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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: 968)

Possible Pre-conditional Voluntary Cash Offer

by

Yum! Brands, Inc.

to acquire all the issued shares in the share capital of

Little Sheep Group Limited

and

Announcement pursuant to Rule 3.7 of

the Hong Kong Code on Takeovers and Mergers

Further to the announcement of Little Sheep Group Limited (the “**Company**”) released on 26 April 2011 regarding the suspension of trading in the Company’s shares, the board of directors (the “**Board**”) of the Company announces that it has received an approach from a substantial shareholder, Yum! Brands, Inc. (“**Yum!**”), a company listed on the New York Stock Exchange, regarding a possible pre-conditional cash offer to acquire the outstanding share capital of the Company (other than certain shares already owned by Yum! or parties acting in concert with it) (the “**Possible Offer**”). The Board understands that Yum! has held preliminary discussions with Mr. Zhang Gang (“**Mr. Zhang**”), the Chairman of the Board, with a view to Mr. Zhang and certain of the other founding shareholders of the Company, continuing to participate in the Company alongside Yum! following the completion of Yum!’s acquisition of shares in the Company.

Mr. Zhang has an aggregate interest in 24,901,626 ordinary shares of the Company, representing approximately 2.41% of the issued share capital of the Company. Yum! has a direct interest in 280,571,030 ordinary shares of the Company, representing approximately 27.17% of the issued share capital of the Company. In addition, Yum! is taken to be interested in 308,301,875 ordinary shares, representing approximately 29.86% of the issued share capital of the Company, held by Possible Way International Limited (“**Possible Way**”) under the Securities and Futures Ordinance (“**SFO**”) by virtue of arrangements entered into between Yum! and Possible Way pursuant to an agreement dated 24 March 2009 between a wholly owned subsidiary of Yum! and Possible Way in connection with the acquisition of shares in the Company.

No offer has been made at this stage and Yum! has indicated that any offer, should one materialise, would be made on a pre-conditional basis and subject to obtaining all necessary regulatory approvals for the transaction. **The Board wishes to emphasise that discussions are at a preliminary stage only, and there is no certainty that any offer will ultimately be made. Accordingly, shareholders and potential investors in the Company are advised to exercise caution when dealing in the shares of the Company.**

The Company also announces that an Independent Board Committee, which comprises all independent non-executive directors of the Company, has been established in compliance with Rule 2.8 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) in relation to the Possible Offer.

As at the date hereof, there are 1,032,659,720 ordinary shares of the Company in issue and 18,958,180 outstanding share options under the existing share option scheme of the Company.

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and Yum! (including persons holding 5% or more of a class of relevant securities of the Company or Yum!) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

A further announcement will be made as soon as possible. Trading in the Company’s shares continues to be suspended.

In accordance with Rule 3.7 of the Takeovers Code, the Company will release further announcements on a monthly basis as to the progress of talks until either a firm intention to make an offer or a decision not to proceed with an offer is announced.

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

Hong Kong, 26 April 2011

All directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.

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