traded on the OTC market since October 11, 2013, under the symbols "PACQF," "PAQWF" and "PAQUF," respectively. Each of Prime's units consists of one ordinary share and one warrant, each to purchase an additional share of Prime's ordinary shares. Prime's units commenced to trade on Nasdaq Stock Market on March 24, 2011. Prime's ordinary shares and warrants commenced to trade separately from its units on March 25, 2011. Prime's securities were delisted from the Nasdaq Stock Market on October 10, 2013. On April 8, 2019, the warrants trading under "PAQWF" was moved to the Pink Market.

D. Selling Shareholders

Not Required.

E. Dilution

Not Required.

F. Expenses of the Issue

Not Required.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

As of December 31, 2018, we had a total of 50,000,000 authorized ordinary shares at \$0.001 par value, of which 2,043,351 ordinary shares were issued and 1,903,723 shares were outstanding (with 139,628 shares as treasury shares).

We have issued warrants to purchase 6,733,292 ordinary shares, options to purchase 568,000 ordinary shares as of December 31, 2018.

B. Memorandum and Articles of Association

Amended and Restated Memorandum and Articles of Association

Registered Office. Under our Amended and Restated Memorandum of Association, our Registered Office is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Objects and Purposes. Under Article 3 of our Amended and Restated Memorandum of Association, the objects for which we are established are unrestricted.

Directors. Under Article 94 of our Articles of Association, no contract or transaction between us and one or more of our Directors (an "Interested Director") or officers, or between us and any of their affiliates (an "Interested Transaction"), will be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of our board or committee which authorizes the contract or transaction, or solely because any such director's or officer's votes are counted for such purpose, if:

- (a) The material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the our board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or
- (b) The material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to our shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of our shareholders; or
- (c) The contract or transaction is fair as to us as of the time it is authorized, approved or ratified, by the board, a committee or the shareholders.

A majority of independent directors must vote in favor of any Interested Transaction and determine that the terms of the Interested Transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

Our board shall review and approve all payments made to the founders, officers, directors, and their respective affiliates.

Rights, Preferences and Restrictions Attaching to our ordinary shares. We are authorized to issue 50,000,000 ordinary shares, par value \$0.001. As of the date of this report, and no change since December 31, 2018, 2,043,351 ordinary shares are issued and 1,903,723 shares are outstanding (with 139,628 shares as treasury shares). Each share has the right to one vote at a meeting of shareholders or on any resolution of shareholders, the right to an equal share in any dividend paid by us, and the right to an equal share in the distribution of surplus assets. We may by a resolution of the board of directors redeem our ordinary shares for such consideration as the board of directors determines.

Alteration of Rights. If, at any time, our share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not we are being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class.

Meetings. Our annual meeting may be held at such time and place as their chairman or any two directors or any director and the secretary or the board of directors shall appoint. The chairman or any two directors or any director and the secretary or the board of directors may convene an extraordinary general meeting whenever in their judgment such a meeting is necessary. At least 10 clear days' notice of an annual meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place, and time at which the meeting is to be held, and if different, the record date for determining shareholders entitled to attend and vote at the annual meeting, and, if practicable, the other business to be conducted at the meeting. At least 10 clear days' notice of an extraordinary general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place, and time at which the meeting is to be held, and the general nature of the business to be considered at the meeting. A meeting shall, notwithstanding the fact that it is called on shorter notice than otherwise required, be deemed to have been properly called if it is so agreed by (i) all of the shareholders entitled to attend and vote thereat in the case of an annual meeting, and (ii) 75% of the shareholders entitled to attend and vote thereat in the case of an extraordinary general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of a notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Limitations on the Right to Own Securities. There are no limitations on the rights to own our securities, or limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our securities, contained in our Amended and Restated Memorandum and Articles of Association (or under Cayman Islands law).

C. Material Contracts

None

D. Exchange controls

Under Cayman Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to nonresident holders of our shares.

E. Taxation

The following summary of the material Cayman Islands and U.S. federal income tax consequences of an investment in our units, ordinary shares and redeemable warrants to acquire our ordinary shares, sometimes referred to individually or collectively in this summary as our “securities,” is based upon laws and relevant interpretations thereof in effect as of the date of this report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our securities, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon us or our security holders. The Cayman Islands are not party to any double taxation treaties.

No Cayman Islands stamp duty will be payable by our security holders in respect of the issue or transfer of our securities. However, an instrument transferring title to our securities, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

We have received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on our securities, debentures or other obligations or (ii) by way of the withholding in whole or in part in connection with the payment of a dividend or other distribution of income or capital by us to our security holders or a payment by us of principal or interest or other sums due under a debenture or other obligation.

United States Federal Income Taxation

General

The following is a summary of the material U.S. federal income tax consequences to an investor of the acquisition, ownership and disposition of our securities.

Because the components of a unit are separable at the option of the holder, the holder of a unit generally should be treated, for U.S. federal income tax purposes, as the owner of the underlying ordinary share and one redeemable warrant components of the unit, as the case may be. As a result, the discussion below of the U.S. federal income tax consequences with respect to actual holders of ordinary shares and redeemable warrants should also apply to holders of units (as the deemed owners of the underlying ordinary shares and redeemable warrants which comprise the units).

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to a beneficial owner of our securities that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a beneficial owner of our securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a “Non-U.S. Holder.” The material U.S. federal income tax consequences of the acquisition, ownership and disposition of our securities applicable specifically to Non-U.S. Holders are described below under the heading “Non-U.S. Holders.”

This summary is based on the Internal Revenue Code of 1986, as amended, or the “Code,” its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder’s individual circumstances. In particular, this discussion considers only holders that own and hold our securities as capital assets within the meaning of Section 1221 of the Code, and does not address the alternative minimum tax. In addition, this discussion does not address the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5 percent or more of our voting shares;
- persons that acquired our securities pursuant to the exercise of employee share options, in connection with employee share incentive plans or otherwise as compensation;
- persons that hold our securities as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- controlled foreign corporations; or
- passive foreign investment companies.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of our securities. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our securities through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our securities, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distributions made (or deemed made) by us on our ordinary shares and any consideration received (or deemed received) by a holder in consideration for the sale or other disposition of our securities will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service, or “IRS,” or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJA”) was signed into law. This legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The TCJA permanently reduces the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. The Company has not analyzed how the TCJA changes could impact U.S. federal income taxation that may be relevant to any particular holder based on such holder’s individual circumstances.

THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES. EACH PROSPECTIVE INVESTOR IN OUR SECURITIES IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH INVESTOR OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

Allocation of Purchase Price and Characterization of a Unit

While not free from doubt, each unit should be treated for U.S. federal income tax purposes as an investment unit consisting of one ordinary share and one redeemable warrant to acquire one ordinary share. For U.S. federal income tax purposes, each holder of a unit must allocate the purchase price of a unit between the ordinary share and the redeemable warrant that comprise the unit based on the relative fair market value of each at the time of acquisition. The price allocated to the ordinary share or to the redeemable warrant will be the holder’s tax basis in such share or redeemable warrant, as the case may be.

Each holder is advised to consult its own tax advisor with respect to the risks associated with an investment in a unit (including alternative characterizations of a unit or the components thereof) and regarding the risks associated with an allocation of the purchase price between the ordinary share and the redeemable warrant that comprise a unit. The balance of this discussion assumes that our characterization of the units (and the components thereof) and any allocation of the purchase price as described above are respected for U.S. federal income tax purposes.

U.S. Holders

Taxation of Cash Distributions Paid on Ordinary Shares

Subject to the passive foreign investment company (“PFIC”) rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our ordinary shares. A cash distribution on our shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. The portion of such distribution, if any, in excess of such earnings and profits generally will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in such ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ordinary shares and will be treated as described under “Taxation on the Disposition of Ordinary Shares and Redeemable Warrants” below.

With respect to non-corporate U.S. Holders, such dividends may be subject to U.S. federal income tax at the lower applicable long-term capital gains tax rate (see “Taxation on the Disposition of Ordinary Shares and Redeemable Warrants” below) provided that (1) such shares are readily tradable on an established securities market in the United States, (2) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently do not include the OTC market. Because our ordinary shares are currently listed and traded only on the OTC market, any dividends paid on such shares are not expected to qualify for the lower rate. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any cash dividends paid with respect to our ordinary shares.

Possible Constructive Distributions

The terms of each redeemable warrant provide for an adjustment to the number of shares for which the redeemable warrant may be exercised or to the exercise price of the redeemable warrant in certain events. An adjustment which has the effect of preventing dilution generally is not taxable. However, the U.S. Holders of the redeemable warrants would be treated as receiving a constructive distribution from us if, for example, the adjustment increases the redeemable warrant holders’ proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of ordinary shares that would be obtained upon exercise) as a result of a distribution of cash to the holders of our ordinary shares which is taxable to the U.S. Holders of such ordinary shares as described under “— Taxation of Cash Distributions Paid on Ordinary Shares” above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holders of the redeemable warrants received a cash distribution from us equal to the fair market value of such increased interest.

Taxation on the Disposition of Ordinary Shares and Redeemable Warrants

Upon a sale or other taxable disposition of our ordinary shares or redeemable warrants (which, in general, would include a distribution in connection with our liquidation or a redemption of ordinary shares, as described in “Taxation on the Redemption of Ordinary Shares” below, or a redemption of redeemable warrants), and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in the ordinary shares or redeemable warrants. See “Exercise or Lapse of Redeemable Warrants” below for a discussion regarding a U.S. Holder’s basis in the ordinary shares acquired pursuant to the exercise of redeemable warrants.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders are generally subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for the ordinary shares or redeemable warrants exceeds one year. The deductibility of capital losses is subject to various limitations.

Taxation on the Redemption of Ordinary Shares

In the event that a U.S. Holder receives cash pursuant to a redemption of its ordinary shares, the redemption generally will be treated as a sale of our ordinary shares, rather than as a distribution. The redemption, however, will be treated as a distribution and taxed as described in “— Taxation of Cash Distributions Paid on Ordinary Shares,” above, if (i) the redemption is “essentially equivalent to a dividend” (meaning that the U.S. Holder’s percentage ownership in us (including shares the U.S. Holder is deemed to own under certain constructive ownership rules, which provide, among other things, that the U.S. Holder is deemed to own any shares that it holds a warrant to acquire) after the redemption is not meaningfully reduced from what its percentage ownership in us (including constructive ownership) was prior to the redemption), (ii) the redemption is not “substantially disproportionate” as to that U.S. Holder (“substantially disproportionate” meaning, among other requirements, that the percentage of our outstanding voting shares owned (including constructive ownership) by such holder immediately following the redemption is less than 80% of that percentage owned (including constructive ownership) by such holder immediately before the redemption), and (iii) the redemption does not result in a “complete termination” of the U.S. Holder’s interest in us (taking into account certain constructive ownership rules). If the U.S. Holder had a relatively minimal interest in our ordinary shares and, taking into account the effect of redemptions by other shareholders, its percentage ownership (including constructive ownership) in us is reduced as a result of the redemption, such holder generally should be regarded as having a meaningful reduction in interest. For example, the IRS has indicated in a published ruling that even a small reduction in the proportionate interest of a small minority shareholder in a publicly held corporation who exercises no control over corporate affairs may constitute such a “meaningful reduction.” A U.S. Holder should consult with its own tax advisors as to the U.S. federal income tax consequences to it of any redemption of its ordinary shares.

Additional Taxes

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from the sale or other taxable disposition of, our securities, subject to certain limitations and exceptions. Under applicable regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the qualified electing fund, or “QEF,” rules discussed below under “Passive Foreign Investment Company Rules,” but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our securities.

Exercise or Lapse of Redeemable Warrants

Subject to the PFIC rules discussed below, a U.S. Holder will not recognize gain or loss upon the acquisition of ordinary shares on the exercise of redeemable warrants for cash. Ordinary shares acquired pursuant to the exercise of redeemable warrants for cash will have a tax basis equal to the U.S. Holder’s tax basis in the redeemable warrants, increased by the amount paid to exercise the redeemable warrants. The holding period of such ordinary shares should begin on the day after the date of exercise of the redeemable warrants. If a redeemable warrant is allowed to lapse unexercised, a U.S. Holder will generally recognize a capital loss equal to such holder’s adjusted tax basis in the redeemable warrant.

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be a PFIC if at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

Based on the composition and estimated values of our assets and the nature of our income for our 2018 taxable year, we believe that we are a PFIC for such taxable year.

If we are a PFIC, as we believe we were in 2017, for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our ordinary shares or redeemable warrants and, in the case of our ordinary shares, the U.S. Holder did not make either a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) ordinary shares, a QEF election along with a purging election, or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares or redeemable warrants; and
- any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for the ordinary shares).

Under these rules,

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the ordinary shares or redeemable warrants;
- the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder’s holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are a PFIC, as we believe we were in 2017, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our ordinary shares by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder generally will be required to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends if we are treated as a PFIC for that taxable year. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

A U.S. Holder may not make a QEF election with respect to its redeemable warrants. As a result, if a U.S. Holder sells or otherwise disposes of a redeemable warrant (other than upon exercise of the redeemable warrant), any gain recognized will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above, if we were a PFIC at any time during the period the U.S. Holder held the redeemable warrants. If a U.S. Holder that exercises such redeemable warrants properly makes a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to our ordinary shares), the QEF election will apply to the newly acquired ordinary shares, but the adverse tax consequences relating to PFIC shares, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired ordinary shares (which generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the redeemable warrants), unless the U.S. Holder makes a purging election. The purging election creates a deemed sale of such shares at their fair market value. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will increase the adjusted tax basis in its ordinary shares acquired upon the exercise of the redeemable warrants by the gain recognized and also will have a new holding period in such shares for purposes of the PFIC rules.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided. Therefore, a U.S. Holder's QEF election may not be effective. Any U.S. Holder wishing to make a QEF election should consult with its own tax advisor.

If a U.S. Holder has made a QEF election with respect to our ordinary shares, and the special tax and interest charge rules do not apply to such shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a QEF election, along with a purge of the PFIC taint pursuant to a purging election, as described below), any gain recognized on the sale or other taxable disposition of our ordinary shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF generally are currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning shares in a QEF.

Although a determination as to our PFIC status will be made annually, the initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held ordinary shares or redeemable warrants while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our ordinary shares, the PFIC rules discussed above will continue to apply to such shares unless the holder files on a timely filed U.S. income tax return (including extensions) a QEF election and a purging election to recognize under the rules of Section 1291 of the Code any gain that the U.S. Holder would otherwise recognize if the U.S. Holder sold the ordinary shares for their fair market value on the "qualification date." The qualification date is the first day of our tax year in which we qualify as a QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held our ordinary shares on the qualification date. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will increase the adjusted tax basis in its ordinary shares by the amount of the gain recognized and will also have a new holding period in the ordinary shares for purposes of the PFIC rules.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) our ordinary shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its ordinary shares, as long as such shares continue to be treated as marketable stock. Instead, in general, the U.S. Holder will include as ordinary income for each year that we are treated as a PFIC the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over the adjusted tax basis in its ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's adjusted tax basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ordinary shares in a taxable year in which we are treated as a PFIC will be treated as ordinary income. Currently, a mark-to-market election may not be made with respect to warrants. Special tax rules may also apply if a U.S. Holder makes a mark-to-market election for a taxable year after the first taxable year in which the U.S. Holder holds (or is deemed to hold) its ordinary and for which we are determined to be a PFIC.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, which does not include the OTC market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Because our ordinary shares are currently listed and traded only on the OTC market, such shares are not expected to be treated as marketable stock for purposes of the election. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our ordinary shares under their particular circumstances.

If we are a PFIC, as we believe we were for 2017, and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of our ordinary shares should be deemed to own a portion of the shares of such lower-tier PFIC, and could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, we do not plan to make annual determinations or otherwise notify U.S. Holders of the status of any such lower-tier PFIC. There is also no assurance that we will be able to cause the lower-tier PFIC to provide the required information. A mark-to-market election generally would not be available with respect to such a lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our ordinary shares and redeemable warrants should consult their own tax advisors concerning the application of the PFIC rules to our ordinary shares and redeemable warrants under their particular circumstances.

Non-U.S. Holders

Dividends (including constructive dividends) paid or deemed paid to a Non-U.S. Holder in respect to our securities generally will not be subject to U.S. federal income tax, unless such dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our securities unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

The U.S. federal income tax treatment of a Non-U.S. Holder's exercise of a redeemable warrant, or the lapse of a redeemable warrant held by a Non-U.S. Holder, generally will correspond to the U.S. federal income tax treatment of the exercise or lapse of a redeemable warrant by a U.S. Holder, as described under "U.S. Holders — Exercise or Lapse of Redeemable Warrants," above.

Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on our securities within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our securities by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its securities and adjustments to that tax basis and whether any gain or loss with respect to such securities is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our securities.

Moreover, backup withholding of U.S. federal income tax at a rate of 24% generally will apply to dividends paid on our securities to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our securities by a U.S. Holder (other than an exempt recipient), in each case who (a) fails to provide an accurate taxpayer identification number; (b) is notified by the IRS that backup withholding is required; or (c) in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

F. Dividends and paying agents

Prime paid a dividend to its public shareholders of one warrant for every four shares that were not redeemed in connection with the Business Combination on October 24, 2013. Except for the foregoing, the Company does not have future dividend plans and any future dividend policy will be determined by the Company's Board of Directors.

G. Statement by Experts

Not applicable.

H. Documents on Display

Documents concerning us that are referred to in this document may be inspected at our principal executive offices at No. 322, Zhongshan East Road, Shijiazhuang, Hebei Province, 050011 People's Republic of China.

In addition, we file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign private issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders will be exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. The Commission maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the Commission which can be assessed at <http://www.sec.gov>.

I. Subsidiary Information

Not required.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

The Group's exposure to interest rate risk primarily relates to its outstanding debts, which is mostly in the form of a variable interest rate finance leases. The current weighted average interest rate on such debts is 4.15%.

According to the Group's lease agreements with its tenants, there is a clause allowing the Group to increase the lease payment at the end of each year term in connection with the official inflation rate published by the Italian government. A 1% inflation rate would yield a 0.75% increase in rental income. Although there is no direct correlation between the increase of the inflation rate and the increase in interest rate published by the Italian Central Bank, the increase of interest rate has been historically significantly less than the inflation rate. This clause in the lease agreements aims to increase the level of cash inflow for covering the variable interest rate mortgage.

The following sensitivity analysis demonstrates different scenarios that may occur in the future. Based on the following sensitivity analysis, a 1% increase in inflation with a 0.25% increase in interest rate would yield a 0.75% increase in the rental income. If the interest rate increases in a significant lower rate than the inflation rate, the effect on net profit would be favorable.

