

Fast food group Yum! Brands to buy 20% stake in China's Little Sheep

SHANGHAI, March 25 (Xinhua) -- Yum! Brands China Division said Wednesday it would acquire 20 percent of Little Sheep, an Inner Mongolia-based hot pot business with outlets around China.

The deal was announced by Yum! Brands China Division, which has its headquarters in Shanghai, during a joint teleconference with Little Sheep, based in Baotou, Inner Mongolia Autonomous Region.

The deal, valued at 493 million Hong Kong dollars (63.7 million U.S. dollars), will make Yum! Brands the second-largest shareholder in Little Sheep, after Possible Way International, which is registered by Little Sheep in the British Virgin Islands.

Little Sheep said Yum! Brands would acquire more than 205 million shares from two British-based private equity firms, 3I and PraxCapital, and Little Sheep's controlling shareholder, Possible Way International.

Yum proposed buying the Little Sheep shares at 2.4 Hong Kong dollars each, an 8.4-percent discount to the Tuesday closing price.

The deal is subject to approval by Hong Kong's Securities and Futures Commission and is expected to be completed by this summer. The proposed deal will be reported to China's Commerce Ministry, although its approval is not required.

The proposed deal comes shortly after the ministry rejected Coca-Cola's bid to acquire China Huiyuan Juice Group on monopoly concerns.

Wang Qun, deputy president of government and public affairs with Yum! Brands China Division, said the difference between the two deals was that the Little Sheep transaction did not involve a total takeover or controlling share.

Pei Liang, secretary general of the China Chain Store and Franchise Association, and Wang Daizong, chief financial officer of Little Sheep, said the deal between Yum! Brands and Little Sheep would not lead to a monopoly situation in China.

According to Pei, the combined annual operating income of Yum! and Little Sheep in the mainland would be about 32 billion yuan (4.71 billion U.S. dollars), which accounted for less than 2 percent of the restaurant and catering business.

Spokeswoman Wang said that at present, Yum! Brands had no plans to build up a larger stake in Little Sheep. Yum! Brands has also promised not to participate in the day-to-day business administration of Little Sheep.

Yum! Brands, Inc, parent company of chain restaurants including KFC and Pizza Hut, entered China in 1987 and operates about 3,000 stores across the country, with 210,000 employees.

Little Sheep was founded in Baotou in August 1999 and runs mutton-based hot pot catering

and franchising businesses. It went public in Hong Kong last June, according to its website.

As of Feb. 28, the group owned 130 restaurants and 246 franchises in the mainland, plus more than 20 overseas restaurants.

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