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**UNIVERSE ENTERTAINMENT AND CULTURE
GROUP COMPANY LIMITED
寰宇娛樂文化集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

**INSIDE INFORMATION –
SETTLEMENT OF LITIGATION**

This announcement is made by the Universe Entertainment and Culture Group Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND OF THE LITIGATION

References are made to (i) the announcement of the Company dated 12 October 2015 in relation to the acquisition agreement dated 12 October 2015 (the “**Acquisition Agreement**”) and entered into among Fragrant River Entertainment Culture (Holdings) Limited (“**Fragrant River**”), a wholly owned subsidiary of the Company, as the purchaser, Very Easy Limited (“**Very Easy**”) and City Link Consultancy Limited (“**City Link**”) as the vendors, and Mr. Chan Sze Long (“**Mr. Chan**”) and Ms. Lim Wah Elsa (“**Ms. Lim**”) as the guarantors in relation to the acquisition of 51% equity interest in AP Group Investment Holdings Limited (“**AP Group**”); (ii) the announcement of the Company dated 13 June 2016 in relation to the disposal agreement (the “**Disposal Agreement**”) dated 13 June 2016 and entered into among Lucky Famous Limited (“**Lucky Famous**”) as the purchaser, Fragrant River as the vendor and the Company as the guarantor in relation to the disposal of 51% equity interest in AP Group; (iii) the announcement of the Company dated 13 June 2018 in relation to the receipt of a demand letter (the “**Lucky Famous Demand Letter**”) from Lucky Famous demanding payment of HK\$20.4 million as the adjustment amount under the Disposal Agreement; (iv) the announcement of the Company dated 22 June 2018 in relation to the issue of demand letters all dated 22 June 2018 to Very Easy, City Link, Mr. Chan and Ms.

Lim, respectively (the “**Fragrant River Demand Letters**”) demanding the payment of an amount of HK\$20.4 million as the adjustment amount under the Acquisition Agreement (the “**Fragrant River’s Claim**”) within seven (7) days from the date of the Fragrant River Demand Letters; and (v) the announcement of the Company dated 18 July 2018 in relation to the commencement of HCA 1646 of 2018 at the Court of First Instance Action by Lucky Famous against Fragrant River as the 1st Defendant and the Company as the 2nd Defendant (the “**Lucky Famous Action**”). Lucky Famous claimed against Fragrant River and the Company for (a) the adjustment amount of HK\$20.4 million; (b) interests; (c) costs; and (d) further and/or other reliefs.

Lucky Famous applied to amend the Writ of Summons and the Statement of Claim to join Mr. Chan and Ms. Lim as the 3rd Defendant and the 4th Defendant respectively in the Lucky Famous Action for certain claims against them. The Court allowed the application of Lucky Famous on 24 September 2019.

SETTLEMENT AGREEMENT

On 1 February 2021 (after trading hours), Fragrant River, Company, and other relevant parties, without admission of any liability in relation to the Lucky Famous Action, entered into a settlement agreement (the “**Settlement Agreement**”) to settle all claims and complaint against each other arising out of the Lucky Famous Action, the Fragrant River’s Claim and any amount of any other nature arising out of or in connection with the Acquisition Agreement and the Disposal Agreement (collectively the “**Dispute Matters**”).

The principal terms of the Settlement Agreement are summarised as follows:

Date:

1 February 2021

Parties:

- (i) Lucky Famous;
- (ii) Fragrant River;
- (iii) the Company;

- (iv) Mr. Chan;
- (v) Ms. Lim;
- (vi) Very Easy; and
- (vii) City Link;

Principal terms:

- (i) Fragrant River and the Company shall pay to Lucky Famous a sum of HK\$1,500,000 (“**Settlement Payment**”) in full and final settlement of the Dispute Matters, by delivering a bank cheque for the same amount to the legal representatives of Lucky Famous at the time of signing of the Settlement Agreement;
- (ii) Mr. Chan shall pay to Lucky Famous a sum of HK\$2,700,000 in full and final settlement of the Dispute Matters, by (a) delivering a cashier order(s) or solicitor’s bank cheque(s) for HK\$1,300,000 to the legal representatives of Lucky Famous at the time of signing of the Settlement Agreement; and (b) repaying a sum of HK\$23,500 per month for 59 months starting from 1 March 2021 up to 1 January 2026 and a final sum of HK\$13,500 on or before 1 February 2026;
- (iii) Ms. Lim shall pay to Lucky Famous a sum of HK\$1,800,000 in full and final settlement of the Dispute Matters, by (a) delivering a cashier order or solicitor’s bank cheque for HK\$200,000 to the legal representatives of Lucky Famous at the time of signing of the Settlement Agreement; and (b) repaying a sum of HK\$26,500 per month for 59 months starting from 1 March 2021 up to 1 January 2026 and a final sum of HK\$36,500 on or before 1 February 2026; and
- (iv) within 7 days of the date of the Settlement Agreement, Lucky Famous or its legal representatives shall file at the Court of First Instance of the High Court of Hong Kong a consent summons signed by all parties to the Settlement Agreement for discontinuing the Lucky Famous Action with no order as to costs.

Very Easy, City Link, Mr. Chan and Ms. Lim do not need to pay any amount to Fragrant River for the settlement of the Fragrant River’s Claim under the Settlement Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SETTLEMENT AGREEMENT

In view of (1) the said legal proceedings under the Lucky Famous Action among Lucky Famous, Fragrant River, the Company, Mr. Chan and Ms. Lim having lasted for more than 2.5 years that the Group has already incurred considerable legal costs in this respect and that, should the Group continue the said legal proceedings under the Lucky Famous Action and the Fragrant River's Claim, it is estimated that the Company will further incur a substantial amount of legal expenses; and (2) the uncertainty of the outcome of the said legal proceedings of Lucky Famous Action and Fragrant River's Claim, the directors of the Company consider that the entering into the Settlement Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL IMPACT OF THE SETTLEMENT ON THE GROUP

Before entering the Settlement Agreement, without admitting any liability to Lucky Famous under the Disposal Agreement and also without prejudice to any rights and remedies against Very Easy, City Link, Mr. Chan and/or Ms. Lim under the Acquisition Agreement, the Group recorded the fair value of the contingent consideration payable for the Lucky Famous Action and the contingent consideration receivable for the Fragrant River's Claim at HK\$20.4 million and HK\$ Nil respectively in the Group's audited consolidated balance sheet as at 30 June 2020 in accordance with the Hong Kong Financial Reporting Standards. As a result of the entering into the Settlement Agreement, it is estimated that the Group will record an unaudited one-off gain of approximately HK\$18.0 million on the written back of the contingent consideration payable during the year ending 30 June 2021 which is estimated based on the difference between (i) the fair value of the contingent consideration payable at HK\$20.4 million as at 30 June 2020 and (ii) the Settlement Payment of HK\$1.5 million and other costs paid by the Group for the Lucky Famous Action. The Group paid the Settlement Payment by internal resources. The directors of the Company consider that there will be no material adverse impact on the financial position of the Group as a result of the Settlement Payment.

On behalf of the Board
**Universe Entertainment and Culture
Group Company Limited**
Lam Shiu Ming, Daneil
Chairman and Executive Director

Hong Kong, 1 February 2021

As at the date of this announcement, the executive directors of the Company are Mr. Lam Shiu Ming, Daneil and Mr. Lam Kit Sun, and the independent non-executive directors of the Company are Mr. Choi Wing Koon, Mr. Lam Chi Keung and Mr. Tang Yiu Wing.