



**Little Sheep Group Limited**  
**小肥羊集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 968)**

*Members of the Little Sheep  
Independent Board Committee:*  
Dr. XIANG Bing  
Mr. YEUNG Ka Keung  
Mr. SHIN Yick, Fabian

*Registered office of Little Sheep:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

13 December 2011

*To: The Scheme Shareholders and Optionholders*

Dear Sir or Madam,

**PROPOSED 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)  
AND  
CONDITIONAL OFFER TO CANCEL  
ALL OUTSTANDING SHARE OPTIONS OF  
LITTLE SHEEP GROUP LIMITED**

We have been appointed by the Little Sheep Board as the Little Sheep Independent Board Committee to give a recommendation to the Scheme Shareholders and the Optionholders in respect of the Proposal, the Management Incentive Arrangements and the Option Offer, respectively, details of which are set out in “Part IV — Letter from the Little Sheep Board” and “Part VII — Explanatory Memorandum” of this Scheme Document. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

Since Mr. Zhang Gang, the chairman of the Board, will remain a director of the Company with the title “Founding Chairman” and Mr. Chen Hongkai, a non-executive director of the Company, will continue with his role in the Company with the title

“Founder” following the implementation of the Scheme, they have been precluded from participating in the formulation of advice to Scheme Shareholders. In addition, as each of Mr. Su Jing Shyh Samuel, Mr. Koo Benjamin Henry Ho Chung, and Ms. Hsieh Huiyun Lily are representatives of Yum! appointed to the Little Sheep Board, they have also been precluded from participating in the formulation of advice to Scheme Shareholders. Further, as Mr. Lu Wenbing, Mr. Zhang Zhanhai, Ms. Li Baofang have entered into Irrevocable Undertakings with Yum! in connection with the Proposal, they have also been precluded from participating in the formulation of advice to Scheme Shareholders.

Quam Capital Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal, the Management Incentive Arrangements and the Option Offer.

The Little Sheep Independent Board Committee, having considered the terms of the Proposal, the Management Incentive Arrangements and the Option Offer and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter in Part VI of this Scheme Document, considers that the terms of the Proposal, the Management Incentive Arrangements and the Option Offer are fair and reasonable.

Accordingly, the Little Sheep Independent Board Committee recommends:

(a) at the Court Meeting:

(i) the Scheme Shareholders vote in favour of the Scheme;

(b) at the EGM:

(i) the Little Sheep Shareholders vote in favour of:

(1) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and

(2) the ordinary resolution to immediately restore the issued share capital of the Company to the same amount as immediately prior to the cancellation of the Scheme Shares by paying up in full at par such number of new Little Sheep Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;

(ii) the Independent Little Sheep Shareholders vote in favour of the ordinary resolution to approve the terms of the Management Incentive Arrangements; and

(c) the Optionholders accept the Option Offer if they have not exercised their Outstanding Little Sheep Share Options on or before the Latest Option Exercise Date.

The Little Sheep Independent Board Committee draws the attention of the Scheme Shareholders and the Optionholders to (i) the letter from the Little Sheep Board set out in Part IV of the Scheme Document; (ii) the letter from Quam Capital Limited, the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its recommendation to the Little Sheep Independent Board Committee, set out in Part VI of the Scheme Document; and (iii) the Explanatory Memorandum set out in Part VII of the Scheme Document.

Yours faithfully

**XIANG Bing**  
*Independent non-executive  
director of Little Sheep*

**YEUNG Ka Keung**  
*Independent non-executive  
director of Little Sheep*

**SHIN Yick, Fabian**  
*Independent non-executive  
director of Little Sheep*

*Little Sheep Independent Board Committee*