	Current at 4.15% weighted average interest rate	Assuming 1% inflation and 0.25% interest rate increase	Assuming 1% inflation and 0.5% interest rate increase	Assuming 2% inflation and 0.5% interest rate increase	Assuming 2% inflation and 1% interest rate increase	Assuming 3% inflation and 1% interest rate increase	Assuming 3% inflation and 1.5% interest rate increase
Current annual rental based on existing lease agreements	\$ 2,510,524						
Adjusted annual rental income according to the inflation rate		\$ 2,529,353	\$ 2,529,353	\$ 2,548,182	\$ 2,548,182	\$ 2,567,011	\$ 2,567,011
\$ Increase in rental income		\$ 18,829	\$ 18,829	\$ 37,658	\$ 37,658	\$ 56,487	\$ 56,487
% increase in rental income with inflation rate adjustment		0.75%	0.75%	1.50%	1.50%	2.25%	2.25%
Annual finance expense	863,511	846,574	894,675	894,675	990,877	990,877	1,087,078
Effect of interest expense on the gross profit before operating expenses		35,766	(12,335)	6,494	(89,708)	(70,879)	(167,080)
% increase on effect of interest expense on the gross profit before operating expenses		1.42%	(0.49%)	0.26%	(3.57%)	(2.82%)	(6.66%)

As of December 31, 2018, the Group has no Interest Rate Swap agreements.

Impact of Inflation

Each of the Subsidiaries are exposed to the impact of inflation primarily relating to its operating expenses, and the variable interest rate mortgages it carries. There is no direct correlation between the increase of the inflation rate and the increase in interest rate published by the Italian Central Bank; however, the increase of interest rate has been historically significantly less than the inflation rate. The clause allowing the Group to increase the lease payment each year in connection with inflation rate (see note "Interest Rate Risk") is aimed at facilitating an increased level of cash inflow for covering the inflation affecting operating expenses and the increase in the variable interest rate mortgage.

Foreign Currency Risk

The Euro is the functional and reporting currency for the Group's operation in Italy. All transactions in currencies other than the functional currency during the year are recorded at the exchange rates on the date of such transactions. The Subsidiaries have not entered into transactions denominated in a currency other than their functional currency and hence the exposure to foreign currency risk within the Subsidiaries is limited. However, Prime's functional and reporting currency is the U.S. dollar. During consolidation of Subsidiaries' and Prime's financial statements, monetary assets and liabilities of the Subsidiaries are translated from Euro into U.S. dollars at the exchange rates on the reporting date. The historical amounts in the statements of loss and comprehensive loss are translated at an appropriate weighted average rate for the period presented. The exchange differences are recorded in our consolidated statements of loss and comprehensive loss. The amounts in the statements of financial position are translated at the historical exchange rate as of the date of the report. Therefore, fluctuations in exchange rates may affect our consolidated statements of financial position.

According to the historical exchange rate published by U.S. Federal Reserve Bank, the exchange rate between Euro and U.S. dollar had moderate fluctuations over the past 10 years. These fluctuations are moderate in nature and not considered a currency of a hyperinflationary economy.

The description of securities other than equity securities included under the heading "Description of Securities" in the company's registration statement on Form F-1 (File No. 333-171777), initially filed with the Securities & Exchange Commission on January 20, 2011, as amended, is hereby incorporated by reference.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Immediately following the closing of the Business Combination on September 30, 2013, the Company entered into an interest-bearing promissory note with its underwriter, Chardan Capital Markets, LLC for the total remaining amount of \$889,833 due to the underwriter at the rate of 5% per annum, maturing on December 31, 2013. If the note was not repaid by December 31, 2013, Chardan had the right to convert the note and accrued interest into ordinary shares at a price of \$9.10 per share. In connection with the convertible right, \$184,584 was allocated to the value of the beneficial conversion feature. As of December 31, 2013, the full amount of the beneficial conversion feature has been recorded as interest expense. As of the date of this report, the convertible right had not been exercised. On December 31, 2013 (the note's maturity date), the Company was not able to repay the note. As a result of the payment default, an additional default interest rate of 10% per annum is added to the original 5% per annum interest rate starting December 31, 2013. As of April 30, 2019, \$753,254 of interest expense has been recorded in connection with this note.

During 2014, one of the Subsidiaries missed certain scheduled repayments on a bank loan totaling \$193,011 in principal and \$22,680 in interest. Except for these missed scheduled repayments, the Group has been current on all scheduled repayments since the beginning of 2014. According to the applicable mortgage agreement, missing scheduled payments can cause the bank to request immediate repayment of the residual debt totaling approximately \$1,515,720 as of December 31, 2014. Management initiated negotiations with the bank to postpone repayment for 12 months in 2014. Separately during 2014, one of our other Subsidiaries missed certain scheduled finance lease payments to the leasing department of the same bank. During 2017, the bank official denied the Group's request and requested immediate repayment of the residual debt. As a result, Management classified such residual debt as current loans and borrowings as of December 31, 2017, 2016 and 2015. On November 10, 2017, the Company ceased control of one of the affected subsidiaries, resulting in the transfer of all the bank loans back to its prior owner.

During 2014, four of the Subsidiaries missed certain scheduled payment to four finance lease creditors, totaling approximately \$244,234 in principal and \$241,328 in interest as at December 31, 2014. Except for these missed scheduled payments, the Group has been current with all the scheduled payments since the beginning of 2014. Pursuant to the leasing agreement, the finance lease creditors have the right to declare the borrower in default in case of missing scheduled payments via official written notice and demand full payment of the outstanding principal balance at the time of such default declaration. Management initiated negotiations with all the affected finance lease creditors for modification of repayment plans on these missed payments in 2014. The Group remitted in full all missed payments to one of the finance lease creditors in the second quarter of 2015 and thus corrected the default. As of December 31, 2015, Management was still undergoing negotiations with the remaining affected finance lease creditor and could not provide assurance that this finance lease creditor would not decide to refuse granting the requested modification repayment plans to the Group. As a result, we classified this one residual finance lease as current loans and borrowings as of December 31, 2015. During 2016, the Group successfully obtained the approval from this finance lease creditor of a modification repayment plan. As a result, Management has not classified the full portion of this finance lease as current loans and borrowing as of December 31, 2018, 2017 and 2016.

In addition, during 2016, one of the Subsidiaries missed certain scheduled payment to a finance lease creditor, but has since obtained the approval from this finance lease creditor of a modification repayment plan. As a result, Management has not classified the full portion of this affected finance lease as current loans and borrowing as of December 31, 2018, 2017 and 2016.

During 2017 and 2018, the Group has been current with all scheduled lease payments and the repayment plans approved by the finance lease creditors. During 2018, one of the subsidiaries has suspended the repayment plan from June 2018, and will restart from January, 2019 with quarterly installments. This arrangement has been agreed by the finance lease creditor, hence not considered in default.

Separately during 2016, two of the revolving lines of credit were revoked and one of the revolving lines of credit expired without a renewal contract (all from the same lender). The balance on these three lines of credit, totaling \$573,158, remained outstanding as of December 31, 2018. The Group has initiated a legal dispute in 2016 as the plaintiff with the lender to obtain the forfeiture of these outstanding balances and two other unsecured bank loans from the same lender due to the bank's breaching of contract and the unlawful accrual of interest on the amount in dispute. The total of the two other unsecured bank loans totaled to \$330,407 as of December 31, 2018. The Company and the lender are pursuing active negotiations on the position of these outstanding balances and during the negotiation, the outstanding balances are considered in default. In April, 2019, the lender has offered a settlement agreement to the Company, agreeing to forgive these outstanding balances for a total settlement amount of €80,000 (approx. \$90,200 as of April 10, 2019) to be paid by the end of April, 2019. Of this amount, the Company is responsible for €20,000 (approx. \$22,430 as of April 10, 2019) with the remaining €60,000 (approx. \$67,290 as of April 10, 2019) to be paid by the guarantor of the loan and former owner of GSI (one of our subsidiaries). The Company intends to accept the offer and settle the case. However, there can be no assurance the former owner of GSI will accept and pay the settlement amount before the end of April, 2019.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

An evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2018 was made under the supervision and with the participation of our management, including our Interim Chief Executive Officer and Interim Chief Financial Officer. Based on that evaluation, our Interim Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report due to our internal control over financial reporting not being effective, as described further below.

B. Management's Annual Report on Internal Control Over Financial Reporting

Our internal control over financial reporting is a process designed by, or under the supervision of, our Interim Chief Executive Officer and Interim Chief Financial Officer and effected by our board of directors to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with IFRS and its related interpretations, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our current management, including our Interim Chief Executive Officer and Interim Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission as issued in 2013. Based on this evaluation under the criteria established in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was not effective due to material weaknesses in our internal control over financial reporting as of December 31, 2018, and such weaknesses continue to apply to date. Material weaknesses in our internal controls include the lack of segregation of duties, improper checks and balances, lack of an audit committee, and the fact that the Company's review procedures in connection with financial reporting are limited. Our management further identified other weaknesses in entity level controls, including, but not limited to, control environment, risk assessment processes, information sharing, and monitoring processes. Such weaknesses previously resulted in the Company's restatement of its 2013 financial statements. During 2015 and continuing through 2018, our current management has been designing and implementing certain processes and procedures to address the material weaknesses identified. The current management intends to implement further material processes and procedures that will provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with IFRS and its related interpretations as funding becomes available to implement additional processes and procedures.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

We do not currently have an audit committee. Our board of directors believes that Mr. Kaufman qualifies as "audit committee financial expert", as such term is defined in the rules of the Securities and Exchange Commission, and qualifies as an independent director under the Nasdaq Marketplace Rules.

ITEM 16B. CODE OF ETHICS.

In November 2010, our board of directors adopted a code of ethics that applies, and following the Business Combination will continue to apply, to our directors, officers and employees.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Marcum LLP (“Marcum”), our independent registered public accounting firm for the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Audit fees ⁽¹⁾	\$ 132,500	\$ 132,500
Audit related fees ⁽²⁾	–	–
Tax fees	–	–
Total fees	<u>132,500</u>	<u>\$ 132,500</u>

(1) “Audit fees” means the aggregate fees billed for an audit of our consolidated financial statements.

(2) “Audited related fees” means the aggregate fees billed for time incurred other than the audit of our consolidated financial statements.

Our board of directors is to pre-approve all auditing services and permitted non- audit services to be performed for us by our independent auditor, including the fees and terms thereof (subject to the de minimus exceptions for non-audit services described in section 10A(i)(1)(B) of the Exchange Act which are approved by the audit committee or our board of directors prior to the completion of the audit).

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT.

None.

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The financial statements are filed as part of this annual report beginning on page F-1.

ITEM 19. EXHIBITS

Exhibit

No.	Description
1.1	Amended and Restated Articles of Association ⁽¹⁾
1.2	Amendment to Amended and Restated Articles of Association ⁽²⁾
2.1	Specimen Unit Certificate ⁽¹⁾
2.2	Specimen Ordinary Share Certificate ⁽¹⁾
2.3	Specimen Public Redeemable Warrant Certificate ⁽¹⁾
2.4	Specimen Founder Warrant Certificate ⁽¹⁾
2.5	Specimen Placement Warrant Certificate ⁽¹⁾
2.6	Form of Warrant Agreement ⁽¹⁾
2.7	Form of Unit Purchase Option ⁽¹⁾
4.18	Form of Registration Rights Agreement among the Registrant and the Founders ⁽¹⁾
4.20	Stock Option Agreement, dated as of February 25, 2010, between the Registrant and Carolyne Yu ⁽¹⁾
4.22	Stock Option Agreement, dated as of February 25, 2010, between the Registrant and Dave Sagar ⁽¹⁾
4.23	Stock Option Agreement, dated as of February 25, 2010, between the Registrant and Elizabeth Pulchny ⁽¹⁾
4.25	Stock Option Agreement, dated as of February 25, 2010, between the Registrant and Lance Wei ⁽¹⁾
4.27	Stock Option Agreement, dated as of December 3, 2010, between the Registrant and Dane Chauve ⁽¹⁾
4.31	Put Agreement, dated February 25, 2013, by and among Prime Acquisition Corp. and Advanced Series Trust – AST Academic Strategies Asset Allocation Portfolio ⁽²⁾
4.32	Put Agreement, dated February 25, 2013, by and among Prime Acquisition Corp. and CNH Diversified Opportunities Master Account, L.P. ⁽²⁾
4.33	Put Agreement, dated February 25, 2013, by and among Prime Acquisition Corp. and AOR Opportunistic Premium Offshore Fund, L.P. ⁽²⁾
4.34	Put Agreement, dated February 25, 2013, by and among Prime Acquisition Corp. and AOR Diversified Arbitrage Fund ⁽²⁾
4.63	Promissory Note, dated as of September 30, 2013, issued to Chardan Capital Markets ⁽⁸⁾
4.68	Stock Option Agreement, dated as of May 10, 2014, between the Registrant and Andrea Crespi Bel'skij*
4.69	Stock Option Agreement, dated as of May 10, 2014, between the Registrant and Amy Lau*
4.71	Option Agreement, dated as of December 18, 2014, between the Registrant and LuxCo, Nova, Francesco Rotondi ⁽¹⁰⁾
4.72	Stock Option Agreement, dated as of September 11, 2014, between the Registrant and Michela Del Molino ⁽¹²⁾
4.73	Stock Option Agreement, dated as of September 11, 2014, between the Registrant and Monica Sironi ⁽¹²⁾
4.74	Stock Option Agreement, dated as of September 11, 2014, between the Registrant and Rosaria Racco ⁽¹²⁾
4.105	Stock Option Agreement, dated as of May 10, 2015, between the Registrant and Amy Lau ⁽¹²⁾
4.107	Stock Option Agreement, dated as of September 1, 2015, between the Registrant and George Kaufman ⁽¹²⁾
4.108	Stock Option Agreement, dated as of September 1, 2015, between the Registrant and Michela Del Molino ⁽¹²⁾
4.109	Stock Option Agreement, dated as of September 1, 2015, between the Registrant and Mattia Nigro ⁽¹²⁾
4.110	Stock Option Agreement, dated as of September 1, 2015, between the Registrant and Rosaria Racco ⁽¹²⁾

Exhibit

No.	Description
4.160	Promissory Note, dated as of December 6, 2016, issued to Diana Liu (13)
4.161	Promissory Note, dated as of December 8, 2016, issued to Diana Liu (13)
4.162	Promissory Note, dated as of December 10, 2016, issued to Diana Liu (13)
4.163	Promissory Note, dated as of December 14, 2016, issued to Diana Liu (13)
4.164	Promissory Note, dated as of December 17, 2016, issued to Diana Liu (13)
4.165	Promissory Note, dated as of January 3, 2017, issued to Diana Liu (13)
4.166	Promissory Note, dated as of January 20, 2017, issued to Diana Liu (13)
4.167	Promissory Note, dated as of February 1, 2017, issued to Diana Liu (13)
4.168	Promissory Note, dated as of February 1, 2017, issued to Diana Liu (13)
4.169	Promissory Note, dated as of February 13, 2017, issued to Diana Liu (13)
4.170	Promissory Note, dated as of February 15, 2017, issued to Diana Liu (13)
4.171	Promissory Note, dated as of February 15, 2017, issued to Diana Liu (13)
4.172	Promissory Note, dated as of March 1, 2017, issued to Diana Liu (13)
4.173	Promissory Note, dated as of March 1, 2017, issued to Diana Liu (13)
4.174	Promissory Note, dated as of March 1, 2017, issued to Diana Liu (13)
4.175	Promissory Note, dated as of March 9, 2017, issued to Diana Liu (13)
4.176	Promissory Note, dated as of March 14, 2017, issued to Diana Liu (13)
4.177	Promissory Note, dated as of March 31, 2017, issued to Diana Liu (13)
4.178	Promissory Note, dated as of April 1, 2017, issued to Diana Liu (13)
4.179	Promissory Note, dated as of April 3, 2017, issued to Diana Liu (13)
4.180	Promissory Note, dated as of April 6, 2017, issued to Diana Liu (13)
4.181	Stock Option Agreement, dated as of April 15, 2016 between the Registrant and Amy Lau (13)
4.182	Stock Option Agreement, dated as of April 15, 2016 between the Registrant and George Kaufman (13)
4.183	Stock Option Agreement, dated as of April 15, 2016 between the Registrant and Diana Liu (13)
4.184	Stock Option Agreement, dated as of April 15, 2016 between the Registrant and William Yu (13)
4.185	Stock Option Agreement, dated as of September 9, 2016 between the Registrant and Alison Sagar (13)
4.190	Promissory Note, dated as of May 2, 2017, issued to Diana Liu (14)
4.191	Promissory Note, dated as of June 1, 2017, issued to Diana Liu (14)
4.192	Promissory Note, dated as of July 3, 2017, issued to Diana Liu (14)
4.193	Promissory Note, dated as of August 1, 2017, issued to Diana Liu (14)
4.194	Promissory Note, dated as of September 1, 2017, issued to Diana Liu (14)
4.195	Promissory Note, dated as of October 2, 2017, issued to Diana Liu (14)
4.196	Promissory Note, dated as of November 1, 2017, issued to Diana Liu (14)
4.197	Promissory Note, dated as of December 1, 2017, issued to Diana Liu (14)
4.198	Promissory Note, dated as of January 9, 2018, issued to Diana Liu (14)
4.199	Promissory Note, dated as of February 1, 2018, issued to Diana Liu (14)
4.200	Promissory Note, dated as of March 1, 2018, issued to Diana Liu (14)
4.201	Promissory Note, dated as of April 1, 2018, issued to Diana Liu (14)
4.250	Promissory Note, dated as of June 30, 2018, issued to Diana Liu
4.251	Promissory Note, dated as of August 1, 2018, issued to Diana Liu
4.252	Promissory Note, dated as of September 1, 2018, issued to Diana Liu
4.253	Promissory Note, dated as of October 1, 2018, issued to Diana Liu
4.254	Promissory Note, dated as of November 1, 2018, issued to Diana Liu
4.255	Promissory Note, dated as of December 3, 2018, issued to Diana Liu
4.256	Promissory Note, dated as of January 2, 2019, issued to Diana Liu
4.257	Promissory Note, dated as of February 1, 2019, issued to Diana Liu
4.258	Promissory Note, dated as of March 1, 2019, issued to Diana Liu

Exhibit

No.	Description
8.1	List of Subsidiaries ⁽⁸⁾
11.1	Code of Ethics ⁽¹⁾
12.1	Certification of the Chief Executive Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
12.2	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
13.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
16.1	Letter from Marcum Bernstein & Pinchuk LLP, dated March 20, 2014 ⁽⁹⁾
(1)	Incorporated by reference to the registration statement on Form F-1 of the registrant (File No. 333-171777).
(2)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on April 30, 2013.
(3)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on April 30, 2012.
(4)	Incorporated by reference to the Report of Foreign Private Issuer on Form 6-K of the registrant, filed on May 24, 2013.
(5)	Incorporated by reference to the Report of Foreign Private Issuer on Form 6-K of the registrant, filed on June 27, 2013.
(6)	Incorporated by reference to the Report of Foreign Private Issuer on Form 6-K of the registrant, filed on July 16, 2013.
(7)	Incorporated by reference to Amendment No. 1 the Schedule TO/A of the registrant, filed on September 6, 2013.
(8)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on October 4, 2013.
(9)	Incorporated by reference to the Report of Foreign Private Issuer on Form 6-K of the registrant, filed on March 20, 2014.
(10)	Incorporated by reference to the Report of Foreign Private Issuer on Form 6-K of the registrant, filed on December 23, 2014.
(11)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on May 2, 2016.
(12)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on January 15, 2016.
(13)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on April 28, 2017.
(14)	Incorporated by reference to the Annual Report on Form 20-F of the registrant, filed on May 2, 2018.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Prime Acquisition Corp.

