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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)

Announcement pursuant to Rule 3.8 of the Hong Kong Code on Takeovers and Mergers in respect of the Pre-Conditional Proposal for the Privatisation of the Company by the Offeror by way of a Scheme of Arrangement

Update of number of Little Sheep Relevant Securities

This announcement is made pursuant to Rule 3.8 of the Takeovers Code.

Reference is made to the joint announcement issued by the Offeror and the Company regarding the Proposal dated 13 May 2011 (the “**Joint Announcement**”) and the announcement of the Company dated 9 August 2011 regarding the update of number of Little Sheep Relevant Securities. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as defined in the Joint Announcement.

The Board announces that since 9 August 2011, the Company has issued 427,250 Little Sheep Shares to certain Optionholders pursuant to the exercise of Outstanding Little Sheep Share Options granted to them under the Little Sheep Share Option Scheme with an exercise price of HK\$2.11 per Little Sheep Share.

As a result, the total number of Little Sheep Shares in issue has been increased from 1,034,960,370 Little Sheep Shares as at 9 August 2011 to 1,035,387,620 Little Sheep Shares as at the date of this announcement, and the number of Outstanding Little Sheep Share Options granted under the Little Sheep Share Option Scheme has reduced from 16,610,730 as at 9 August 2011 to 16,183,480 as at the date of this announcement.

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.

Warnings:

Little Sheep Shareholders and potential investors should be aware that the making of the Proposal and the implementation of the Scheme is subject to satisfaction of, respectively, the Pre-Condition and the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be made and the Scheme may or may not become effective. Little Sheep Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Little Sheep Shares and any options or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

Little Sheep Shareholders and potential investors should be aware that Yum! holds 27.10% of the current issued share capital of the Company and should the Scheme not become effective, Yum! would consider its options in relation to its shareholding interests in the Company and would not be restricted under the Takeovers Code from disposing of its interests in the Company. Little Sheep Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Little Sheep Shares and any options or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

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

Hong Kong 14 September 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.