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As filed with the Securities and Exchange Commission on May 3, 2016

File No. [·]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

Yum! China Holding, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**81-2421743** (I.R.S. employer identification number)
1441 Gardiner Lane **Louisville, Kentucky** (Address of principal executive offices)	**40213** (Zip code)

(888) 298-6986
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
Common Stock, par value $0.01 per share	[·]

Securities to be registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company o

YUM! CHINA HOLDING, INC.
INFORMATION REQUIRED IN REGISTRATION STATEMENT
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT
AND ITEMS OF FORM 10

This Registration Statement on Form 10 incorporates by reference information contained in the Information Statement filed herewith as Exhibit 99.1. The cross-reference sheet below identifies where the items required by Form 10 can be found in the Information Statement.

Item 1. ***Business*.**

The information required by this item is contained under the sections of the Information Statement entitled "Information Statement Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Certain Relationships and Related Person Transactions," "The Separation and Distribution" and "Where You Can Find More Information" Those sections are incorporated herein by reference.

Item 1A. ***Risk Factors*.**

The information required by this item is contained under the section of the Information Statement entitled "Risk Factors" That section is incorporated herein by reference.

Item 2. ***Financial Information*.**

The information required by this item is contained under the sections of the Information Statement entitled "Unaudited Pro Forma Combined Financial Statements," "Selected Historical Combined Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Those sections are incorporated herein by reference.

Item 3. ***Properties*.**

The information required by this item is contained under the section of the Information Statement entitled "Business—Properties." That section is incorporated herein by reference.

Item 4. ***Security Ownership of Certain Beneficial Owners and Management*.**

The information required by this item is contained under the section of the Information Statement entitled "Security Ownership of Certain Beneficial Owners and Management." That section is incorporated herein by reference.

Item 5. ***Directors and Executive Officers*.**

The information required by this item is contained under the section of the Information Statement entitled "Management of the Company." That section is incorporated herein by reference.

Item 6. ***Executive Compensation*.**

The information required by this item is contained under the sections of the Information Statement entitled "Executive Compensation," "Compensation Discussion and Analysis" and "Management of the Company—Compensation Committee Interlocks and Insider Participation." Those sections are incorporated herein by reference.

Item 7. ***Certain Relationships and Related Transactions, and Director Independence*.**

The information required by this item is contained under the sections of the Information Statement entitled "Management of the Company" and "Certain Relationships and Related Person Transactions." Those sections are incorporated herein by reference.

Item 8. ***Legal Proceedings*.**

The information required by this item is contained under the section of the Information Statement entitled "Business—Legal Proceedings." That section is incorporated herein by reference.

Item 9. ***Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters*.**

The information required by this item is contained under the sections of the Information Statement entitled "Dividend Policy," "Capitalization," "Security Ownership of Certain Beneficial Owners and Management," "The Separation and Distribution—Market for the Company's Common Stock" and "Description of Capital Stock." Those sections are incorporated herein by reference.

Item 10. ***Recent Sales of Unregistered Securities*.**

The information required by this item is contained under the section of the Information Statement entitled "Description of Capital Stock—Sale of Unregistered Securities." That section is incorporated herein by reference.

Item 11. ***Description of Registrant's Securities to Be Registered*.**

The information required by this item is contained under the sections of the Information Statement entitled "Dividend Policy," "The Separation and Distribution" and "Description of Capital Stock." Those sections are incorporated herein by reference.

Item 12. ***Indemnification of Directors and Officers*.**

The information required by this item is contained under the sections of the Information Statement entitled "Description of Capital Stock—Limitations on Liability, Indemnification of Officers and Directors and Insurance" and "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement—Indemnification." Those sections are incorporated herein by reference.

Item 13. ***Financial Statements and Supplementary Data*.**

The information required by this item is contained under the section of the Information Statement entitled "Index to Financial Information" and the financial statements referenced therein. That section is incorporated herein by reference.

Item 14. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*.**

None.

Item 15. ***Financial Statements and Exhibits*.**

(a) Financial Statements

The information required by this item is contained under the section of the Information Statement entitled "Index to Financial Information" and the financial statements referenced therein. That section is incorporated herein by reference.

(b) Exhibits

See below.

The following documents are filed as exhibits hereto:

Exhibit Number	Exhibit Description
2.1	Form of Separation and Distribution Agreement*
3.1	Form of Amended and Restated Certificate of Incorporation of Yum! China Holding, Inc.*
3.2	Form of Amended and Restated Bylaws of Yum! China Holding, Inc.*
4.1	Form of Rights Agreement between Yum! China Holding, Inc. and [·], as rights agent*
4.2	Form of Certificate of Designations of Preferred Stock*
10.1	Form of Master License Agreement*
10.2	Form of Tax Matters Agreement*
10.3	Form of Employee Matters Agreement*
21.1	Subsidiaries of Yum! China Holding, Inc.*
99.1	Information Statement of Yum! China Holding, Inc., preliminary and subject to completion, dated May 3, 2016**

* To be filed by amendment.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

YUM! CHINA HOLDING, INC.