Date: May 1, 2019

By: /s/ William Tsu-Cheng Yu
William Tsu-Cheng Yu
Interim Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 1, 2019

By: /s/ Amy Lau
Amy Lau
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Prime Acquisition Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Prime Acquisition Corp. and Subsidiaries (the "Company") as of December 31, 2018, 2017, and 2016, the related consolidated statements of profit/(loss), comprehensive income/(loss), changes in deficit and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 2017, and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

/s/ Marcum llp

Marcum llp
We have served as the Company's auditor since 2014.

New York, NY
May 1, 2019

Prime Acquisition Corp.
Consolidated Statements of Profit/(Loss) and Comprehensive Income/(Loss)
For the years ended December 31,

	Notes	2018	2017	2016*
Continuing operations				
Rental income		\$ 2,403,475	\$ 2,561,322	\$ 2,508,586
Other revenues		280,097	376,549	483,152
Total Revenues		<u>2,683,572</u>	<u>2,937,871</u>	<u>2,991,738</u>
Depreciation, bad debt and other provisions	4	(42,848)	(67,528)	(3,229)
Other expenses	5	(1,407,054)	(2,075,996)	(2,245,605)
Total operating expenses		<u>(1,449,902)</u>	<u>(2,143,524)</u>	<u>(2,248,834)</u>
Operating profit		1,233,670	794,347	742,904
Finance income	6	1,761	9,223	19,617
Finance costs	6	(3,218,145)	(3,320,839)	(3,756,134)
Gain on revaluation of derivatives related to convertible promissory notes		3,291,010	292,562	3,085,253
Forgiveness of debt		91,623	273,037	-
Realized loss on sale of real estate investments		(271,908)	-	-
Less: previously recognized unrealized loss on real estate investments		309,221	-	-
Net fair value loss on revaluation of investment property		(101,626)	(806,891)	(519,276)
Profit/(loss) before tax		<u>1,335,606</u>	<u>(2,758,561)</u>	<u>(427,636)</u>
Tax expense, current	7,8	(591,736)	(158,639)	(42,367)
Deferred tax benefit/(expense)	7,8	273,071	(15,867)	130,306
Profit/(loss) from continuing operations		<u>\$ 1,016,941</u>	<u>\$ (2,933,067)</u>	<u>\$ (339,697)</u>
Loss from discontinued operations				
Loss from discontinued operations	9	-	(754,069)	(225,447)
Profit/(loss) for the year		<u>\$ 1,016,941</u>	<u>\$ (3,687,136)</u>	<u>\$ (565,144)</u>
Other comprehensive income/(loss), net of income tax				
Foreign currency translation reserve		(180,146)	813,007	(139,370)
Total comprehensive income/(loss)		<u>\$ 836,795</u>	<u>\$ (2,874,129)</u>	<u>\$ (704,514)</u>
Earnings/(loss) per share				
From continuing and discontinued operations				
Weighted average number of ordinary shares outstanding - basic		1,903,723	1,949,061	1,954,651
Basic earnings/(loss) per share		<u>\$ 0.53</u>	<u>\$ (1.89)</u>	<u>\$ (0.29)</u>
Weighted average number of ordinary shares outstanding - diluted		1,997,928	1,949,061	1,954,651
Diluted earnings/(loss) per share		<u>\$ 0.51</u>	<u>\$ (1.89)</u>	<u>\$ (0.29)</u>
From continuing operations				
Weighted average number of ordinary shares outstanding - basic		1,903,723	1,949,061	1,954,651
Basic earnings/(loss) per share		<u>\$ 0.53</u>	<u>\$ (1.50)</u>	<u>\$ (0.17)</u>
Weighted average number of ordinary shares outstanding - diluted		1,997,928	1,949,061	1,954,651
Diluted earnings/(loss) per share		<u>\$ 0.51</u>	<u>\$ (1.50)</u>	<u>\$ (0.17)</u>

* Restated for discontinued operations (see note 9 — Discontinued Operations)

The accompanying notes are an integral part of these consolidated financial statements.

Prime Acquisition Corp.
Consolidated Statements of Financial Position
As of December 31,

	Notes	2018	2017	2016
ASSETS				
Non-current assets				
Property and equipment, net	13	\$ 6,549	\$ 7,614	\$ 11,047
Investment properties	14	29,801,631	33,829,902	35,786,053
Other receivables, less current portion	15	3,176	-	143,137
Total non-currents assets		<u>29,811,356</u>	<u>33,837,516</u>	<u>35,940,237</u>
Current assets				
Prepaid expenses		127,592	123,479	66,958
Trade and other receivables, net	15	229,131	407,010	756,940
Cash and cash equivalents	16	107,983	58,143	55,393
Total current assets		<u>464,706</u>	<u>588,632</u>	<u>879,291</u>
TOTAL ASSETS		<u>\$ 30,276,062</u>	<u>\$ 34,426,148</u>	<u>\$ 36,819,528</u>
DEFICIT AND LIABILITIES				
Deficit				
Ordinary shares, \$.001 par value (Authorized 50,000,000 shares; 2,043,351, 2,043,351 and 2,040,451 shares issued; 1,903,723, 1,903,723 and 1,954,651 shares outstanding at December 31, 2018, 2017 and 2016 respectively; with 139,628, 139,628 and 85,800 shares as treasury shares at December 31, 2018, 2017 and 2016)	17	\$ 2,043	\$ 2,043	\$ 2,040
Share premium	17	19,624,487	19,604,277	19,240,641
Less: cost of 139,628, 139,628 and 85,800 treasury shares at December 31, 2018, 2017 and 2016		(423,855)	(423,855)	(343,113)
Retained deficit		(24,877,179)	(25,894,120)	(22,206,984)
Foreign currency translation reserve		(823,508)	(643,362)	(1,456,369)
Total deficit		<u>(6,498,012)</u>	<u>(7,355,017)</u>	<u>(4,763,785)</u>
Liabilities				
Non-current liabilities				
Loans and borrowings, less current portion	18,19,21	16,441,879	18,146,247	21,110,316
Trade and other payable, less current portion	22	1,940	19,597	80,355
Deferred tax liabilities	8	2,357,245	2,750,314	2,557,571
Corporate tax liabilities, less current portion		1,334,595	1,035,955	674,164
Tenant security deposits		678,010	847,195	731,841
Total non-current liabilities		<u>20,813,669</u>	<u>22,799,308</u>	<u>25,154,247</u>
Current liabilities				
Notes payable to stockholders, net of unamortized discount of \$971,852, \$731,473 and \$1,122,997 at December 31, 2018, 2017 and 2016, respectively	20	4,365,456	3,987,479	2,485,566
Due to related party	20	695,143	670,017	1,260,243
Loans and borrowings	18,19,21	2,798,445	4,438,354	4,206,847
Trade and other payables	22	6,100,099	6,389,497	5,914,549
Other liabilities and other deferred income	23	292,835	308,852	301,800
Corporate tax liabilities		1,181,390	1,257,245	1,425,618
Derivative financial liabilities	24	476,572	1,859,700	794,235
Provisions	25	50,465	70,713	40,208
Total current liabilities		<u>15,960,405</u>	<u>18,981,857</u>	<u>16,429,066</u>
Total liabilities		<u>36,774,074</u>	<u>41,781,165</u>	<u>41,583,313</u>
TOTAL DEFICIT AND LIABILITIES		<u>\$ 30,276,062</u>	<u>\$ 34,426,148</u>	<u>\$ 36,819,528</u>

The accompanying notes are an integral part of these consolidated financial statements.

Prime Acquisition Corp.
Consolidated Statements of Changes in Deficit
For the years ended December 31, 2018, 2017 and 2016

	Ordinary Shares		Treasury shares		Share Premium	Retained Deficit	Foreign Currency Translation Reserve	Total Deficit
	Shares	Amount	Shares	Amount				
Balance at January 1, 2016	1,954,651	\$ 2,040	85,800	\$ (343,113)	\$ 18,289,096	\$ (21,641,840)	\$ (1,316,999)	\$ (5,010,816)
Non-employee stock based compensation	-	-	-	-	370,040	-	-	370,040
Beneficial conversion feature on convertible promissory note	-	-	-	-	581,505	-	-	581,505
Loss for the year	-	-	-	-	-	(565,144)	-	(565,144)
Foreign currency translation reserve	-	-	-	-	-	-	(139,370)	(139,370)
Balance at December 31, 2016	1,954,651	\$ 2,040	85,800	\$ (343,113)	\$ 19,240,641	\$ (22,206,984)	\$ (1,456,369)	\$ (4,763,785)
Non-employee stock based compensation	-	-	-	-	95,419	-	-	95,419
Stock option exercise	2,900	3	-	-	5,607	-	-	5,610
Beneficial conversion feature on convertible promissory note	-	-	-	-	59,298	-	-	59,298
Non-cash capital contribution by shareholder in connection with forgiveness of debt	-	-	-	-	203,312	-	-	203,312
Sale of subsidiary	(53,828)	-	53,828	(80,742)	-	-	-	(80,742)
Loss for the year	-	-	-	-	-	(3,687,136)	-	(3,687,136)
Foreign currency translation reserve	-	-	-	-	-	-	813,007	813,007
Balance at December 31, 2017	1,903,723	\$ 2,043	139,628	\$ (423,855)	\$ 19,604,277	\$ (25,894,120)	\$ (643,362)	\$ (7,355,017)
Non-employee stock based compensation	-	-	-	-	20,210	-	-	20,210
Profit for the year	-	-	-	-	-	1,016,941	-	1,016,941
Foreign currency translation reserve	-	-	-	-	-	-	(180,146)	(180,146)
Balance at December 31, 2018	1,903,723	\$ 2,043	139,628	\$ (423,855)	\$ 19,624,487	\$ (24,877,179)	\$ (823,508)	\$ (6,498,012)

The accompanying notes are an integral part of these consolidated financial statements.

Prime Acquisition Corp.
Consolidated Statements of Cash Flows
For the years ended December 31,

	2018	2017	2016
Cash flows from operating activities			
Profit/(loss) for the year	\$ 1,016,941	\$ (3,687,136)	\$ (565,144)
Adjustments to profit/loss for non-cash items			
Shared-based payments	20,210	95,419	370,040
Derivatives fair value adjustment	(3,291,010)	(292,562)	(3,103,350)
Forgiveness of debts	(91,623)	(273,037)	-
Net fair value loss on revaluation of investment property	101,626	891,649	591,244
Depreciation	3,508	3,764	3,804
Provision for bad debt	39,340	37,622	-
Release of provision relating to litigation	(17,454)	(2,922)	(145,309)
Other provisions	-	26,332	13,816
Loss on sale of subsidiary	-	135,200	-
Gain on sale of real estate investments	(37,313)	-	-
Loss on foreign currency exchange on discontinued operation	-	254,935	-
Revenues normalization	22,910	12,419	45,797
Deferred tax assets/(liabilities)	(263,583)	25,717	(135,359)
Finance costs	3,218,145	3,468,145	3,942,402
	<u>721,697</u>	<u>695,545</u>	<u>1,017,941</u>
Working capital adjustments			
(Increase)/decrease in prepaid expenses	(9,184)	(48,025)	88,152
Decrease/(increase) in trade and other receivables	65,528	361,414	(85,023)
Increase/(decrease) in trade and other payables	(311,911)	324,547	(147,677)
Increase/(decrease) in tenant security deposits	(16,115)	51,341	(64,016)
Increase in corporate tax liabilities	805,859	777,035	442,091
Cash provided by operating activities	<u>1,255,874</u>	<u>2,161,857</u>	<u>1,251,468</u>
Corporate taxes paid	(402,324)	(429,063)	(398,147)
Finance costs paid	(835,256)	(1,068,007)	(694,494)
Net cash provided by operating activities	<u>18,294</u>	<u>664,787</u>	<u>158,827</u>
Cash flows from investing activities			
Cash given on disposition	-	(18,281)	-
Proceeds from sale of real estate investments	1,087,725	-	-
Acquisition of property and equipment	(2,688)	-	(1,522)
Net cash provided by/(used in) investing activities	<u>1,085,037</u>	<u>(18,281)</u>	<u>(1,522)</u>
Cash flows from financing activities			
Advances from related party	25,126	13,086	150,894
Proceeds from stock options exercise	-	5,607	-
Proceeds from notes payable to stockholders	125,000	390,000	670,000
Proceeds from line of credit, net	-	-	-
Repayment on finance leases and loans	(1,008,004)	(1,126,095)	(1,026,181)
Net cash used in financing activities	<u>(857,878)</u>	<u>(717,402)</u>	<u>(205,287)</u>
Effect of exchange rates on cash and cash equivalents	(195,612)	73,646	(31,199)
Net increase/(decrease) in cash and cash equivalents	<u>49,840</u>	<u>2,750</u>	<u>(79,181)</u>
Cash and cash equivalents at beginning of year	<u>58,143</u>	<u>55,393</u>	<u>134,574</u>
Cash and cash equivalents at end of year	<u>\$ 107,983</u>	<u>\$ 58,143</u>	<u>\$ 55,393</u>

The accompanying notes are an integral part of these consolidated financial statements.

Prime Acquisition Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018, 2017 and 2016
(continued)

2018 Non cash transactions

During 2018, the convertible promissory notes issued to one of the directors in 2014 and subsequently renewed in 2015, 2016 and 2017 reached maturity. The Company was not in a position to repay the notes or the accrued interest. As a result, the Company issued new unsecured convertible promissory notes to the director (see note 20 — Related Party Transactions and Balances).

On February 8, 2018, the Group sold approximately 52% (which translates to approx. 2,246 sqm of gross leasable area) of the via Lazio property to an unrelated entity for €1,850,000 (approx. \$2,270,000). At the closing settlement, \$1,314,875 was withheld in the escrow for the repayment of a bank loan associated with the via Lazio property (see note 18 — Loans and Borrowings), and \$121,555 related to tenants' security deposits for the sold portion of the property that was retained by the Group.

2017 Non cash transactions

During 2017, the convertible promissory notes issued to one of the directors in 2014 and subsequently renewed in 2015 and in 2016 reached maturity. The Company was not in a position to repay the notes or the accrued interest. As a result, the Company issued new unsecured convertible promissory notes to the director (see note 20 — Related Party Transactions and Balances). The beneficial conversion feature of these notes for the year ended December 31, 2017 amounted to \$59,298.

During 2017, Kaiyuan Real Estate Development (“Kaiyuan”) and the Company have reached an agreement to cancel the outstanding payable of \$203,312 in full (see note 20 — Related Party Transactions and Balances). The management deemed this transaction a non-cash capital contribution to the Company.

On November 10, 2017, the Company returned one of the Subsidiaries (Nova S.r.l.) acquired through the closing of the Nova Purchase Agreement to the original seller in exchange for the return of 53,828 of the Company's shares. No additional cash was received in addition to the Company's share returned (see note 9 — Discontinued Operations).

2016 Non cash transactions

During 2016, the convertible promissory notes issued to one of the directors in 2014 and subsequently renewed in 2015 reached maturity. The Company was not in a position to repay the notes or the accrued interest. As a result, the Company issued new unsecured convertible promissory notes to the director (see note 20 — Related Party Transactions and Balances). The beneficial conversion feature of these notes for the year ended December 31, 2016 amounted to \$581,505.

The accompanying notes are an integral part of these consolidated financial statements.

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Corporate Information, Plan of Business Operations and Going Concern

The consolidated financial statements of Prime Acquisition Corp. and its wholly-owned subsidiaries (collectively, the “Group”) for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the directors on May 1, 2019. Prime Acquisition Corp. (the “Company”) is a Cayman Islands exempted company initially organized as a blank check company for the purpose of acquiring, through a merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, an operating business in 2010. The registered office is located at No 322, Zhongshan East Road, Shijiazhuang, Hebei Province 05001, China.

The Group is principally engaged in the ownership and management of investment property (see note 14— Investment Properties). On September 30, 2013, the Company consummated a business combination (the “Business Combination”), through Prime Luxembourg S.a.r.l (a Luxembourg company and wholly-owned subsidiary of the Company, “LuxCo”), by acquiring 100% of Seba S.r.l. (“Seba”), Nova S.r.l. (“Nova”), Delfin S.r.l. (“Delfin”), SIM S.r.l. (“SIM”), Dieci Real Estate S.r.l. (“Dieci”), Ellegi S.r.l. (“Ellegi”), G.S.I. S.r.l. (“GSI”), Magfin S.r.l. (“Magfin”), all are Italian limited liability companies (collectively the “Subsidiaries”) for an aggregate of 1,719,317 ordinary shares. The fair value of the shares is the closing market price of the Company at the acquisition date, at \$10.96 per share. The fair value of the consideration given was therefore \$18,843,714. As a result of this Business Combination, eleven properties were acquired. All of the properties in the portfolio are commercial real estate assets located in Italy. The existing strategic management function and associated processes were acquired with the property and, as such, the Company’s management considered this transaction the acquisition of a business, rather than an asset acquisition. During 2014 and 2015, the Company ceased control of Seba and SIM, respectively.

During 2015, the Company established a new subsidiary in Italy, Imperatrice S.r.l. (“Imperatrice”), through LuxCo. This new subsidiary was established for the potential future acquisitions of real estate investment properties in Italy. The Company owned 100% of Imperatrice. On December 31, 2017, the Company ceased the operations of Imperatrice through a voluntary liquidation process (“Imperatrice Liquidation”). As of December 31, 2017, there were no acquisitions of real estate investment properties consummated by Imperatrice.

