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LITTLE SHEEP GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 968)

ANNOUNCEMENT

PRE-CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF LITTLE SHEEP GROUP LIMITED BY WANDLE INVESTMENTS LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF YUM! BRANDS INC., BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW)

UPDATE ON THE PRE-CONDITION

The Company would like to update the Little Sheep Shareholders and Optionholders on the progress of MOFCOM's review of the anti-trust filing submitted by Yum! in relation to the Proposal which was formally accepted by MOFCOM on 27 June 2011. On 25 October 2011, the Company was informed by Yum! that it received a letter from the Anti-Trust Bureau of MOFCOM on the same date informing Yum! and the offeror that MOFCOM had decided, pursuant to paragraph one of Article 26 of the Anti-Monopoly Law of the PRC, to extend by 60 calendar days the review period of the anti-trust filing in respect of the Proposal. The review process has now entered the 60 calendar day extension period of the Phase 2 review. The Pre-Condition to the making of the Proposal by the Offeror is therefore yet to be satisfied as at the date of this Announcement.

Little Sheep Shareholders, Optionholders and/or potential investors in Little Sheep should be aware that the making of the Proposal and the implementation of the Scheme is subject to the satisfaction of, respectively, the Pre-Condition and the Conditions being fulfilled or waiver, 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.

Reference is made to the joint announcement issued by Wandle Investments Limited (the “**Offeror**”), Yum! Brands, Inc. (“**Yum!**”) and Little Sheep Group Limited (the “**Company**”) dated 13 May 2011 (the “**Announcement**”) in relation to the request from the Offeror to the Little Sheep Board to put forward the Proposal to the Scheme Shareholders for cancellation of the Scheme Shares to effect the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law, and that the Offeror will make (or procure to be made on its behalf) the Option Offer to Optionholders for the cancellation of the Outstanding Little Sheep Share Options in exchange for cash.

Terms defined in the Announcement shall have the same meanings when used in this announcement unless the context otherwise requires.

UPDATE ON THE PRE-CONDITION

The Company would like to update the Little Sheep Shareholders and Optionholders on the progress of MOFCOM’s review of the anti-trust filing submitted by Yum! (being the Pre-Condition to the Proposal) which was formally accepted by MOFCOM on 27 June 2011.

Under the Anti-Monopoly Law of the PRC, MOFCOM’s review of anti-trust filings consists of two phases: Phase 1 is known as the preliminary review period and lasts 30 calendar days from the formal acceptance of the anti-trust filing by MOFCOM. If MOFCOM decides during the Phase 1 review that an anti-trust filing warrants further review, the review will enter into the Phase 2, which is known as the further review period and lasts 90 calendar days. Furthermore, MOFCOM may extend the Phase 2 review period by another 60 calendar days, if necessary.

MOFCOM formally accepted the anti-trust filing in relation to the Proposal submitted by Yum! on 27 June 2011 and the review process is progressing. Phase 1 of the review period ended on 26 July 2011, and Phase 2 of the review ended on 25 October 2011. On 25 October 2011, the Company was informed by Yum! that it received a letter from the Anti-Trust Bureau of MOFCOM on the same date informing Yum! and the Offeror that MOFCOM had decided, pursuant to paragraph one of Article 26 of the Anti-Monopoly Law of the PRC, to extend by 60 calendar day review period of the anti-trust filing in respect of the Proposal. The review process has now entered the 60 calendar day extension period of the Phase 2 review. The further 60 calendar days extension period of Phase 2 review commenced on 26 October 2011 and will expire on 24 December 2011. The Pre-Condition to the making of the Proposal by the Offeror is therefore yet to be satisfied as at the date of this Announcement.

As stated in the Announcement, the Pre-Condition Long Stop Date is 9 November 2011, or any other date agreed by the Offeror and the Company. The Company will issue further announcement as soon as practicable if there is any further material development in relation to the Proposal.

PRE-CONDITION AND CONDITIONS OF THE PROPOSAL

Little Sheep Shareholders, Optionholders and/or potential investors in Little Sheep should be aware that the making of the Proposal and the implementation of the Scheme is subject to the satisfaction of, respectively, the Pre-Condition and the Conditions being fulfilled or waiver, 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.

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

Hong Kong, 26 October 2011

As at the date of this announcement, the directors of the Company are:

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent non-executive Directors:</i>
<i>Zhang Gang</i>	<i>Chen Hongkai</i>	<i>Xiang Bing</i>
<i>Lu Wenbing</i>	<i>Su Jing Shyh Samuel</i>	<i>Yeung Ka Keung</i>
<i>Zhang Zhanhai</i>	<i>Koo Benjamin Henry Ho Chung</i>	<i>Shin Yick, Fabian</i>
<i>Li Baofang</i>	<i>Hsieh Hui-yun Lily</i>	
<i>Wang Jianhai</i>		

The 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 in this announcement misleading.