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Little Sheep Group Limited

小肥羊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0968)

VOLUNTARY ANNOUNCEMENT

DISPOSAL OF SHARES BY SHAREHOLDERS BY WAY OF PLACING

This announcement is made by the Company on a voluntary basis.

The Company was informed by the Selling Shareholders that they entered into a placing agreement with the Placing Agent on 5 May 2010 for the sale of their shareholdings in the Company, being a total of 44,604,859 Shares representing approximately 4.34% interest in the Company, at a placing price of HK\$4.21 per Share.

Pursuant to the Placing Agreement, the Selling Shareholders have agreed to appoint the Placing Agent and the Placing Agent has agreed to act as the placing agent for the purpose of procuring, as agent of the Selling Shareholders, placees to purchase, or failing which to purchase itself, the Placing Shares on the terms and subject to the conditions contained in the Placing Agreement. The placees are expected to be institutional, corporate or individual investors who are not connected persons of the Company and are not acting in concert with (for the purpose of the Takeovers Code) the Selling Shareholders.

The Company is given to understand that the completion of the Placing is expected to take place on or before 7 May 2010.

The Selling Shareholders comprise four executive Directors, namely, Mr. Zhang Gang, Mr. Lu Wenbing, Mr. Zhang Zhanhai and Ms. Li Baofang, one non-executive Director, namely Mr. Chen Hongkai, and 16 other individuals including four existing shareholders of Possible Way (namely Mr. Li Xudong, Mr. Liu Quanxi, Ms. Kou Zhifang and Mr. Lan Jianhua).

The placing price of HK\$4.21 per Share represents a discount of approximately 3.0% to the closing price of HK\$4.34 per Share as quoted on the Stock Exchange as at 4 May 2010; and a discount of approximately 0.2% to the average closing price of HK\$4.22 per Share for the last 10 trading days of the Shares (including 4 May 2010).

Those Selling Shareholders who are also Directors advised the Company that they remain fully committed to and confident of the future and prospects of the Company and that the Placing Agreement was entered into by the Selling Shareholders in light of their respective asset management plans. The management of the Company is also confident of the Company's prospects and will continue to strive to create value for the Shareholders.

Shareholding structure of the Company after the Placing

Set out below are the shareholding structure of the Company as at 4 May 2010 and immediately after completion of the Placing (assuming no other changes in the shareholding structure from 4 May 2010 to the date of completion of the Placing):

	Shareholding as at 4 May 2010		Shareholding immediately after completion of the Placing	
	No. of Shares	Approximate %	No. of Shares	Approximate %
<i>Selling Shareholders</i>				
Zhang Gang	31,449,859 ^(Note 3)	3.06%	24,901,626 ^(Note 3)	2.42%
Chen Hongkai	11,234,103 ^(Note 4)	1.09%	8,753,225 ^(Note 4)	0.85%
Lu Wenbing	7,798,668	0.76%	4,044,264	0.39%
Li Baofang	5,582,989	0.54%	5,317,321	0.52%
Zhang Zhanhai	4,870,339	0.47%	2,033,343	0.20%
Other Selling Shareholders	68,757,878	6.68%	40,039,198	3.89%
<i>Other Shareholders</i>				
Possible Way ^(Note 1)	308,301,875	29.97%	308,301,875	29.97%
Yum! Brands, Inc. ^(Note 2)	280,571,030	27.28%	280,571,030	27.28%
Wang Daizong	1,359,992	0.13%	1,359,992	0.13%
Other public Shareholders	<u>308,626,737</u>	<u>30.01%</u>	<u>353,231,596</u>	<u>34.34%</u>
Total	<u>1,028,553,470</u>	<u>100%</u>	<u>1,028,553,470</u>	<u>100%</u>

Notes:

- Possible Way is owned as to 25.50%, 18.36% and 14.40%, respectively, by Mr. Zhang Gang, Mr. Chen Hongkai (through his family trust) and Mr. Li Xudong. Mr. Zhang Gang is the Chairman and an executive Director of the Company and Mr. Chen Hongkai is a non-executive Director. Mr. Lu Wenbing, Mr. Wang Daizong, Mr. Zhang Zhanhai and Ms. Li Baofang, who are executive Directors, respectively owns 5.57%, 1.63%, 4.50% and 6.13% interest

in Possible Way. Mr. Nishpank Rameshbabu Kankiwala, who is a non-executive Director, has 0.07% interest in Possible Way. Mr. Lan Jianhua and Ms. Kou Zhifang, both senior management of the Company, own 2.28% and 7.39% interests in Possible Way, respectively. The remaining 14.17% interest in Possible Way is owned by independent third parties.

2. Yum! Brands, Inc. indirectly holds 280,571,030 Shares through its indirect wholly owned subsidiary, Wandle Investments Ltd.
3. As at 4 May 2010, Mr. Zhang Gang is interested in 31,449,859 Shares which comprise (i) 3,091,000 Shares held by Beefup Group Limited, a company controlled by him; and (ii) 28,358,859 Shares owned by him. After the completion of the Placing, Mr. Zhang will be interested in 24,901,626 Shares which comprise (i) 3,091,000 Shares held by Beefup Group Limited; and (ii) 21,810,626 Shares owned by him. Mr. Zhang Gang is the Chairman and an executive director of the Company.
4. As at 4 May 2010, Mr. Chen Hongkai is interested in 11,234,103 Shares which comprise (i) 11,000,000 Shares owned by him; and (ii) 234,103 Shares held by Palace Glory Investment Limited, a company owned by the trustee of a trust established by him for the benefit of his family. After the completion of the Placing, Mr. Chen will be interested in 8,753,225 Shares which comprise (i) 8,519,122 Shares owned by him; and (ii) 234,103 Shares held by Palace Glory Limited. Mr. Chen is a non-executive Director.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless context otherwise requires:

“Board”	the board of Directors
“Company”	Little Sheep Group Limited (小肥羊集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placing”	the proposed placing of a total of 44,604,859 Shares by the Selling Shareholders through the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Merrill Lynch Far East Limited
“Placing Agreement”	the placing agreement entered into among the Selling Shareholders and the Placing Agent on 5 May 2010 for the Placing

“Placing Shares”	44,604,859 Shares to be sold by the Selling Shareholders pursuant to the Placing Agreement
“Possible Way”	Possible Way International Limited, a limited liability company incorporated in the British Virgin Islands which is a shareholder of the Company and interested in approximately 29.97% interest in the Company
“Selling Shareholders”	the 21 Shareholders who have entered into the Placing Agreement with the Placing Agent on 5 May 2010 for the placing of a total of 44,604,859 Shares
“Shareholders”	holders of the Shares
“Shares”	shares of a par value of HK\$0.10 each in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of the Securities and Futures Commission
“%”	per cent.

By order of the Board
Little Sheep Group Limited
Zhang Gang
Chairman

Hong Kong, 5 May 2010

As at the date of this announcement, the executive Directors are Zhang Gang, Lu Wenbing, Zhang Zhanhai, Wang Daizong and Li Baofang, the non-executive Directors are Chen Hongkai, Su Jing Shyh Samuel, Koo Benjamin Henry Ho Chung, Hsieh, Hui-yun Lily and Nishpank Rameshbabu Kankiwala and the independent non-executive Directors are Xiang Bing, Yeung Ka Keung and Shin Yick, Fabian.