On November 10, 2017, Francesco Rotondi elected to exercise the Option Agreement connected to the Stock Purchase Agreement to purchase Seba in 2014 (the “Seba Purchase Agreement”). As a result, the Company entered into a Stock Purchase Agreement (the “Nova Purchase Agreement”) with LuxCo, Nova, at the time LuxCo’s wholly owned subsidiary, Francesco Rotondi and Giuseppe Pantaleo (a related party of Mr. Rotondi). Pursuant to the Nova Purchase Agreement, on November 10, 2017, Messrs. Rotondi and Pantaleo acquired all of the outstanding equity interests in Nova in exchange for the return of 53,828 of the Company’s shares (the “Nova Consideration Shares”, the Nova Purchase Agreement event “Nova Sale”). Nova’s sole asset consisted of two floors of Corso Europa 22, an office building in central Milan. As a result, immediately following the closing of the Nova Purchase Agreement, the Company had a total of 1,903,723 ordinary shares outstanding and 139,628 shares as treasury shares. Subsequent to the closing of the Nova Purchase Agreement, the Company’s portfolio was comprised of nine properties (see note 14 — Investment Properties).

On February 8, 2018, the Company closed on the sale of approximately 52% (which translates to approximately 2,246 sqm of gross leasable area) of the via Lazio building owned by the subsidiary, Ellegi, an office property in southwest Milan, for €1.85 million (approximately US\$2.27 million as of February 8, 2018). The proceeds of the sale were primarily used to repay the outstanding mortgage on this property. The remaining portion of the building is 100% occupied by tenants subsequent to the sale.

On February 9, 2018, we entered into a contract offering an unrelated entity to purchase via Buozzi property owned by the subsidiary Ellegi for €150,000. This contract was executed and closed on December 20, 2018. As a result, the Company sold the via Buozzi property for the contract price of €150,000 (approx. \$171,000 as of December 20, 2018). Subsequent to the sale of a portion of the via Lazio property and via Buozzi property, the Company’s portfolio is comprised of eight properties (see note 14 — Investment Properties).

The accompanying consolidated financial statements have been prepared assuming the Group will continue as a going concern. Although the Group has generated an operating profit and positive cash flows from operations for the year ended December 31, 2018, it has substantial working capital deficiencies as of December 31, 2018, 2017 and 2016. This factor raises substantial doubt about the Group’s ability to continue as a going concern.

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The real estate portfolio of eight properties as of December 31, 2018 in Italy did not generate sufficient positive cash flows. Management believes that when the market conditions are more favorable, more of these properties may be sold to generate cash. Although real estate transactions in the greater Milan area have improved during 2017, compared to 2016 and 2015, the economic growth has slowed down during 2018. As such, there still have been relatively fewer sales transactions when compared to the pre-financial crisis level and an actual transaction may take longer than viable for the Company's current needs.

The Group's ability to continue as a going concern is dependent upon management's ability to generate profitable operations in the future and obtain the necessary financing to meet obligations and pay liabilities arising from business operations when they come due. If the Group does not generate profitable operations or obtain the necessary financing, the Group may not have enough operating funds to continue to operate as a going concern. There is no assurance that the Company will be able to secure such financing. A failure to generate profitable operations or obtain additional financing could prevent the Group from paying current obligations, allow the hiring of additional resources and continue its operating strategy. The Group is actively seeking additional capital through private placements of equity and debt.

The funding of the Group has been primarily by the Company entering into interest bearing unsecured convertible promissory notes with one of the directors (see note 20—Related Party Transactions and Balances). However, if additional financing from a different source is not obtained, the Group may not be able to execute its business plan and may need to curtail certain of its operations.

The Group continues to seek additional capital and liquidity sources through investment bankers and potential investors. Management is continuously in discussions with several funding sources for a combination of debt and equity financing. However, there can be no assurance the Group will be able to obtain funding from these sources.

Note 2 — Basis of Presentation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its related interpretations as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Investment properties; and
- Derivative financial instruments

(c) Functional and presentation currency

The consolidated financial statements are presented in US dollars, which is the Group's functional currency. All financial information presented in US dollars has been rounded to the nearest dollar amount, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent liabilities at the reporting date. Actual results may differ from these estimates.

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

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries as of December 31, 2018, 2017 and 2016.

The Subsidiaries are consolidated from September 30, 2013 (the date of Business Combination), being the date on which the Company obtained control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions are eliminated in consolidation.

On November 10, 2017, the Company ceased control of Nova through the closing of the Nova Purchase Agreement in exchange for the return of 53,828 of the Company's shares. Nova's operating results through November 10, 2017 are reported as discontinued operations on the Group's consolidated statements of profit/(loss) and comprehensive income/(loss) for the years ended December 31, 2017 and 2016.

On December 31, 2017, the Company ceased operations of Imperatrice through a voluntary liquidation process. Imperatrice's operating results through December 31, 2017 are reported as continuing operations in the Group's consolidated statements of profit/(loss) and comprehensive income/(loss) for the years ended December 31, 2017 and 2016.

Note 3 — Significant Accounting Policies

(a) Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are valued in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(b) Revenue

Rental income is recognized in the period on an accrual basis if the amount of revenue can be measured reliably and it is probable that the Group will receive the consideration.

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property and is accounted for on a straight-line basis over the lease terms and is included in the consolidated statements of profit/(loss) and comprehensive income/(loss) due to its operating nature, except for contingent rental income which is recognized when it arises.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statements of profit/(loss) and comprehensive income/(loss) when the right to receive them arises.

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Cash and Cash Equivalents

Cash and short-term deposits in the consolidated statements of financial position comprise cash held at banks and short-term deposits with an original maturity of three months or less.

(d) Loans and Borrowings

All loans and borrowings are initially recognized at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

In accordance with IAS 17— Leases, the direct costs of the leases are added to the amount recognized as an asset and amortized over the duration of the leases.

(e) Trade and Other Receivables

Trade and other receivables are recognized at their original invoiced value. The fair values of trade and other receivables classified as loans and receivables are not materially different from their net carrying values. A provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

(f) Income Taxes

The Company was incorporated as a Cayman Islands exempted company and therefore the Group is not currently subject to income tax in the Cayman Islands or United States of America.

The Subsidiaries are subject to income taxes in Italy and judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Subsidiaries recognize tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when the Group's management believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group's management believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors, including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amount recorded, such differences will impact income tax expense in the period in which such determination is made.

(g) Deferred Taxation

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statements of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(h) Property and equipment

Property and equipment are initially recognized at cost. Depreciation is provided on property and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation is provided at the following rates:

- Plant and machinery – 7.5% per annum straight line
- Fixture and fittings – 15.0% per annum straight line
- Office and office related equipment – 20% per annum straight line

(i) Share-Based Payment

Share-based payment awards granted to employees and non-employees are recognized as stock option expense, with a corresponding increase in equity, over the period that the optionees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The Group estimates the fair value of option awards using the Black-Scholes option pricing model. Determining the fair value of awards under this model represents management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment.

(j) Earnings/(loss) per Share

Basic earnings/(loss) per share is computed by dividing net profit/(loss) by the weighted-average number of ordinary shares outstanding at the end of the year.

Warrants and options are excluded from the computation of fully diluted loss per share if their effect is anti-dilutive.

(k) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(l) Geographical Risk

The Subsidiaries' operations are located in Italy. Therefore, they are subject to local government regulations and to the uncertainties of the economic and political conditions of this area.

The overall performance is affected by the increase or decrease of the gross Italian national product. Europe experienced a general slowdown in its economy, especially in Italy during 2014 and 2015, with a slight improvement in the economic trend in Italy during 2016 and continued positive trend in 2017. However, this positive trend has slowed down in 2018.

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(m) Foreign currencies

The financial statements of the Subsidiaries were translated from Euro to U.S. Dollars pursuant to the provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*,” as follows:

- Assets and liabilities were translated using the exchange rate at the balance sheet date
- Amounts in the statement of operations were translated at an appropriate weighted average rate for the period presented
- The subsidiaries equity accounts were translated using historical exchange rates
- The translation adjustments resulting from translating the foreign entity’s financial statements are reported separately in Translation Reserve as a separate component of stockholders’ equity

(n) Operating lease contracts – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

(o) Leases – Group as lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in the arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statements of profit/(loss) and comprehensive income/(loss) as they arise.

PRIME ACQUISITION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(p) Derivative financial instruments – Initial recognition and subsequent measurement

The Group used interest rate swaps in 2016 to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of profit/(loss) and comprehensive income/(loss).

In addition, the Group issued convertible promissory notes to certain directors to provide for temporary liquidity. These convertible promissory notes are classified as convertible notes with an embedded derivative liability in accordance with IAS 32 – *Financial Instruments: Recognition and Measurement*. The embedded derivative liability is calculated first and the residual value is assigned to the debt host liability component. A host loan is accounted for at amortized cost, with an embedded derivative liability being measured at fair value with changes in value being recognized in the consolidated statements of profit/(loss) and comprehensive income/(loss).

(q) Share Capital

Ordinary shares are classified as equity.

(r) New standards and interpretations not yet adopted

Standards issued but not yet effective as of the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 15 Revenue from Contracts with Customers

The IASB have issued a new revenue recognition standard, IFRS 15 in May 2014, which replaces all existing IFRS revenue requirements. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets. Application is required for all annual periods beginning on or after January 1, 2018. There are new specific requirements in respect of variable consideration such that it is only included in the transaction price if it is highly probable that the amount of revenue recognized would not be subject to significant future reversals as a result of subsequent re-estimation. The adoption of IFRS 15 did not have a significant impact on the revenue recognition as management has determined that the Company's revenue is from leases which are outside the scope of IFRS 15. During 2018, one of the subsidiaries had an immaterial amount of revenue from providing maintenance services to certain tenants. These revenues have been recorded after the full service was performed, in compliance with IFRS 15.

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IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. The quantified effect of this to the Group's consolidated financial statements is expected to be insignificant. Currently, one of the subsidiaries has a lease agreement with a non-cancellable clause (non-cancellable by the property owner) of over 12 months, but is cancellable by the Company with a three-month advance notice. However, the probability of the Company cancelling this lease before the end of the lease term (six years from March 2017) is low due to the lower than market rent of this lease agreement. As a result, the Company will comply with IFRS 16 and recognize the affected lease as an asset and corresponding lease liability starting January 1, 2019. For the finance leases connected to our investment properties (see note 19 — Finance Leases), we are already in compliance with IFRS 16 and hence no impact on the existing finance leases accounting related to these investment properties.

(s) New standards and interpretations adopted in 2018

IFRS 9 Financial instruments: Classification and Measurement

IFRS 9, as issued in 2010, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual reports beginning on or after January 1, 2013. In November 2013, Chapter 6 of IFRS on hedge accounting was published. At the same time, Chapter 7 containing the effective date and transition provisions was amended to remove the mandatory effective date of IFRS 9. In subsequent phases, the standard further provides for new impairment model and new rules for hedge accounting.

IFRS 9 is applicable for annual periods beginning on or after January 1, 2018 and did not cause a material impact on our financial statements for 2018.

Note 4 — Depreciation, Bad Debt and Other Provisions

Details of depreciation and bad debt provision are as follows:

	2018	2017	2016*
Depreciation of property and equipment	\$ 3,508	\$ 3,574	\$ 3,229
Bad debt and other provisions	39,340	63,954	—
Total depreciation, bad debt and other provisions	\$ 42,848	\$ 67,528	\$ 3,229

There was no provision for bad debt for the year ended December 31, 2016 due to the Group's proactive cash collection policy during 2016.

* Restated for discontinued operations (see note 9 — Discontinued Operations)

Note 5 — Other Expenses

Details of other expenses is shown in the table below:

	2018	2017	2016*
Rental costs	\$ 25,418	\$ 24,012	\$ —
Staff costs	217,884	249,624	252,850
Sundry operating expenses	202,188	623,165	202,932
Taxation on buildings	171,907	175,699	172,120
Administrative and other expenses	105,933	157,315	153,930
Maintenance expenses	243,223	260,287	260,156
Insurance costs	23,330	24,838	120,949
Legal expenses	89,780	84,886	128,166
Professional fees	254,664	329,952	488,327
Bank fees	12,122	15,919	26,407
Licenses, registration & fees	7,483	6,346	7,411
Non-employee stock based compensation	20,210	95,419	370,040
Travel expense	32,912	28,534	62,317
Total other expenses	\$ 1,407,054	\$ 2,075,996	\$ 2,245,605

* Restated for discontinued operations (see note 9 — Discontinued Operations)

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Note 6 — Finance Income and Costs

The details of finance income and costs on the statements of profit/(loss) and comprehensive income/(loss) are as follows:

<i>Finance income</i>	2018	2017	2016*
Finance income from variation of fair value on interest rate swap agreements	\$ —	\$ —	\$ 18,096
Other finance income	1,761	9,223	1,521
Total finance income	\$ 1,761	\$ 9,223	\$ 19,617

<i>Finance costs</i>	2018	2017	2016*
Finance cost on note payable to underwriters and other debt	\$ 2,354,634	\$ 2,429,551	\$ 2,638,729
Interest expense of bank loans, revolving line of credit and finance leases	863,511	891,288	1,117,405
Total finance costs	\$ 3,218,145	\$ 3,320,839	\$ 3,756,134

* Restated for discontinued operations (see note 9 — Discontinued Operations)

Note 7 — Income Taxes

Income taxes relating to continuing operations for the years ended December 31 are as follows:

<i>Current tax</i>	2018	2017	2016*
In respect of the current year	\$ 611,501	\$ 166,252	\$ 34,261
In respect of the prior year	(20,985)	(14,227)	6,663
Others fiscal unit **	1,220	6,614	1,443
	<u>591,736</u>	<u>158,639</u>	<u>42,367</u>
<i>Deferred tax (see note 8 — Deferred Taxes)</i>			
In respect of the current year	(273,071)	15,867	(130,306)
	<u>(273,071)</u>	<u>15,867</u>	<u>(130,306)</u>
Total income tax expense/(benefit) recognized in the current year relating to continuing operations	<u>\$ 318,665</u>	<u>\$ 174,506</u>	<u>\$ (87,939)</u>

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The income tax expense for the years ended December 31 can be reconciled to the accounting profit as follows:

	2018	2017	2016*
Profit/(loss) before tax from continuing operations	\$ 1,335,607	\$ (2,758,561)	\$ (427,636)
Income tax expense/(benefit) calculated at 27.9%, 27.9% and 31.4% for the year ended December 31, 2018, 2017 and 2016 respectively	\$ 372,634	\$ (769,639)	\$ (134,278)
Effect of (income)/expenses that are exempt from taxation	(160,645)	-	9,795
Effect of expenses that are not deductible in determining taxable profit	82,003	235,350	180,042
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(300,335)	746,964	136,125
Effect of previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets	-	(28,760)	(34,200)
Effect of new tax rule in fiscal unit **	1,220	6,614	(48,284)
Effect of prior year taxes	(20,985)	(14,227)	6,663
Effect of future change of fiscal aliquota*** on deferred taxes (previous years)	-	-	(261,115)
Effect of future change of fiscal aliquota on deferred taxes (generated in 2016)	-	-	18,258
Effect of sale of investment properties	428,644	-	-
Others	(83,871)	(1,796)	39,054
Income tax expense/(benefit) recognized in profit or loss relating to continuing operations (current & deferred)	\$ 318,665	\$ 174,506	\$ (87,939)

* Restated for discontinued operations (see note 9 — Discontinued Operations)

The tax rate used for the 2018, 2017 and 2016 reconciliations above is the tax rate of 27.9% on taxable profits in Italy, respectively. This tax rate consists of both IRES (an Italian corporate income tax of 24%) and IRAP (an Italian regional production tax of 3.9%).

** During 2016, the Italian fiscal authority issued a new tax rule beginning in the fiscal year ended December 31, 2015 and continuing through 2018 allowing utilization of fiscal unit structure in tax reporting to offset and utilize operating losses amongst subsidiaries with common ownership, resulting in tax benefits to the Group.

***Aliquota is the combined total tax rate of IRES and IRAP (see note 8 — Deferred Taxes).

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Note 8 — Deferred Taxes

The amount of unused tax losses for which no deferred tax assets are recognized in the consolidated statements of financial position as of December 31, 2018, 2017 and 2016 was \$83,175, \$41,632 and \$542,357, respectively, with no expiration date limitation.

Deferred tax is calculated in full on temporary differences using a tax rate of 24% for the years ended December 31, 2018, 2017 and 2016, if the temporary difference is subject only to IRES (an Italian corporate income tax of 24%) rules, or 27.9% for the years ended December 31, 2018, 2017 and 2016, if the temporary difference is subject both to IRES and IRAP (an Italian regional production tax of 3.9%) rules.

The new Italian legislation amended the IRES rates from 27.5% to 24% in 2017 to be used for the income tax calculation of accounting periods ending in the year 2018, 2017 and 2016.