By: /s/ MICKY PANT

Name: Micky Pant
Title: *Chief Executive Officer*

Date: May 3, 2016

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YUM! CHINA HOLDING, INC. INFORMATION REQUIRED IN REGISTRATION STATEMENT CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

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SIGNATURES

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Exhibit 99.1

[·], 2016

Dear Yum! Brands, Inc. Shareholder:

We are pleased to inform you of the separation of our world-class China business from Yum! Brands, Inc. ("Yum!") into a newly formed public company named Yum! China Holding, Inc. (the "Company").

We expect that the separation of the Company from Yum! will result in two powerful, best-in-class companies, each with a separate strategic focus. The Company, a market leader with decades of accumulated consumer loyalty and world-class operations in China, will become a licensee of Yum! in China with an attractive investment profile and significant opportunity for growth, while Yum!, one of the world's largest restaurant companies with three iconic brands, will focus on expanding the presence and performance of KFC, Pizza Hut and Taco Bell around the world outside of China. The separation reinforces our strong commitment to creating value for our shareholders.

The separation will be completed by way of a pro rata distribution of Company common stock to our shareholders of record as of 5:00 p.m., Eastern Time, on [·], the record date. Each Yum! shareholder will receive [·] shares of Company common stock for each share of Yum! common stock held on the record date.

We expect your receipt of shares of Company common stock in the distribution to be tax-free for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. You should consult your own tax advisor as to the particular tax consequences of the distribution to you, including potential tax consequences under state, local and non-U.S. tax laws.

The distribution does not require Yum! shareholder approval, nor do you need to take any action to receive your shares of Company common stock. Immediately following the separation, you will own common stock in Yum! and the Company. The Company's common stock will be listed on the [·] under the symbol "[·]," while Yum!'s common stock will continue to trade on the New York Stock Exchange under the symbol "YUM."

The enclosed Information Statement, which is being made available to all Yum! shareholders as of the record date for the distribution, describes the separation and distribution in detail and contains important information about the Company, including its business, financial condition and operations. We urge you to carefully read this Information Statement in its entirety.

Sincerely,

Greg Creed
Chief Executive Officer
Yum! Brands, Inc.

[·], 2016

Dear Future Yum! China Holding, Inc. Shareholder:

It is our pleasure to welcome you as a shareholder of our company, Yum! China Holding, Inc. (the "Company"). Following the distribution of shares of our common stock to shareholders of Yum! Brands, Inc. ("Yum"), we will be a newly-listed, publicly-traded business that is expected to be China's largest independent restaurant company.

The Company will initially have over 7,200 restaurants across China, one of the world's largest and fastest growing economies. Our relationship with Yum will allow us to leverage well-known brands and build on decades of experience in the Chinese market. The Company is well-positioned for future growth, with extensive opportunities to expand within China through new unit development.

We invite you to learn more about the Company by reviewing the enclosed Information Statement. We urge you to read the Information Statement carefully and in its entirety. We are excited by our future prospects, and look forward to your support as a holder of shares of the Company's common stock.

Sincerely,

Micky Pant
Chief Executive Officer
Yum! China Holding, Inc.

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended.

PRELIMINARY AND SUBJECT TO COMPLETION, DATED May 3, 2016

INFORMATION STATEMENT

Yum! China Holding, Inc.

This Information Statement is being furnished to the shareholders of Yum! Brands, Inc. ("YUM") in connection with the distribution by YUM to its shareholders of all of the outstanding shares of common stock of Yum! China Holding, Inc., a wholly owned subsidiary of YUM, that will hold, directly or indirectly, the assets and liabilities associated with YUM's operations in China[(1)] ("the Company"). To implement the distribution, YUM will distribute all of the shares of Company common stock on a pro rata basis to YUM shareholders in a distribution that is intended to be tax-free to YUM shareholders for U.S. federal income tax purposes. Please refer to the "Presentation of Information" below for how we refer to "Yum! Brands, Inc.," "YUM," "Yum! China Holding, Inc." and the Company in this Information Statement.