The movement on the deferred tax account is as shown below:

	2018	2017	2016
At January 1	\$ (2,750,314)	\$ (2,557,571)	\$ (2,764,734)
<i>Recognized directly in equity</i>			
Sale of Nova (see note 9 — Discontinued Operations)	—	206,679	—
Currency exchange difference	119,998	(383,555)	71,026
<i>Recognized in profit and loss</i>			
Deferred tax benefit/(expense)	273,071	(15,867)	136,137
At December 31,	<u>\$ (2,357,245)</u>	<u>\$ (2,750,314)</u>	<u>\$ (2,557,571)</u>

Details of the deferred tax liability and amounts recognized in net loss are as follows:

	2018	2018	2018	2018
	Asset	Liability	(Charged) / Net	Movement
Adjustment for IFRS purposes (deductible/taxable for local tax rules in future fiscal years)				
Writing off of intangibles	\$ 439,775	\$ —	\$ 439,775	\$ 45,592
Writing off of tangibles	—	(52,442)	(52,442)	6,904
Accounting of lease contracts according to IAS 17	—	(2,141,227)	(2,141,227)	244,962
Accounting of investment properties according to fair value	—	(352,034)	(352,034)	(569,346)
Loss on investments (internal restructuring)	—	(251,317)	(251,317)	—
Other temporary differences				
Others	—	—	—	(1,183)
Total	<u>\$ 439,775</u>	<u>\$ (2,797,020)</u>	<u>\$ (2,357,245)</u>	<u>\$ (273,071)</u>
	2017	2017	2017	2017
	Asset	Liability	(Charged) / Net	Movement
Adjustment for IFRS purposes (deductible/taxable for local tax rules in future fiscal years)				
Writing off of intangibles	\$ 507,880	\$ —	\$ 507,880	\$ 59,767
Writing off of tangibles	—	(48,009)	(48,009)	11,164
Accounting of lease contracts according to IAS 17	—	(1,997,805)	(1,997,805)	191,956
Accounting of investment properties according to fair value	—	(948,648)	(948,648)	(225,124)
Loss on investments (internal restructuring)	—	(263,732)	(263,732)	—
Other temporary differences				
Bad debt provision	—	—	—	2,780
Others	—	—	—	(24,676)
Total	<u>\$ 507,880</u>	<u>\$ (3,258,194)</u>	<u>\$ (2,750,314)</u>	<u>\$ 15,867</u>

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	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016*</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>(Charged)/ Net</u>	<u>Movement</u>
Adjustment for IFRS purposes (deductible/taxable for local tax rules in future fiscal years)				
Writing off of intangibles	\$ 501,880	\$ —	\$ 501,880	\$ 97,213
Writing off of tangibles	—	(149,164)	(149,164)	8,424
Accounting of lease contracts according to IAS 17	—	(1,574,288)	(1,574,289)	14,091
Accounting of investment properties according to fair value	—	(1,107,110)	(1,107,110)	(272,437)
Mark to market on derivative instruments	—	—	—	53,034
Loss on investments (internal restructuring)	—	(231,484)	(231,484)	(30,470)
Other temporary differences				
Bad debt provision	2,596	—	2,596	397
Provision for risk	—	—	—	217
Others	—	—	—	(775)
Total	\$ 504,476	\$ (3,062,046)	\$ (2,557,571)	\$ (130,306)

* Restated for discontinued operations (see note 9 — Discontinued Operations)

Note 9 — Discontinued Operations

Nova Sale

On November 10, 2017, the Company ceased control of Nova through the closing of the Nova Purchase Agreement in exchange for the return of 53,828 of the Company's shares. Total consideration received for the sale was \$80,742. The net carrying value of Nova on November 10, 2017 was \$166,246. In addition, certain inter-company payables from Nova were forgiven prior to the transaction in the amount of \$49,696. As a result, the Group recognized a loss of \$135,200 on the sale of Nova. Nova's operating results from January 1, 2017 to November 10, 2017 and for the year ended December 31, 2016 are reported as discontinued operations on the Group's consolidated statements of profit/(loss) and comprehensive income/(loss) for the years ended December 31, 2017 and 2016.

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The results of Nova for the year ended December 31, 2017 and 2016 are presented below:

(in US \$)	2017	2016
Rental income	\$ 167,940	\$ 128,261
Other revenues	24,842	2,766
Expenses	(318,211)	(149,000)
Net fair value loss on revaluation of investment property	(84,150)	(71,968)
Operating (loss)/income	(209,579)	(89,941)
Finance costs	(146,249)	(213,108)
Loss before tax from discontinued operations	(355,828)	(303,049)
Tax expenses, current	144	71,772
Deferred tax (expense)/credit	(8,250)	5,830
Net loss from discontinued operations	(363,934)	(225,447)
Loss on sale of subsidiary	(135,200)	-
Loss on foreign currency exchange on discontinued operation	(254,935)	-
Loss from discontinued operations	\$ (754,069)	\$ (225,447)
<i>Loss per share:</i>	2017	2016
Basic loss for the year from discontinued operations	\$ (0.39)	\$ (0.12)
Diluted loss for the year from discontinued operations	\$ (0.39)	\$ (0.12)

Net cash flows for Nova are as follows:

	2017	2016
Operating	\$ 61,784	\$ (92,130)
Investing	-	162,769
Financing	(46,376)	(69,770)
Net cash inflow/(outflow)	\$ 15,408	\$ 869

The following is a condensed statement of financial position for Nova as of November 10, 2017 (date of disposition):

Investment properties	\$ 5,806,528
Other current assets	68,884
Total assets	\$ 5,875,412
Stockholder's equity	\$ 166,246
Loans & borrowing	4,853,590
Other liabilities	855,576
Total equity and liabilities	\$ 5,875,412

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Note 10 – Financial Instruments – Risk Management

The Group, through its subsidiaries, is exposed to the following financial risks through its operations:

- Risks related to the general economic trend
- Risks related to fund requirements
- Other financial risks
- Credit risks
- Liquidity risk
- Interest rate risk
- Risk relevant to the environment

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Group's exposure to financial instruments risks, its objectives, policies and processes for managing those risks or the methods used to measure them during the period unless otherwise stated in this note.

i. Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Revolving lines of credit
- Floating-rate bank loans and lease agreements
- Notes payable

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A summary of the financial instruments held by category is provided below:

Financial assets

	December 31, 2018	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 107,983	\$ 58,143	\$ 55,393
Trade and other receivables	232,307	407,010	900,077
Total financial assets	\$ 340,290	\$ 465,153	\$ 955,470

Financial liabilities

	December 31, 2018		December 31, 2017		December 31, 2016	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Trade and other payables	\$ –	\$ 6,102,039	\$ –	\$ 6,409,094	\$ –	\$ 5,994,904
Loans and borrowings and notes payable	–	23,605,780	–	26,572,080	–	27,802,729
Derivatives financial liabilities	476,572	–	1,859,700	–	794,235	–
Total financial liabilities	\$ 476,572	\$ 29,707,819	\$ 1,859,700	\$ 32,981,174	\$ 794,235	\$ 33,797,633

Financial instruments measured at fair value

	Fair value measurements at December 31, 2018 using		
	Level 1	Level 2	Level 3
Financial liabilities			
Derivative financial liabilities – convertible promissory notes	\$ –	\$ 476,572	\$ –
	Fair value measurements at December 31, 2017 using		
	Level 1	Level 2	Level 3
Financial liabilities			
Derivative financial liabilities – convertible promissory notes	\$ –	\$ 1,859,700	\$ –
	Fair value measurements at December 31, 2016 using		
	Level 1	Level 2	Level 3
Financial liabilities			
Derivative financial liabilities – convertible promissory notes	\$ –	\$ 794,235	\$ –

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General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as much as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Risk related to the general economic trend

The Group performance is affected by the increase or decrease of the gross Italian national product. Europe experienced a general slowdown in its economy, especially in Italy during 2014 and 2015, with a slight improvement in the economic trend in Italy during 2016 and continued positive trend in 2017. The economic growth has, however, slowed down in 2018.

Related to fund requirements

Operations may not generate adequate financial resources for operations. The Group may need to raise necessary financial resources by obtaining new loans. If the Group attempts to obtain new loans in the future, management believes that the Group may encounter higher interest rate spreads and greater difficulties in obtaining long-term loans in comparison to the past.

Other financial risks

The Group is exposed to financial risks associated with its business operations:

- Credit risk in relation to normal trade transactions with customers;
- Liquidity risk, with particular reference to the raising of financial resources associated with investments and the financing of working capital;
- Market risks (mainly related to interest rates).

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Credit risk

The granting of credit to end customers is subject to specific preliminary and on-going assessments of each tenant. Positions amongst trade receivables (if individually significant) for which objective partial or total non-recoverability is ascertained, are subject to individual write-down.

The Group's cash is held with the following institutions:

Description	Rating	December 31, 2018	December 31, 2017	December 31, 2016
UBI Bank	BBB-	\$ 67,406	\$ –	\$ –
Cassa Rurale e Artigiana di Binasco Credito Cooperativo	N/A	27,231	19,225	28,016
Banca Cassa di Risparmio di Asti	N/A	5,397	5,755	5,296
ING Luxembourg	A+	4,353	2,050	2,980
First Republic Bank	A-	3,388	7,363	4,467
Banca Intesa Sanpaolo	BBB	181	17,906	1,556
Banca Popolare di Vicenza	CCC	–	5,570	8,942
Bank of China	A	–	–	3,246
Banca Popolare Commercio e Industria	C+	–	–	417
Total cash at banks		\$ 107,956	\$ 57,869	\$ 54,920

Accounts at the institutions in United States are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Accounts at the institutions in Italy are guaranteed by Interbank Deposit Protection Fund for up to €100,000. The Company performs ongoing evaluations of these institutions to limit its concentration of risk exposure.

Foreign exchange risk

The Subsidiaries transactions are denominated in Euros. Therefore, the fair value of the investment properties may decrease if the Euro to US dollar exchange rate decreases, while the loans and borrowings would decrease accordingly. Management believes the foreign exchange risk the Group encounters is relatively low.

Liquidity risk

Liquidity risk may manifest with regards to the inability to raise the financial resources necessary for the anticipated investments under good economic conditions and for financing working capital.

The Group has adopted a series of policies and processes aimed at optimizing the management of the financial resources, reducing the liquidity risk, such as the maintenance of an adequate level of available liquidity, and obtaining adequate credit facilities and the systematic monitoring of the forecast liquidity conditions.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At December 31, 2018	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	\$ 6,100,099	\$ 1,940	\$ –	\$ 6,102,039
Loans and borrowings	2,798,445	4,736,581	11,705,298	19,240,324
Notes payable to stockholders	4,365,456	–	–	4,365,456
Derivative financial liabilities	476,572	–	–	476,572
Total	\$ 13,740,572	\$ 4,738,521	\$ 11,705,298	\$ 30,184,391

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At December 31, 2017	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	\$ 6,389,497	\$ 19,597	\$ –	\$ 6,409,094
Loans and borrowings	4,438,354	3,967,793	14,178,454	22,584,601
Notes payable to stockholders	3,987,479	–	–	3,987,479
Derivative financial liabilities	1,859,700	–	–	1,859,700
Total	\$ 16,675,030	\$ 3,987,390	\$ 14,178,454	\$ 34,840,874

At December 31, 2016	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	\$ 5,914,549	\$ 80,355	\$ –	\$ 5,994,904
Loans and borrowings	4,206,847	5,021,073	16,089,243	25,317,163
Notes payable to stockholders	2,516,981	–	–	2,516,981
Derivative financial liabilities	794,235	–	–	794,235
Total	\$ 13,432,612	\$ 5,101,428	\$ 16,089,243	\$ 34,623,283

Risk relevant to the environment

The activities of the Group are not directly subject to authorization and environmental rules and regulations. The activities of some tenants may be subject to regulations on emissions in the atmosphere, waste disposal, wastewater disposal and land contamination ban.

Capital Disclosures

The Group monitors adjusted capital which comprises all components of equity (i.e. capital quotas, legal reserve, non-controlling interest and retained earnings).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by pricing services commensurate with the level of risk.

Note 11 — Operating Leases – Group as Lessor

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 6 and 9 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to terminate before the end of the lease term.

Future minimum rental receivable under non-cancellable operating leases as of December 31, 2018 is as follows:

	2018
Within 1 year	\$ 2,080,192
After 1 year, but not more than 5 years	3,504,960
More than 5 years	74,043
Total	\$ 5,659,195

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Note 12 — Earnings/(loss) per share

Basic and diluted earnings/(loss) per share is computed by dividing profit/(loss) for the year by the weighted-average number of ordinary shares outstanding during the period.

Potentially dilutive securities include:

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Warrants to purchase common stock	6,733,292	6,733,292	6,733,292
Convertible promissory notes issued to underwriters and other related parties subject to possible conversion	99,243	99,243	99,243
Convertible promissory notes issued to shareholder subject to possible conversion	6,669,201	2,833,344	1,744,603
Options to purchase common stock	473,195	473,944	374,650
Total potential dilutive securities	13,974,931	10,139,823	8,951,788

The exercise price of the Company's warrants to purchase common stock is \$5.00, expiring on March 30, 2020. The warrants may be called for redemption by the Company only if the last sale price of its ordinary shares on the stock exchange equals or exceeds \$15.00 per share for any 20 trading days within a 30 trading day period. During 2016, the Company recognized the forfeiture of 507,762 shares underlying warrants pursuant to the founders' units issued at the Company's IPO in 2011 (see note 17 — Shareholders' Equity).

For the year ended December 31, 2018, 2017 and 2016, the warrants, and the convertible promissory notes subject to possible conversion are excluded due to their anti-dilutive effect as the strike prices are either greater than or the same as the stock price. However, for the year ended December 31, 2018, certain options to purchase common stocks vested by one director and one officer with strike price less than the stock price are included in the computation of fully diluted earnings/(loss) per share due to their dilutive effect. For the years ended December 31, 2017 and 2016, options to purchase common stock are excluded from the computation of diluted earnings/(loss) per share as their effect is anti-dilutive.

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The following reflects the basic and diluted earnings/(loss) per share for the year ended December 31:

<u>Basic earnings/(loss) per share</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
From continuing operations	\$ 0.53	\$ (1.50)	\$ (0.17)
From discontinued operations	–	(0.39)	(0.12)
Total basic earnings/(loss) per share	<u>\$ 0.53</u>	<u>\$ (1.89)</u>	<u>\$ (0.29)</u>
<u>Diluted earnings/(loss) per share</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
From continuing operations	\$ 0.51	\$ (1.50)	\$ (0.17)
From discontinued operations	–	(0.39)	(0.12)
Total diluted earnings/(loss) per share	<u>\$ 0.51</u>	<u>\$ (1.89)</u>	<u>\$ (0.29)</u>

The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share for the year ended December 31 are as follows:

<u>Basic earnings/(loss) per share</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
Earnings/(loss) from continuing operations used in the calculation of basic earnings/(loss) per share	\$ 1,016,941	\$ (2,933,067)	\$ (339,697)
Earnings/(loss) from discontinued operations used in the calculation of basic earnings/(loss) per share from discontinued operations	–	(363,934)	(225,447)
Earnings/(loss) on sale of subsidiary	–	(135,200)	–
Earnings/(loss) on foreign currency exchange on discontinued operations	–	(254,935)	–
Earnings/(loss) used in the calculation of basic earnings/(loss) per share	<u>\$ 1,016,941</u>	<u>\$ (3,687,136)</u>	<u>\$ (565,144)</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share	<u>1,903,723</u>	<u>1,949,061</u>	<u>1,954,651</u>

The loss and weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share for the year ended December 31 are as follows:

<u>Diluted earnings/(loss) per share</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
Earnings/(loss) from continuing operations used in the calculation of diluted earnings/(loss) per share	\$ 1,016,941	\$ (2,933,067)	\$ (339,697)
Earnings/(loss) used in the calculation of diluted earnings/(loss) per share	1,016,941	(2,933,067)	(339,697)
Earnings/(loss) from discontinued operations used in the calculation of basic earnings/(loss) per share from discontinued operations	–	(363,934)	(225,447)
Earnings/(loss) on sale of subsidiary	–	(135,200)	–
Earnings/(loss) on foreign currency exchange on discontinued operations	–	(254,935)	–
Earnings/(loss) used in the calculation of diluted earnings/(loss) per share	<u>\$ 1,016,941</u>	<u>\$ (3,687,136)</u>	<u>\$ (565,144)</u>
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	1,903,723	1,949,061	1,954,651
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	<u>1,997,928</u>	<u>1,949,061</u>	<u>1,954,651</u>

* Restated for discontinued operations (see note 9 — Discontinued Operations)

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Note 13 — Property and Equipment

The table below shows the detailed movements which occurred in property and equipment during the years ended December 31, 2018, 2017 and 2016, considering cost and accumulated depreciation separately.

<i>Cost or valuation</i>	Plant and machinery	Industrial and commercial equipment	Office and office-related equipment	Total
Balance at January 1, 2016	\$ 89,866	\$ 898	\$ 16,775	\$ 107,539
Additions	—	—	1,480	1,480
Disposals	—	—	—	—
Revaluations	(120)	(22)	(211)	(353)
Balance at December 31, 2016	<u>\$ 89,746</u>	<u>\$ 876</u>	<u>\$ 18,044</u>	<u>\$ 108,666</u>
Additions	289	—	2,104	2,393
Disposals	(1,207)	—	(2,104)	(3,311)
Revaluations	457	150	831	1,438
Balance at December 31, 2017	<u>\$ 89,285</u>	<u>\$ 1,026</u>	<u>\$ 18,875</u>	<u>\$ 109,186</u>
Additions	—	—	2,688	2,688
Disposals	—	—	—	—
Revaluations	(153)	2	(192)	(343)
Balance at December 31, 2018	<u>\$ 89,132</u>	<u>\$ 1,028</u>	<u>\$ 21,371</u>	<u>\$ 111,531</u>
<i>Accumulated depreciation</i>	Plant and machinery	Industrial and commercial equipment	Office and office-related equipment	Total
Balance at January 1, 2016	\$ 85,648	\$ 108	\$ 8,219	\$ 93,975
Depreciation charge for the year	495	—	3,149	3,644
Balance at December 31, 2016	<u>\$ 86,143</u>	<u>\$ 108</u>	<u>\$ 11,368</u>	<u>\$ 97,619</u>
Depreciation charge for the year	855	—	3,098	3,953
Balance at December 31, 2017	<u>\$ 86,998</u>	<u>\$ 108</u>	<u>\$ 14,466</u>	<u>\$ 101,572</u>
Depreciation charge for the year	661	—	2,749	3,410
Balance at December 31, 2018	<u>\$ 87,659</u>	<u>\$ 108</u>	<u>\$ 17,215</u>	<u>\$ 104,982</u>
Property and equipment, net at December 31, 2016	<u>\$ 3,603</u>	<u>\$ 768</u>	<u>\$ 6,676</u>	<u>\$ 11,047</u>
Property and equipment, net at December 31, 2017	<u>\$ 2,287</u>	<u>\$ 918</u>	<u>\$ 4,409</u>	<u>\$ 7,614</u>
Property and equipment, net at December 31, 2018	<u>\$ 1,473</u>	<u>\$ 920</u>	<u>\$ 4,156</u>	<u>\$ 6,549</u>

Revaluations of the property and equipment arise from increase/(decreases) in the 2018, 2017 and 2016 year-end Euro currency exchange rate as compared to the US Dollar from the prior year.

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Note 14 — Investment Properties

Investment properties were valued on December 31, 2018, 2017 and 2016 using the discounted cash flow (DCF) method by an independent qualified professional valuation expert. The methods and assumptions adopted for the real estate appraisals carried out by the expert in determining the fair value of the investment property are in accordance with IAS 40, Investment Property.

The Group currently has no obligations to purchase, construct new investment properties or develop the existing investment properties.

Investment properties valuation at December 31, 2018, 2017 and 2016 are shown in the table below:

<i>Cost or valuation</i>	Investment Properties
Balance at January 1, 2016	\$ 37,407,083
Additions	—
Disposals	—
Revaluation adjustment	(563,477)
Currency exchange rate adjustment	(1,057,553)
Balance at December 31, 2016	\$ 35,786,053
Additions	—
Disposals	(5,893,888)
Revaluation adjustment	(858,371)
Currency exchange rate adjustment	4,796,108
Balance at December 31, 2017	\$ 33,829,902
Additions	—
Disposals	(2,484,462)
Revaluation adjustment	(98,522)
Currency exchange rate adjustment	(1,445,287)
Balance at December 31, 2018	\$ 29,801,631

Details of the investment properties is as follows:

Location, address	2018 Fair Value, Level 3	2017 Fair Value, Level 3	2016 Fair Value, Level 3
Milano, Corso Europa 22	\$ —	\$ —	\$ 5,339,312
Buccinasco, Via Lucania 2-4-6	18,077,566	18,982,736	16,492,776
Buccinasco, Via Privata Mulino 24	1,065,408	1,130,068	981,336
Buccinasco, Via Lazio 95	1,558,015	3,907,149	3,703,752
Buccinasco, Via Bruno Buozzi 22	—	180,330	849,436
Buccinasco, Via Emilia 30	170,694	180,330	162,501
Rozzano, Milanofiori, Building A5	2,577,599	2,789,103	2,437,512
Rozzano, Milanofiori, Building N1	3,688,831	3,847,039	3,397,744
Rozzano, Milanofiori, Building Q5	1,082,591	1,154,112	1,018,268
Rozzano, Milanofiori, Building Q7	1,580,927	1,659,035	1,403,416
Total	\$ 29,801,631	\$ 33,829,902	\$ 35,786,053

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At December 31, 2018, 2017 and 2016, all investment properties are in the commercial rental category.

The overall reduction of the portfolio's fair value from 2017 to 2018 mainly reflects the 4.71% decrease in the 2018 year-end Euro currency exchange rate, compared to the US Dollar from the prior year. The significant decrease in the 2018 fair value of the total commercial rental properties from 2017 is primarily due to the sale of a portion of via Lazio property (approximately 52%) and via Buoizzi property (full 100%) during 2018. The Euro currency exchange rate from 2016 to 2017 reflected an increase of 13.93%. The significant decrease in the 2017 fair value of the total commercial rental properties from 2016 was primarily due to (1) the sale of Nova in November 2017 (Nova's sole asset consisted of the property located at Corso Europa 22, Milan, Italy) and (2) the adjustment to the fair value to the property on Via Buoizzi 22 as a result of the Company entering into a contract subsequent to year end offering an unrelated party to purchase the property in February 2018. This contract was executed and closed on December 20, 2018.

The portfolio of properties has low vacancy rates. The properties have an average lease expiration of approximately 4 years. The properties comprising the portfolio are commercial real estate assets.

During 2015, the economic recession in Italy continued to affect the real estate industry causing a general delay in rental payments and sometimes an early termination of outstanding leasing agreements. During 2017 and 2016, the general economy in Italy improved, compared to 2015. However, during 2018, the economic growth has slowed down. There was an increase in number of sales, but the prices have recorded a slight downward correction. However, the real estate scenario is still considered stable, and overall remains positively oriented, even if the expansion trend in prices is expected to remain subdued.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash inflows associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real property.

In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, extraordinary maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

In regards to the commercial rental properties in the town of Assago, Buccinasco and Rozzano, the market data of the outskirt area of Milan was used as a basis of comparison. For the commercial rental property at Corso Europa 22 in Milan, it is considered to be in the top range category due to the location of the property and the current rental agreements in place. The Corso Europa 22 property has been sold as part of the subsidiary Nova in November 2017, hence no longer in the Company's portfolio as of December 31, 2017 and 2018.

The Group has set up a policy of engaging an independent qualified professional valuation expert to value the investment properties on an annual basis at the end of each year. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation performed by the independent qualified professional valuation expert is reviewed by the Group's Interim CEO, Interim CFO, and certain members of the Board of Directors.

PRIME ACQUISITION CORP.
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The summary of the unobservable inputs used for the year ended December 31, 2018 are as follows:

Property	Fair Value	Valuation technique	Key unobservable inputs	Inputs used
Buccinasco, Via Lucania 2-4-6	18,077,566	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 92 per sq meter 0.75% to 1.5% 8.60% 7.45%
Buccinasco, Via Privata Mulino 24	1,065,408	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 203 per sq meter 0.75% to 1.5% 7.40% 6.90%
Buccinasco, Via Lazio 95	1,558,015	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 76 per sq meter 0.75% to 1.5% 8.70% 7.45%
Buccinasco, Via Emilia 30	170,694	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 64 per sq meter, \$ 458 per parking space 0.75% to 1.5% 8.80% 7.45%
Rozzano, Milanofiori, Building A5	2,577,599	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 145 per sq meter – offices, \$158 per sq. meter – commercial area, \$46 per sq. meter – cellars, \$1,031 per parking space 0.75% to 1.5% 6.90% 5.60%
Rozzano, Milanofiori, Building N1	3,688,831	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 145 per sq meter 0.75% to 1.5% 6.90% 5.60%
Rozzano, Milanofiori, Building Q5	1,082,591	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 145 per sq meter, \$ 1,031 per parking space 0.75% to 1.5% 6.90% 5.60%
Rozzano, Milanofiori, Building Q7	1,580,927	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$ 145 per sq meter, \$ 1,306 per parking space 0.75% to 1.5% 6.90% 5.60%
Total	\$ 29,801,631			

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The summary of the unobservable inputs used for the year ended December 31, 2017 are as follows:

Property	Fair Value	Valuation technique	Key unobservable inputs	Inputs used
Buccinasco, Via Lucania 2-4-6	\$ 18,982,736	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$96 per sq. meter 0.83% to 1.50% 8.50% 7.5%
Buccinasco, Via Privata Mulino 24	1,130,068	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$213 per sq. meter 0.83% to 1.50% 7.30% 6.9%
Buccinasco, Via Lazio 95	3,907,149	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$82 per sq. meter – warehouse \$117 per sq meter – office 0.83% to 1.50% 8.60% 7.5%
Buccinasco, Via Bruno Buozzi 22	180,330	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$117 per sq. meter 0.83% to 1.50% 6.80% 5.6%
Buccinasco, Via Emilia 30	180,330	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$69 per sq. meter, \$481 per parking space 0.83% to 1.50% 8.70% 7.6%
Rozzano, Milanofiori, Building A5	2,789,103	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$153 per sq. meter – offices, \$166 per sq. meter commercial area \$48 per sq. meter – cellars, \$1,082 per parking space 0.83% to 1.50% 6.80% 5.6%
Rozzano, Milanofiori, Building N1	3,847,039	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$84 - \$153 per s. meter 0.83% to 1.50% 6.80% 5.6%
Rozzano, Milanofiori, Building Q5	1,154,112	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$153 per sq. meter, \$1,082 per parking space 0.83% to 1.50% 6.80% 5.6%
Rozzano, Milanofiori, Building Q7	1,659,035	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$153 per sq. meter, \$1,082 per parking space 0.83% to 1.50% 6.80% 5.6%
Total	<u>\$ 33,829,902</u>			

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The summary of the unobservable inputs used for the year ended December 31, 2016 are as follows:

Property	Fair Value	Valuation technique	Key unobservable inputs	Inputs used
Milano, Corso Europa 22	\$ 5,339,312	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$475 per sq. meter 0.975% to 1.5% 4.96% 4.3%
Buccinasco, Via Lucania 2-4-6	16,492,776	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$88 per sq. meter 0.975% to 1.5% 8.56% 7.5%
Buccinasco, Via Privata Mulino 24	981,336	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$185 per sq. meter 0.975% to 1.5% 7.36% 6.9%
Buccinasco, Via Lazio 95	3,703,752	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$73 - \$103 per sq. meter 0.975% to 1.5% 8.66% 7.5%
Buccinasco, Via Bruno Buozzi 22	849,436	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$103 per sq. meter 0.975% to 1.5% 6.86% 5.6%
Buccinasco, Via Emilia 30	162,501	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$61 per sq. meter, \$422 per parking space 0.975% to 1.5% 8.76% 7.6%
Rozzano, Milanofiori, Building A5	2,437,512	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$135 per sq. meter, \$950 per parking space 0.975% to 1.5% 6.86% 5.6%
Rozzano, Milanofiori, Building N1	3,397,744	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$74 - \$135 per sq. meter 0.975% to 1.5% 6.86% 5.6%
Rozzano, Milanofiori, Building Q5	1,018,268	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$135 per sq. meter, \$950 per parking space 0.975% to 1.5% 6.86% 5.6%
Rozzano, Milanofiori, Building Q7	1,403,416	DCF	ERV Rental growth p.a. Discount rate Cap rate	\$135 per sq. meter, \$950 per parking space 0.975% to 1.5% 6.86% 5.6%
Total	<u>\$ 35,786,053</u>			

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Descriptions and definitions

Estimated rental value (ERV)

The rent at which space could be leased in the market conditions prevailing at the date of valuation or the actual rental income of the property, whichever is higher.

Rental growth p.a. (per annum)

The estimated average increase in rent based on both market estimations and contractual indexations.

Discount rate

Rate used to discount the net cash flows generated from rental activities during the period of analysis (estimated up to 10 years).

Gross capitalization rate (Cap rate)

Rate used to estimate the value that the property will be sold at the end of the rental period by capitalizing the final year's gross income at an appropriate market gross capitalization rate based on the ERV of the property.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment property are:

- Estimated rental value (ERV)
- Rental growth p.a.
- Discount rate
- Gross capitalization rate

Significant increases (decreases) in the ERV and rental growth p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the discount rate and gross capitalization rate in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption made for the ERV is accompanied by a similar change in the rent growth p.a., discount rate, and gross capitalization rate.

Note 15 — Trade and Other Receivables

Trade and other receivables consist of the following at December 31:

	2018	2017	2016
Trade receivables	\$ 53,753	\$ 136,224	\$ 154,642
Other receivables (taxes receivable, unbilled revenue and maintenance charges)	265,264	325,089	652,724
Less: bad debt provision	(89,886)	(54,303)	(50,426)
Total trade and other receivables, net current portion	\$ 229,131	\$ 407,010	\$ 756,940
Other receivables – taxes receivables	\$ 3,176	\$ –	\$ 143,137
Total trade and other receivables, net non-current portion	\$ 3,176	\$ –	\$ 143,147

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Details of the Group's bad debt provision at December 31 are as follows:

	2018	2017	2016
At January 1	\$ 54,303	\$ 50,426	\$ 488,978
Provided during the year	38,138	40,022	–
Receivable written off during the year as uncollectible	–	(30,846)	(35,612)
Unused amount reversed	–	(12,323)	(389,116)
Currency exchange rate and other adjustment	(2,555)	7,024	(13,824)
At December 31	<u>\$ 89,886</u>	<u>\$ 54,303</u>	<u>\$ 50,426</u>

Note 16 — Cash and Cash Equivalents

Cash and cash equivalents at December 31 is comprised of the following:

	2018	2017	2016
Cash at banks	\$ 107,956	\$ 57,869	\$ 54,920
Cash on hand	27	274	473
Total cash and cash equivalent	<u>\$ 107,983</u>	<u>\$ 58,143</u>	<u>\$ 55,393</u>

Note 17 — Shareholders' Equity

Ordinary Shares

The Company is authorized to issue up to 50,000,000 ordinary shares, par value \$0.001 per share. The holders of the ordinary shares are entitled to one vote for each ordinary share.

On November 10, 2017, the Company ceased control of Nova through the closing of the Nova Purchase Agreement in exchange for the return of 53,828 of the Company's shares. These shares are classified as the Company's treasury shares for the years ended December 31, 2018 and 2017. Separately in 2017, certain consultants of the Company and employees of the subsidiaries exercised their vested stock options, yielding 2,900 shares.

As of December 31, 2018, 2017 and 2016, there were 1,903,723, 1,903,723 and 1,954,651 ordinary shares outstanding, respectively. As of December 31, 2018, 2017 and 2016, there were 139,628, 139,628 and 85,800 shares as treasury shares, respectively.

Share Premium

In connection with ceasing control of Nova on November 10, 2017, the Group derecognized the assets and liabilities of Nova from the consolidated statements of financial position. The Group further recognized the loss associated with the loss of control attributable to the former controlling interest. Following the ceasing of control, the Group did not retain an investment in Nova. Therefore, no retained interest remeasurement was necessary.

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Note 18 — Loans and Borrowings

The book value of loans and borrowings consist of the following:

Loans and borrowings	2018	2017	2016
Non-current			
Bank loans	\$ —	\$ —	\$ 4,179,528
Finance lease creditor	15,491,030	17,148,421	16,054,972
Other loans	950,849	997,826	875,816
Total non-current	16,441,879	18,146,247	21,110,316
Current			
Revolving lines of credit	686,900	812,913	711,675
Bank loans	330,407	1,604,426	1,683,705
Finance lease creditor	891,305	1,131,182	921,634
Other loans	889,833	889,833	889,833
Total current	2,798,445	4,438,354	4,206,847
Total loans and borrowings	\$ 19,240,324	\$ 22,584,601	\$ 25,317,163

Bank loans

Bank loans include both secured and unsecured bank loans. During 2017 and 2016, certain bank loans were secured by the investment properties. In addition to using the investment properties as collateral, during 2017 and 2016, some of the loans were further personally guaranteed by the former owners of the properties. The total fair value of the investment properties used as collateral was \$3,907,149 and \$9,043,064 as of December 31, 2017 and 2016 respectively.

The tables below show the detail of bank loans by expiry date and rate. All bank loan contracts provide for floating rates.

2018	Floating rate	Total
Expiry within 1 year	\$ 330,407	\$ 330,407
Expiry within 1 and 5 years	—	—
Expiry in more than 5 years	—	—
Total	\$ 330,407	\$ 330,407

2017	Floating rate	Total
Expiry within 1 year	\$ 1,604,426	\$ 1,604,426
Expiry within 1 and 5 years	—	—
Expiry in more than 5 years	—	—
Total	\$ 1,604,426	\$ 1,604,426

2016	Floating rate	Total
Expiry within 1 year (current)	\$ 1,683,705	\$ 1,683,705
Expiry within 1 and 5 years (non-current)	1,438,478	1,438,478
Expiry in more than 5 years (non-current)	2,741,050	2,741,050
Total	\$ 5,863,233	\$ 5,863,233

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As of December 31, 2017 and 2016, the effective interest rate varied from EURIBOR+1.125% to EURIBOR+2.554%. This amounted to 0.795% to 2.224% as of December 31, 2017. This bank loan, which was associated with the via Lazio property, was repaid and closed during 2018 (see below). The remaining bank loans as of December 31, 2018 are the subject of legal dispute and currently not accruing interest (see below also).

During 2014, one of the Subsidiaries missed certain scheduled repayments on a bank loan totaling \$193,011 in principal and \$22,680 in interest. Except for these missed scheduled repayments, the Group has been current on all scheduled repayments since the beginning of 2014. According to the applicable mortgage agreement, missing scheduled payments can cause the bank to request immediate repayment of the residual debt totaling approximately \$1,515,720 as of December 31, 2014. Management initiated negotiations with the bank to postpone repayment for 12 months in 2014. Separately during 2014, one of the other Subsidiaries missed certain scheduled finance lease payments to the leasing department of the same bank. During 2017, the bank official denied the Group's request and requested immediate repayment of the residual debt. As a result, Management has classified such residual debt as current loans and borrowings as of December 31, 2017 and 2016. On November 10, 2017, the Company ceased control of one of the affected subsidiaries and, as a result, transferred all the bank loans back to its prior owner.

The significant decrease of bank loans from December 31, 2017 to December 31, 2018 was due to the repayment of the bank loan on the via Lazio property, which was sold in February, 2018. The remaining bank loans as of December 31, 2018 are the subject of a legal dispute which the Company initiated as the plaintiff with the lender during 2016 to obtain the forfeiture of these outstanding balances due to the bank's breach of contract and the unlawful accrual of interest on the amounts in dispute. The Company and the lender were pursuing active negotiations on the position of these outstanding balances and during the negotiations, the outstanding balances were considered to be in default (also see *Revolving lines of credit* below). In April, 2019, the lender has offered a settlement agreement to the Company, agreeing to forgive these outstanding balances (together with the disputed revolving lines of credit mentioned below) for a total settlement amount of €80,000 (approx. \$90,200 as of April 10, 2019) to be paid by the end of April, 2019. Of this amount, the Company is responsible for €20,000 (approx. \$22,430 as of April 10, 2019) with the remaining €60,000 (approx. \$67,290 as of April 10, 2019) to be paid by the guarantor of the loan and former owner of GSI (one of our subsidiaries). As of April 30, 2019, both the Company and the former owner of GSI have paid the total settlement amount and fulfilled the settlement agreement with the lender.

Revolving lines of credit

The Group has outstanding balances at December 31, 2018, 2017 and 2016 as follows:

<u>2018</u>	<u>Floating rate</u>	<u>Fixed rate</u>	<u>Total</u>
Expiry within 1 year	\$ 301,091	\$ 385,809	\$ 686,900
Expiry within 1 and 5 years	-	-	-
Expiry in more than 5 years	-	-	-
Total	<u>\$ 301,091</u>	<u>\$ 385,809</u>	<u>\$ 686,900</u>
<u>2017</u>	<u>Floating rate</u>	<u>Fixed rate</u>	<u>Total</u>
Expiry within 1 year	\$ 408,042	\$ 404,871	\$ 812,913
Expiry within 1 and 5 years	-	-	-
Expiry in more than 5 years	-	-	-
Total	<u>\$ 408,042</u>	<u>\$ 404,871</u>	<u>\$ 812,913</u>
<u>2016</u>	<u>Floating rate</u>	<u>Fixed rate</u>	<u>Total</u>
Expiry within 1 year (current)	\$ 356,309	\$ 355,366	\$ 711,675
Expiry within 1 and 5 years (non-current)	-	-	-
Expiry in more than 5 years (non-current)	-	-	-
Total	<u>\$ 356,309</u>	<u>\$ 355,366</u>	<u>\$ 711,675</u>

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The facilities expiring within 1 year are annual facilities subject to renewal at various dates. As at December 31, 2018, the effective interest rate of the fixed rate line of credit was 8.025%. The floating rate lines of credit are the subject of legal dispute and currently not accruing interest (see below). As at December 31, 2017 and 2016, the effective interest rate varied from 8.025% to 12.97% and 4.86% to 15.50% respectively.