You will receive [·] share[s] of Company common stock for each share of YUM common stock held of record by you as of 5:00 p.m., Eastern Time, on [·], 2016, the record date for the distribution. You will receive cash in lieu of any fractional shares of Company common stock that you would otherwise have received after application of the above distribution ratio. As discussed herein under "The Separation and Distribution—Trading Between the Record Date and Distribution Date," if you sell your shares of YUM common stock "regular-way" after the record date and before the distribution, you will also be selling your right to receive shares of Company common stock in connection with the separation. We expect that shares of Company common stock will be distributed by YUM to you on [·], 2016. We refer to the date on which YUM commences distribution of the Company common stock to the holders of shares of YUM common stock as the "distribution date."

No vote of YUM shareholders is required for the distribution. Therefore, you are not being asked for a proxy, and you are requested not to send YUM a proxy, in connection with the distribution. You do not need to pay any consideration, exchange or surrender your existing YUM shares or take any other action to receive your shares of Company common stock.

There is currently no trading market for Company common stock, although we expect that a limited market, commonly known as a "when-issued" trading market, will develop on or shortly before the record date for the distribution. We expect "regular-way" trading of Company common stock to begin on the first trading day following the distribution. The Company intends to file an application to have its common stock authorized for listing on the [·] (the "[·]") under the symbol "[·]." Following the distribution, YUM will continue to trade on the NYSE under the symbol "YUM."

In reviewing this Information Statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 11.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Information Statement is truthful or complete. Any representation to the contrary is a criminal offense.

This Information Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this Information Statement is [·], 2016.

This Information Statement was first made available to YUM shareholders on or about [·], 2016.

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(1) As used herein, unless the context otherwise requires, references to "China" mean the "People's Republic of China" or "mainland China," excluding Hong Kong, Taiwan and Macau.

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Presentation of Information

Except as otherwise indicated or unless the context otherwise requires, the information included in this Information Statement about the Company assumes the completion of all of the transactions referred to in this Information Statement in connection with the separation and distribution. Unless the context otherwise requires, references in this Information Statement to "the Company," "we," "us," "our," "our company" and "the company" refer to Yum! China Holding, Inc., a Delaware corporation, and its consolidated subsidiaries. References to the Company's historical business and operations refer to all of YUM's China business which will be transferred to the Company in connection with the separation and distribution. Unless the context otherwise requires, references in this Information Statement to "YUM" refer to Yum! Brands, Inc., a North Carolina corporation, and its consolidated subsidiaries other than the Company, which will continue to operate as YUM following the distribution and separation. Unless the context otherwise requires, references to "China" mean the "People's Republic of China" or "mainland China," excluding Hong Kong, Taiwan and Macau.

Trademarks, Trade Names, Service Marks and Restaurants

The Company owns or has rights to use the trademarks, service marks and trade names that it uses in conjunction with the operation of its business. Some of the more important trademarks that the Company owns or has rights to use that appear in this Information Statement include: "KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, Taco Bell, Little Sheep and East Dawning," which may be registered or trademarked in the United States or other jurisdictions. Each trademark, trade name or service mark of any other company appearing in this Information Statement is, to our knowledge, owned by such other company. We license the KFC, Pizza Hut, and Taco Bell brands and related intellectual property under a master license agreement with YUM and, unless the context otherwise requires, references herein to "our" or "the Company's" brands or other intellectual property rights include references to the brands and other intellectual property rights we license from YUM. Unless the context otherwise requires, references to "our" or "the Company's" restaurants or restaurant system include references to restaurants owned or franchised by us and references to "YUM's" restaurants or restaurant systems include restaurants owned or franchised by YUM (excluding our restaurants).

Market and Industry Data

Although we are responsible for all of the disclosure contained in this Information Statement, this Information Statement contains industry, market and competitive position data that are based on industry publications and studies conducted by third parties. The industry publications and third-party studies generally state that the information that they contain has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe the industry, market and competitive position information included in this Information Statement is generally reliable, such information is inherently imprecise.