The revolving lines of credit are unsecured, and personally guaranteed by the former owners of the properties. The total revolving lines of credit approved by the bank as of December 31, 2018, 2017 and 2016 were \$114,560, \$120,220, and \$110,796, respectively. The total approved balances of the revolving lines of credit as of December 31, 2018, 2017 and 2016 were \$113,742, \$118,694 and \$107,059, respectively. During 2016, two of the lines of credit were revoked and one of the lines of credit expired without a renewal contract (all from the same lender). The balance on these three revoked lines of credit, totaling \$573,158, remained outstanding as of December 31, 2018. During 2016, the Group initiated a legal dispute as the plaintiff with the lender to obtain the forfeiture of these outstanding balances due to the bank's breach of contract and the unlawful accrual of interest on the amounts in dispute. The Company and the lender were pursuing active negotiations on the position of these outstanding balances and during the negotiation, the outstanding balances were considered in default. In April, 2019, the lender has offered a settlement agreement to the Company, agreeing to forgive these outstanding balances (together with the aforementioned disputed bank loans) for a total settlement amount of €80,000 (approx. \$90,200 as of April 10, 2019) to be paid by the end of April, 2019. Of this amount, the Company is responsible for €20,000 (approx. \$22,430 as of April 10, 2019) with the remaining €60,000 (approx. \$67,290 as of April 10, 2019) to be paid by the guarantor of the loan and former owner of GSI (one of our subsidiaries). As of April 30, 2019, both the Company and the former owner of GSI have paid the total settlement amount and fulfilled the settlement agreement with the lender.

Finance lease creditor

See note 19 — Finance Leases.

Other loans

Non-current other loans consist of one loan from the current tenant of the property located on Via Lucania in Buccinasco. The loan proceeds were used for the modification of the property to the tenant's specifications. The repayment of this loan will start in the year 2021 for a period of three years, and will offset the rent to be collected from the tenant. The effective interest rate is fixed at EURIBOR+1.90%.

Current other loans consist of an interest bearing convertible promissory note with the underwriters (see note 21— Note Payable to Underwriters).

Note 19 — Finance Leases

The Group leases all of its real estate properties except for the properties located in Via Lazio 95 in Buccinasco.

Such assets are classified as finance leases as the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The total fair value of the investment properties that carried finance leases was \$28,243,616, \$29,742,423 and \$25,731,052 as of December 31, 2018, 2017 and 2016 respectively.

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Future minimum lease payments due are as follows:

2018	Minimum lease payments	Interest	Present value
Less than one year	\$ 1,673,915	\$ 782,610	\$ 891,305
Later than one year and not later than five years	6,532,708	2,590,505	3,944,203
Later than five years	13,974,542	2,427,715	11,546,827
Total	<u>\$ 22,181,165</u>	<u>\$ 5,800,830</u>	<u>\$ 16,382,335</u>
2017	Minimum lease payments	Interest	Present value
Less than one year	\$ 2,180,616	\$ 1,049,434	\$ 1,131,182
Later than one year and not later than five years	7,236,202	3,231,225	3,967,793
Later than five years	16,296,170	3,115,542	13,180,628
Total	<u>\$ 25,712,988</u>	<u>\$ 7,396,201</u>	<u>\$ 18,279,603</u>
2016	Minimum lease payments	Interest	Present value
Less than one year	\$ 1,920,618	\$ 998,984	\$ 921,634
Later than one year and not later than five years	6,739,259	3,156,663	3,582,596
Later than five years	16,073,358	3,600,982	12,472,376
Total	<u>\$ 24,733,235</u>	<u>\$ 7,756,629</u>	<u>\$ 16,976,606</u>

As at December 31, 2018, 2017 and 2016, the effective interest rate varies from EURIBOR+1.4% to EURIBOR+2.762%. This amounted to 1.09% to 2.452%, 1.07% to 2.432% and 1.08% to 2.442% as of December 31, 2018, 2017 and 2016, respectively.

The present value of the future minimum lease payments are categorized as follows:

	2018	2017	2016
Current liabilities	\$ 891,305	\$ 1,131,182	\$ 921,634
Non-current liabilities	15,491,030	17,148,421	16,054,972
Total	<u>\$ 16,382,335</u>	<u>\$ 18,279,603</u>	<u>\$ 16,976,606</u>

During 2016, the Group successfully obtained the approval from a finance lease creditor of a modification repayment plan. In addition, one of the Subsidiaries missed certain scheduled payments to another finance lease creditor, but has since obtained the approval from this finance lease creditor of a modification repayment plan. As a result, Management has not classified the full portion of this affected finance lease as current loans and borrowing as of December 31, 2018, 2017 and 2016.

During 2018, the Group has been current with all scheduled lease payments and the repayment plans approved by the finance lease creditors. During 2018, with the approval of the finance lease creditor, one of the subsidiaries suspended its repayment plan beginning in June 2018, and will restart such repayments beginning in January 2019 with quarterly installments.

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Note 20 — Related Party Transactions and Balances

The Company entered into five non-interest bearing unsecured promissory notes with one director of the Company which amounted to \$420,000. The notes were to be repaid on the earlier of consummation of the Business Combination or liquidation of the Company. At the closing of the Business Combination, the funds released from the Trust Account were less than the aggregate of all payables. The director agreed to extend the repayment date of the \$420,000 promissory note to a later date to be determined by mutual agreement between the Company and the director.

On July 1, 2014, all the aforementioned non-interest bearing unsecured promissory notes amounting to \$420,000 and \$230,000 of reimbursable expenses owed to one director, and an additional cash injection of \$30,000 to the Company on June 26, 2014 were converted to an interest bearing unsecured convertible promissory note of \$680,000 with an interest rate of 10% per annum, compounding annually. The note matures on the earlier of (i) the date on which the Company liquidates and winds-up its affairs, or (ii) June 30, 2015 (one year from the date of the interest bearing unsecured note). The convertible feature grants the payee the option to convert the principal sum and any unpaid interest for the lower of (1) \$2.29 per share, or (2) the price per share of the Company's next round of financing. Following the conversion of this aforementioned non-interest bearing unsecured promissory note to an interest bearing unsecured convertible promissory note, the Company further entered into various additional interest bearing unsecured convertible promissory notes during 2016, 2017 and 2018 which amounted to \$4,090,000 with the same interest rate and similar convertible feature as the previously converted notes. During 2018, 2017 and 2016, the interest bearing unsecured convertible promissory notes from 2017, 2016 and 2015 reached maturity. The Company was not in a position to repay the notes or the accrued interest. As a result, the Company issued new interest bearing unsecured convertible promissory notes ("Roll-over Notes") to the director for the principal and accrued unpaid interest. These Roll-over Notes have the same interest rate and similar convertible feature as the original convertible notes. The total interest bearing unsecured promissory notes payable to this director amounted to \$5,337,308, \$4,718,952 and \$3,608,100 as of December 31, 2018, 2017 and 2016, respectively. Due to the specific terms of the conversion feature on these promissory notes, these notes are classified as convertible notes with an embedded derivative liability. The host loan is accounted for at amortized cost, with an embedded derivative liability being measured at fair value with changes in value being recorded in profit and loss. The embedded derivative liability is calculated first and the residual value is assigned to the debt host liability component. Amortization expense for the years ended December 31, 2018, 2017 and 2016 amounted to \$1,674,013, \$1,813,934 and \$2,132,808, respectively, with the unamortized portion amounting to \$971,852, \$731,473 and \$1,122,997, respectively. The derivative liability related to these promissory notes as of December 31, 2018, 2017 and 2016 was \$476,572, \$1,859,700 and \$794,235, respectively (see note 24 — Derivative Financial Liabilities). As of the date of this report, the convertible right had not been exercised. The Company has an interest payable to this director in the amount of \$1,490,926, \$1,005,089 and \$581,648 as of December 31, 2018, 2017 and 2016, respectively (see note 30 — Subsequent Events).

From time to time, the Company's executives incurred expenses on behalf of the Company for various office and travel expenses prior to the Business Combination in September, 2013 and during the major management change occurred in May, 2014. No interest is charged by the executives on any outstanding balance owed by the Company. For the years ended December 31, 2018, 2017 and 2016, total expenses paid by the executives on behalf of the Company totaled \$25,126, \$32,286 and \$136,591, respectively. Total expenses payable to the Company's executives amount to \$56,143, \$31,017 and \$136,591 as of December 31, 2018, 2017 and 2016, respectively and are included in due to related party in the accompanying consolidated statements of financial position.

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Separately on December 16, 2014, the Company and one of the current officers agreed to convert \$18,000 of the outstanding balance owed by the Company to an interest bearing unsecured promissory note with the same interest rate and similar convertible feature as the ones aforementioned between the Company and the director. The outstanding balance arose from the services the officer provided to the Company after the Business Combination and before becoming the current officer of the Company. During 2015, at the maturity of this note, the Company was not in a position to repay this note or the accrued interest. The Company issued new unsecured convertible promissory notes to this officer. Similar to the aforementioned Roll-over Notes between the Company and the director, the principal amount of this new note consisted of the original principal amount plus the accrued unpaid interest with the same interest rate and similar convertible feature. On December 16, 2016, the maturity of the roll-over note, the note was not renewed. The Company and the officer have agreed on an installment repayment plan of \$2,500 per month for the principal and interest related to this matured note. The outstanding principal and interest was fully repaid as of December 31, 2017.

In connection to the management change by way of majority shareholder consent on May 5, 2014, a non-employee consultant from prior to the Business Combination became an officer of the Company. The outstanding amount of \$55,000 for services provided by the consultant had not been paid by the Company as of December 31, 2015 and was classified as due to related party as of December 31, 2015. The outstanding amount was fully repaid as of December 31, 2016.

The Company agreed to pay Kaiyuan Real Estate Development (“Kaiyuan”) a total of \$7,500 per month for office space, administrative services and secretarial support for a period commencing March 24, 2011 and ending on the consummation of its Business Combination. Kaiyuan is an affiliate of Mr. Yong Hui Li, the Company’s chairman prior to the Business Combination. There were no expenses incurred under this agreement for the years ended December 31, 2017, 2016 and 2015. The Company had a payable to Kaiyuan of \$203,312 as at December 31, 2016 and 2015. During 2017, Kaiyuan and the Company has reached an agreement to cancel the outstanding payable in full. The cancelled outstanding payable is included in share premium in the accompanying consolidated statements of financial position as of December 31, 2017 as a non-cash capital contribution.

In April 2016, a director was granted \$248,000 as compensation for the year ended December 31, 2015. In addition, in April 2016, the Company granted 100,000 stock options to the same director for the services provided in 2015, pursuant to which 60% vested immediately with the remaining balance vesting over 14 months following the grant date. The fair value of the options granted to this director using the Black-Scholes option-pricing model was \$88,400 (see note 26 — Share-Based Payment). Separately, in April 2016, the Company granted compensation of \$248,000 to the Interim Chief Executive Officer and 100,000 stock options at an exercise price of \$2.94 per share for services provided in 2015. 60% of the stock options granted vested immediately on the grant date with remaining balance vesting over 14 months following the grant date. The fair value of the stock options granted to the Interim Chief Executive Officer using the Black-Scholes option-pricing model was \$88,400. Further, in April 2016, the Company granted additional compensation of \$93,000 in 2015 to the Interim Chief Financial Officer and 30,000 stock options at an exercise price of \$2.94 for services provided in 2015. The stock options granted vest over 18 months from the grant date. The fair value of the stock options granted to the Interim Chief Financial Officer using the Black-Scholes option-pricing model was \$26,520. All 2015 compensation amounts were accrued as due to related parties as of December 31, 2018, 2017 and 2016. Further, in March 2017, the Company granted compensation of \$50,000 to its Interim Chief Executive Officer as compensation for services rendered during 2016, which has been accrued as due to related parties as of December 31, 2018, 2017 and 2016.

Note 21 — Note Payable to Underwriters

Immediately following the closing of the Business Combination on September 30, 2013, the Company entered into an interest-bearing promissory note with its underwriter, Chardan Capital Markets, LLC (“Chardan”) for the total remaining amount of \$889,833 due to the underwriter at the rate of 5% per annum, maturing on December 31, 2013. If the note was not repaid by December 31, 2013, Chardan had the right to convert the note and accrued interest into ordinary shares at a price of \$9.10 per share. In connection with the convertible right, \$184,584 was allocated to the value of the beneficial conversion feature. As of the date of this report, the convertible right had not been exercised. On December 31, 2013 (the note’s maturity date), the Company was not able to repay the note. As a result of the payment default, an additional default interest rate of 10% per annum is added to the original 5% per annum interest rate starting December 31, 2013. The Company has interest payable to Chardan in the amount of \$705,330, \$561,585 and \$420,448 as of December 31, 2018, 2017 and 2016, respectively. Interest expense on this note amounted to \$143,745, \$141,137 and \$138,788 for the years ended December 31, 2018, 2017 and 2016, respectively. George Kaufman, one of the Group’s directors, is an employee of Chardan.

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Note 22 — Trade and Other Payables

Details of trade and other payables at December 31 are as follows:

	2018	2017	2016
Accrued expenses	\$ 2,692,583	\$ 2,716,238	\$ 2,789,476
Interest payables	1,230,443	1,061,346	796,175
Trade account payables	2,163,104	2,593,584	2,295,501
Other payables – social security payments	13,969	18,329	33,397
Total trade and other payables, current	\$ 6,100,099	\$ 6,389,497	\$ 5,914,549
Other payables – social security payments	\$ 1,940	\$ 3,568	\$ 63,143
Other payables – property taxes payments	–	16,029	17,212
Total trade and other payables, non-current	\$ 1,940	\$ 19,597	\$ 80,355

Book values approximate fair value at December 31, 2018, 2017 and 2016.

Note 23 — Other Liabilities and Other Deferred Income

Details of other liabilities and other deferred income at December 31 are as follows:

	2018	2017	2016
Other deferred income	\$ 290,786	\$ 306,055	\$ 301,800
Other liabilities	2,049	2,797	–
Total other liabilities and other deferred income	\$ 292,835	\$ 308,852	\$ 301,800

Other deferred income consists of rental income and condominium expenses reimbursement invoiced to certain tenants immediately before the actual leasing period (prepayment from tenants). Other liabilities consist of certain interest and condominium expenses.

Note 24 — Derivative Financial Liabilities

The fair value of derivative financial liabilities from a derivative financial instrument is considered current.

The fair value of the Group's convertible promissory notes derivatives is determined by Management using a valuation model based on certain inputs that are observable.

	2018	2017	2016
Derivatives not designated as hedging instruments			
Conversion feature on promissory notes	\$ 476,572	\$ 1,859,700	\$ 794,235
Total derivatives not designated as hedging instruments	\$ 476,572	\$ 1,859,700	\$ 794,235

Interest rate swaps

The Group entered into interest rate swap contracts by using floating-to-fixed interest rate swaps. The interest rate swap contracts were linked to a part of a leasing contract. The interest rate swap contract was closed during 2016. As a result of the termination of the interest rate swap contract the amount owed to the financial institution is \$156,032 at December 31, 2018 and is included in loans and borrowings in the accompanying consolidated statements of financial position. The notional value at December 31, 2015 was \$1,432,225. The change in fair value during the year ended December 31, 2016 amounted to \$18,096.

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The convertible promissory notes issued to a certain director were classified as convertible promissory notes with an embedded derivative liability. The host notes are accounted for at amortized cost, with an embedded derivative liability being measured at fair value with changes in value being recorded in the accompanying consolidated statements of profit/(loss) and comprehensive income/(loss). The notional value as of December 31, 2018 was \$476,572. The change in fair value during the year ended December 31, 2018 was \$3,291,010.

The summary of the observable inputs used for the year ended December 31, 2018, 2017 and 2016 are as follow:

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Conversion price	\$0.50 - \$1.02	\$1.30 - \$1.80	\$1.40 - \$3.55
Stock price	\$0.50 - \$1.02	\$1.30 - \$1.98	\$1.80 - \$3.55
Risk-free interest rate	1.78% - 2.72%	0.82% - 1.90%	0.44% - 0.92%
Expected term (in years)	0.02 - 1	0.01 - 1	0.01 - 1
Average stock price volatility	92.29%	80.08%	100.60%

Note 25 — Provisions

As of December 31, provisions are comprised of the following:

	2018	2017	2016
Post-employment benefits	\$ 46,524	\$ 37,363	\$ 35,734
Tax liabilities	3,941	5,338	4,474
Other provisions	—	28,012	—
Total provisions	\$ 50,465	\$ 70,713	\$ 40,208

Post-employment benefits provision relates to two of the Subsidiaries that have employees in Italy. The amount is based on a certain percentage of the salary paid to the employees each pay period. The amount will be paid to the employees when employment ceases pursuant to the local Italian law.

For the years ended December 31, 2016 and 2017, the tax liabilities provision was related to a type of tax imposed by the tax authority in Italy in 2011, applicable to three of the Group's subsidiaries. This law allows the Group to deduct a portion of the tax paid in 2011 to be partially reversed each year over a certain number of years until the provision is fully extinguished.

The other provisions refer to probable liabilities derived from legal disputes underway from the subsidiaries. This provision liability is estimated based on Management's evaluation of the amounts at risk and legal considerations. There are uncertainties that relate to whether claims will be settled by payment or if the subsidiary is successful in defending any action (see note 27 — Contingencies and Commitments). As of the date of this report, there is no other significant legal dispute that poses risk with probable substantial loss.

Note 26 — Share-Based Payment

On February 25, 2010, the Company's board of directors authorized and issued 20,000 stock options, each option to purchase one ordinary share of the Company, to directors and consultants of the Company. In November 2010, September 2015 and April 2016, the Company's board of directors authorized to reserve an additional 200,000, 280,000 and 200,000 stock options, respectively, for issuance to directors and consultants of the Company from time to time, bringing the total authorized to an aggregate of 700,000 stock options.

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In January, April and October 2016, the Company's board of directors granted 150,000 stock options to two directors, 140,000 stock options two officers, and 23,000 stock options to two external consultants.

In May, 2017, one consultant to the Company and various employees of the subsidiaries elected to exercise the stock options vested. There were a total of 2,900 options exercised.

The following table summarizes the stock option activity for the years ended December 31, 2018, 2017 and 2016:

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2016	202,500	\$ 2.759	5.00	\$ 413,693
Granted	313,000	-	-	329,871
Exercised	-	-	-	-
Cancelled	(31,250)	-	-	-
Outstanding at December 31, 2016	484,250	\$ 1.132	4.69	\$ 743,564
Granted	-	-	-	-
Exercised	(2,900)	-	-	-
Cancelled	(7,500)	-	-	(2,400)
Outstanding and exercisable at December 31, 2017	473,850	\$ 1.132	3.85	\$ 741,164
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	(655)	-	-	-
Outstanding and exercisable at December 31, 2018	<u>473,195</u>	<u>\$ 1.132</u>	<u>2.85</u>	<u>\$ 741,164</u>

The following table summarizes the unvested stock option activity during the period from January 1, 2016 to December 31, 2018:

	Number of shares
Unvested January 1, 2016	134,302
Granted	313,000
Vested	(266,837)
Cancelled	(31,250)
Unvested December 31, 2016	149,215
Granted	-
Vested	(99,249)
Cancelled	(7,500)
Unvested December 31, 2017	42,466
Granted	-
Vested	(28,375)
Cancelled	(655)
Unvested December 31, 2018	<u>13,436</u>

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The fair value assigned to the vested increments of these awards was estimated at the grant date of the stock options using the Black-Scholes option-pricing model with the following assumptions:

	Year ended December 31, 2016
Stock price	\$1.80 - \$3.55
Risk-free interest rate	0.94% - 2.10%
Expected term (in years)	5.0
Weighted average expected stock price volatility	34.28%
Expected dividend yield	0%
Weighted average grant-date fair value of options granted	\$ 1.0539

For the years ended December 31, 2018 and 2017, there were no stock options granted. For the year ended December 31, 2016, Management used the following assumptions for the Black-Scholes inputs: On the option valuation date, the current stock price of the Company was used for determining the fair value of the Company's stock based on the closing price of common stock on the valuation date. The expected dividend rate of 0% is based on Management's plan of operations. The risk-free interest rate is based on the U.S. Treasury 5-year Treasury Bill on the date of measurement. The Company's historical stock price was used to determine the expected volatility. The Company expects that no options will be forfeited.

Share-based compensation expense from stock options totaled \$20,210, \$95,419, and \$370,040 for the years ended December 31, 2018, 2017 and 2016, respectively. Share-based compensation expense from stock options to be expensed in future periods is expected to be \$6,989 for the year ending December 31, 2019.

Note 27 — Contingencies and Commitments

The Group is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities, including disputes on building repair and maintenance expenses, moving expenses and others. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

The following summarizes the material litigation relating to the Group:

i. Auchan S.p.A

On March 14, 2013, the tenant Auchan filed a lawsuit with the Court of Milan against Ellegi and GSI in connection with a lease agreement entered into with Ellegi on July 15, 2010 and a contract entered into with GSI on August 5, 2010 for certain repairs to be performed. Auchan was not satisfied with the repairs performed and claimed that they suffered a loss of potential income from new business opportunities, together with certain damages which totaled to €4.5 million. In the first quarter of 2016, the court issued a judgement to reject all claims made by Auchan. In June, 2016, Auchan remitted €200,000 (which translates to approx. \$221,440) to the Group as final settlement of this case, which is recorded as other revenue in the Group's consolidated statements of profit/(loss) and comprehensive income/(loss) for the year ended December 31, 2016.

ii. Morgan Joseph and BHN LLC

In July 2014, Morgan Joseph filed a complaint against Prime and BHN LLC ("BHN") for breach of contract, seeking at least approximately \$1.3 million plus damages from Prime. On October 20, 2014, Prime moved to dismiss the complaint on the basis there were no contracts between Morgan Joseph and Prime. On November 14, 2014, BHN moved to add additional cross-claims, among other things.

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On March 19, 2015, the court dismissed Morgan Joseph's complaint against Prime, as well as BHN LLC's cross-claim for indemnification from the Company, but gave Morgan Joseph until May 1, 2015 to file an amended complaint.

On April 8, 2015, BHN brought an amended complaint against Prime for breach of contract, seeking approximately \$9 million in damages. BHN did not serve Prime or Prime's legal counsel with this complaint. Separately, on April 27, 2015, Morgan Joseph filed an amended complaint against Prime and BHN, asserting claims of breach of contract and seeking approximately \$2.5 million plus damages.

The Company filed an answer to Morgan Joseph's amended complaint on June 1, 2015. Management estimated the probability of damages in these cases to be low due to (1) there being no formal contracts between the Company and Morgan Joseph, (2) the court dismissing earlier complaints and (3) there being no new evidence brought forward in the amended complaints.

In addition, on June 26, 2015, the Company filed a cross-claim against BHN LLC and certain individuals connected with BHN LLC for damages and certain costs incurred by the Company. The amount of damages and costs are to be determined at trial. In January, 2017, BHN motioned to dismiss the Company's claims against it and the Company has filed its defense in response. On August 30, 2017, the judge denied BHN's move for a summary judgement and the parties undertook discoveries in 2018. On February 19, 2019, the Company reached a settlement agreement with BHN, and also settled with Morgan Joseph for a nominal amount. As part of the settlement agreement with BHN, a total of approximately \$573,000 of invoices accrued as trade and other payables for services rendered and reimbursable expenses incurred in 2013 and 2014 was forgiven.

On February 19, 2019, the Company entered into a one-year-consulting-agreement with Greenpoint Energy, LLC ("the Consultant"), a company controlled by the owners of BHN (the former manager of the Company). The engagement fees under this contract amounts to \$200,000. The Consultant was engaged by the Company to advise the Company on the refinancing and selling of certain assets and related services. In addition to the engagement fee, a success fee will be determined between the Company and the Consultant should the Company accept and approve the Consultant's proposed transaction. However, there is no assurance that the Consultant will provide certain transaction proposals nor that the Company will approve these transaction proposals.

iii. Andrea Crespi-Belskij

On July 19, 2016, Andrea Crespi-Belskij, formerly a consultant to the Company, filed a claim with the civil court of Milan against Prime Acquisition and two Italian subsidiaries, Magfin Srl and Ellegi Srl, claiming, among other things, wrongful dismissal and incorrect classification of employment, and seeking various financial compensations for the claims as well as petitioning for a seizure of the Italian subsidiaries. In the August 2, 2016 hearing on the seizure, the presiding judge summarily dismissed the petition. Andrea Crespi-Belskij did not file an appeal of the judgement within 10 days after the judgement. The hearing on wrongful dismissal, which the claimant previously filed a similar claim against the Company and its subsidiaries in June 2016 which was dismissed by the court, began on September 29, 2016 and in a conclusive hearing held on March 9, 2017, the judge dismissed all claims against the Company and awarded €3,000 (which translates to approximately \$3,165) to the Company under the Abuse of Law provision. Andrea Crespi-Belskij filed an appeal in late 2017. During 2018, the judge again rejected the request by Andrea Crespi-Belskij and closed the case.

Note 28 — Capital Management

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ended December 31, 2018, 2017 and 2016.

The Group monitors capital primarily using a loan-to-value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Group's policy is to keep its average loan-to-value ratio lower than 80%.

Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 80% to 85%.

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During 2016, one of the Subsidiaries missed certain scheduled payments to a finance lease creditor (see note 19 — Finance Leases), but has since obtained the approval from this finance lease creditor of a modification repayment plan. As a result, Management has not classified the full portion of this affected finance lease as current loans and borrowing as of December 31, 2018, 2017 and 2016.

	2018	2017	2016
Carrying amount of loans and borrowings	\$ 19,240,324	\$ 22,584,601	\$ 25,317,163
External valuation of completed investment property	29,801,631	33,829,902	35,786,053
Loan to value ratio	<u>65%</u>	<u>67%</u>	<u>71%</u>

Note 29 — Tenant Concentrations

The Group's major tenants that represented more than 10% of the Group's annual rental revenue for the years ended December 31, 2018, 2017 and 2016 are as follows:

Tenant	2018	2017	2016*
Microelettrica	58.70%	59.61%	59.53%

*Restated for discontinued operations (see note 9 — Discontinued Operations)

Note 30 — Subsequent Events

As of April 30, 2019, the Company entered into three additional interest bearing unsecured convertible promissory notes with an interest rate of 10% annum, compounding annually (as described in note 20 — Related Party Transactions and Balances) with the same director of the Company, totaling \$45,000. These promissory notes include the renewal of three interest bearing unsecured convertible promissory notes from 2018 maturing in 2019 to a future date with an additional of 10% to the original principal amounts ("Rollover"). These Rollovers have added \$152,129 to the total principal amount owed to this director.

As a result of the additional interest bearing unsecured convertible promissory notes and the Rollover, the Company owes this director an aggregate of \$7,205,584 as of April 30, 2019, including \$5,534,437 in principal and \$1,671,147 of accrued interest.

In addition, see note 18 — Loans and Borrowings, and note 27 — Contingencies and Commitments.

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$516,284.35

As of June 30, 2018

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Five Hundred Sixteen Thousand Two Hundred and Eighty-Four Dollars and Thirty-Five Cents (\$516,284.35) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

- I. Expired Promissory Notes:
 - a. Twenty Five Thousand Dollars and No Cents (\$25,000.00) dated April 3rd, 2017;
 - b. Twenty Seven Thousand Five Hundred Dollars and No Cents (\$27,500.00) dated April 6, 2017;
 - c. One Hundred Seventy Nine Thousand Eight Hundred and Fifty Eight Dollars and Sixty-Three Cents (\$179,858.63) dated May 2nd, 2017;
 - d. Two Hundred Thirty One Thousand Five Hundred and Forty-Five Dollars and Twenty One Cents (\$231,545.21) dated June 1, 2017;

And their interests accumulated according to the notes' terms and conditions, to June 30, 2018,

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) June 29, 2019.
2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.
3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.
4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.
5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:
 - (i) The lower of \$1.00 per shares; or
 - (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8 . Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS. ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.**

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman
Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$1,393,143.49

As of August 1, 2018

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of One Million Three Hundred Ninety Three Thousand One Hundred Forty-Three Dollars and Forty-Nine Cents (\$1,393,143.49) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. Expired Promissory Notes:

- a. One Million Ninty-Eight Thousand One Hundred and Sixty-Three Dollars and Forty-Five Cents (\$1,098,163.45) dated July 3rd, 2017;
- b. One Hundred Forty-Six Thousand Seven Hundred and Sixty-Two Dollars and Thirty-Three Cents (\$146,762.33) dated August 1st, 2017;

And their interests accumulated according to the notes' terms and conditions, to July 3rd, 2018,

II. New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on August 1st, 2018

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) July 31, 2019.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$1.00 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS.** ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman

Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$358,026.66

As of September 1, 2018

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Three Hundred Fifty Eight Thousand and Twenty Six Dollars and Sixty Six Cents (\$358,026.66) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. Expired Promissory Notes:

- a. Three Hundred Eleven Thousand Eight Hundred and Forty-One Dollars and Fifty One Cents (\$311,841.51) dated September 1, 2017;

And their interests accumulated according to the notes' terms and conditions, to August 31, 2018,

II. New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on September 1st, 2018

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) August 31, 2019.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$1.00 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

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13. **JURISDICTION; SERVICE; WAIVERS.** ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman

Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$400,387.24

As of October 1, 2018

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Four Hundred Thousand Three Hundred and Eighty Seven Dollars and Twenty Four Cents (\$400,387.24) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. About to Expire Promissory Notes:

- a. Three Hundred Fifty Thousand Three Hundred and Eighty Seven Dollars and Twenty Four Cents (\$350,439.32) dated October 2, 2017;

And their interests accumulated according to the notes' terms and conditions, to September 30, 2018,

II. New loan:

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on October 1st, 2018

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) September 30, 2019.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$1.00 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS**. ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman

Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$294,793.20

As of November 1, 2018

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Two Hundred Ninety Four Thousand Seven Hundred and Ninety-Three Dollars and Twenty Cents (\$294,793.20) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. About to Expire Promissory Notes:

- a. Two Hundred Fifty Four Thousand Three Hundred and Fifty Seven Dollars and Forty Five Cents (\$254,357.45) dated November 1, 2017;

And their interests accumulated according to the notes' terms and conditions, to October 31, 2018,

II. New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on November 1st, 2018

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) October 31, 2019.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$0.50 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS**. ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman

Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$681,144.11

As of December 3, 2018

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Six Hundred Eighty One Thousand One Hundred Forty-Four Dollars and Eleven Cents (\$681,144.11) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. About to Expire Promissory Notes:

- a. Six Hundred and Five Thousand Two Hundred Eighty-Four Dollars and Four Cents (\$605,284.04) dated December 1, 2017;

And their interests accumulated according to the notes' terms and conditions, to December 2, 2018,

II. New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on December 3, 2018

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) December 2, 2019.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$0.50 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS.** ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman

Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$604,701.88

As of January 2, 2019

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Six Hundred and Four Thousand Seven Hundred and One Dollar and Eighty-Eight Cents (\$604,701.88) with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. About to Expire Promissory Notes:

- a. Five Hundred and Thirty Seven Thousand and Twenty-Eight Dollars and Ninety One Cents (\$537,028.91) dated January 9, 2018;

And their interests accumulated according to the notes' terms and conditions, to January 2, 2019,

II New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on January 2, 2019

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) January 1, 2020.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$0.50 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS.** ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman
Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$259,781.33

As of February 1, 2019

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Two Hundred Fifty-Nine Thousand Seven Hundred and Eighty-One Dollar and Thirty-Three Cents (\$259,781.33), with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. About to Expire Promissory Notes:

- a. Two Hundred and Twenty-Two Thousand Three Hundred and Sixty-Two Dollars and Thirty Three Cents (\$222,362.33) dated January 29, 2018;

And their interests accumulated according to the notes' terms and conditions, to January 31, 2019,

II New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on February 1, 2019

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) January 31, 2020.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$0.50 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS.** ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman
Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

THIS SECURED PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE SECURITIES LAWS OF ANY STATE. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

10% CONVERTIBLE PROMISSORY NOTE

\$862,409.11

As of March 1, 2019

FOR VALUE RECEIVED, Prime Acquisition Corp. a Cayman Islands company ("Maker") promises to pay to the order of Diana Chia-Huei Liu ("Payee"), or her permitted assigns, the principal sum of Eight Hundred Sixty-Two Thousand Four Hundred and Nine Dollars and Eleven Cents (\$862,409.11), with interest on the outstanding principal amount at the rate of ten percent (10.0%) per annum (the "Interest Rate"), in lawful money of the United States of America, on the terms and conditions described below.

The principal sum comprises of the following:

I. About to Expire Promissory Notes:

- a. Seven Hundred and Seventy Thousand Three Hundred and Seventy-One Dollars and Ninety-Two Cents (\$770,371.92) dated March 1, 2018;

And their interests accumulated according to the notes' terms and conditions, to March 1, 2019,

II New loan

- a. Fifteen Thousand Dollars and No Cents (\$15,000.00) made on March 1, 2019

1. Maturity Date. Unless converted pursuant to Section 5 hereof, the principal amount of this Note and all accrued and unpaid interest thereon shall be due and payable in full on the date (the "Maturity Date") that is the earliest to occur of: (i) the date on which Maker liquidates and winds-up its affairs, or (ii) February 28, 2020.

2. Interest. This Note shall bear interest on the unpaid principal balance of this Note at the Interest Rate, and shall be computed on the basis of a 365-day year for the actual number of days elapsed. Interest shall accrue, and be compounded annually, until all amounts owed under this Note shall be fully repaid, or until converted pursuant to Section 5 hereof.

3. Optional Pre-Payment. This Note may be pre-paid in whole or in part at any time prior to the Maturity Date without penalty.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees and then to the reduction of the principal balance of this Note.

5. Conversion Feature. Payee has the option to convert the principal sum and any unpaid interest, either in their entirety or partially, to common shares of Maker according to the following formula:

- (i) The lower of \$0.50 per shares; or
- (ii) The price per share of the next round of financing.

6. Events of Default. The following shall constitute Events of Default:

(a) Failure to Make Required Payments. The Company fails to make a payment, when due, of any principal or interest due on this Note, and such default continues for a period of five (5) days.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under the federal bankruptcy code (the "Bankruptcy Code"), as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of maker in an involuntary case under the Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(d) Adjustment of Interest Rate. The interest rate will automatically be adjusted to twenty-four percent (24%) per annum on all unpaid principal amount.

(e) Conversion Discount. At the option of the Payee the amount owe can be converted to Common Shares of Maker at a thirty percent (30%) discount to the then price.

7. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 6(a), Payee may, by written notice to Maker, declare this Note to be due and payable, whereupon the principal balance of, and all other sums payable with regard to, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 6(b) and 6(c), the principal balance of, and all other sums payable with regard to, this Note shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

8. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof, on any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

9. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agree that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

10. Notices. Any notice called for hereunder shall be deemed properly given if (i) sent by certified mail, return receipt requested, (ii) personally delivered, (iii) dispatched by any form of private or governmental express mail or delivery service providing receipted delivery, (iv) sent by telefacsimile or (v) sent by e-mail, to the following addresses or to such other address as either party may designate by notice in accordance with this Section:

If to Maker:

Prime Acquisition Corp.
No. 322, Zhongshan East Road
Shijiazhuang
Hebei Province, 050011
People's Republic of China
Attention: Chief Executive Officer

If to Payee:

Diana Liu
c/o 15F, 300 ChangChun Road,
Taipei, Taiwan
104-87

Notice shall be deemed given on the earlier of (i) actual receipt by the receiving party, (ii) the date shown on a telefacsimile transmission confirmation, (iii) the date on which an e-mail transmission was received by the receiving party's on-line access provider (iv) the date reflected on a signed delivery receipt, or (vi) two (2) Business Days following tender of delivery or dispatch by express mail or delivery service.

11. Restriction on Transferability. Payee shall not offer, sale, transfer or otherwise dispose of this Note without the written consent of Maker, and any such offer, sale, transfer or disposition made without the written consent of Maker shall be void and of no effect, and Maker shall not unreasonably withhold such consent.

12. Construction. This Note shall be construed and enforced in accordance with the domestic, internal law, but not the law of conflict of laws, of the State of New York.

13. **JURISDICTION; SERVICE; WAIVERS.** ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS NOTE BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS NOTE. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

14. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be issued as of the day and year first above written.

PRIME ACQUISITION CORP.

By: /s/ George Kaufman
Name: George Kaufman
Title: Director

Acknowledged and Agreed To:

/s/ Diana Chia-Huei Liu
Diana Chia-Huei Liu

Certification
Pursuant to Rule 13a-14(a) of the Exchange Act

I, William Tsu-Cheng Yu, certify that:

1. I have reviewed this annual report on Form 20-F of Prime Acquisition Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2019

By: /s/ William Tsu-Cheng Yu
William Tsu-Cheng Yu
Interim Chief Executive Officer
(Principal Executive Officer)

Certification
Pursuant to Rule 13a-14(a) of the Exchange Act

I, Amy Lau, certify that:

1. I have reviewed this annual report on Form 20-F of Prime Acquisition Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2019

By: /s/ Amy Lau
Amy Lau
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 13.1

Certification
Pursuant to 18 U.S.C. Section 1350

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Prime Acquisition Corp. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2018 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

By: /s/ William Tsu-Cheng Yu
William Tsu-Cheng Yu
Interim Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 1, 2019

By: /s/ Amy Lau
Amy Lau
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)