QUESTIONS AND ANSWERS ABOUT THE SEPARATION AND DISTRIBUTION

What is Yum! China Holding, Inc. and why is YUM separating the Company's business and distributing Company stock?	Yum! China Holding, Inc., which is currently a wholly owned subsidiary of YUM, was formed to own and operate YUM's China business. The separation of the Company from YUM and the distribution of Company common stock are intended to provide you with equity ownership in two separate, publicly traded companies that will be able to focus exclusively on each of their respective businesses. YUM and the Company expect that the separation will result in enhanced long-term performance of each business for the reasons discussed in the section entitled "The Separation and Distribution—Reasons for the Separation."
Why am I receiving this document?	YUM is delivering this document to you because you are a holder of YUM common stock. Each holder of YUM common stock as of 5:00 p.m., Eastern Time, on the record date will be entitled to receive [·] share[s] of Company common stock for each share of YUM common stock held at the close of business on such date. This document will help you understand how the separation and distribution will affect your post-separation ownership in YUM and the Company, respectively.
How will the separation of the Company from YUM work?	To accomplish the separation, YUM will distribute all of the outstanding shares of Company common stock to YUM shareholders on a pro rata basis in a distribution intended to be tax-free to YUM shareholders for U.S. federal income tax purposes except to the extent of any cash received in lieu of fractional shares of Company common stock.
Why is the separation of the Company structured as a distribution?	YUM believes that a distribution of the shares of Company common stock to YUM shareholders is an efficient way to separate its China business in a manner that will create long-term value for YUM and its shareholders.
What is the record date for the distribution?	The record date for the distribution is [·], 2016.
When will the separation and the distribution occur?	It is expected that all of the shares of Company common stock will be distributed by YUM on [·], 2016 to holders of record of shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution. The separation will become effective at the time of the distribution. However, no assurance can be provided as to the timing of the separation and the distribution or that all conditions to the distribution will be met. See "The Separation and Distribution—Conditions to the Distribution."

What do shareholders need to do to participate in the distribution?	Shareholders of YUM as of 5:00 p.m., Eastern Time, on the record date for the distribution will not be required to take any action to receive Company common stock in the distribution, but you are urged to read this entire Information Statement carefully. No shareholder approval of the distribution is required. You are not being asked for a proxy. You do not need to pay any consideration, exchange or surrender your existing shares of YUM common stock or take any other action to receive your shares of Company common stock. Please do not send in your YUM stock certificates. The distribution will not affect the number of outstanding YUM shares or any rights of YUM shareholders, although it will affect the market value of each outstanding share of YUM common stock.
How will shares of Company common stock be issued?	You will receive shares of Company common stock through the same channels that you currently use to hold or trade shares of YUM common stock, whether through a brokerage account, 401(k) plan or other channel. Receipt of shares of Company common stock will be documented for you in the same manner that you typically receive shareholder updates, such as monthly broker statements and 401(k) statements. If you own shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution, YUM, with the assistance of [·], the settlement and distribution agent, will electronically distribute shares of Company common stock to you or to your brokerage firm on your behalf in book-entry form. [·] will mail you a book-entry account statement that reflects your shares of Company common stock, or your bank or brokerage firm will credit your account for the shares.
How many shares of Company common stock will I receive in the distribution?	YUM will distribute to you [·] share[s] of Company common stock for every share of YUM common stock held by you as of 5:00 p.m., Eastern Time, on the record date for the distribution. Based on the number of shares of YUM common stock outstanding as of [·], 2016, a total of approximately [·] shares of Company common stock are expected to be distributed. For additional information on the distribution, see "The Separation and Distribution."

Will the Company issue fractional shares of its common stock in the distribution?

No. The Company will not issue fractional shares of its common stock in the distribution. Fractional shares that YUM shareholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent. The aggregate net cash proceeds of these sales will be distributed pro rata (based on the fractional shares such holder would otherwise have been entitled to receive) to those shareholders who would otherwise have been entitled to receive fractional shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payments made in lieu of fractional shares. The receipt of cash in lieu of fractional shares generally will be taxable, for U.S. federal income tax purposes, to the recipient YUM shareholders. See "Material U.S. Federal Income Tax Consequences."

What are the conditions to the distribution?

The distribution is subject to final approval by the board of directors of YUM, as well as to a number of conditions, including:

- the transfer of assets and liabilities to the Company in accordance with the separation and distribution agreement will have been completed, other than assets and liabilities intended to be transferred after the distribution;

- YUM will have received (i) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, satisfactory to YUM's board of directors, regarding the qualification of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (ii) one or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions;

- the U.S. Securities and Exchange Commission ("SEC") will have declared effective the registration statement of which this Information Statement forms a part, no stop order suspending the effectiveness of the registration statement will be in effect and no proceedings for such purpose will be pending before or threatened by the SEC;

- this Information Statement shall have been made available to the YUM shareholders;

- all actions or filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities laws will have been taken and, where applicable, have become effective or been accepted by the applicable governmental entity;

- any approvals of any governmental entities required for the consummation of the separation and distribution will have been obtained;
- no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the distribution or any of the related transactions will be in effect;
- the shares of Company common stock to be distributed will have been approved for listing on the [·], subject to official notice of issuance;
- the receipt of an opinion from an independent advisory firm confirming the solvency and financial viability of each of the Company and YUM after the distribution that is in form and substance acceptable to YUM in its sole discretion; and
- no other event or development will have occurred or exist that, in the judgment of YUM's board of directors, in its sole discretion, makes it inadvisable to effect the separation, the distribution or the other related transactions.

YUM and the Company cannot assure you that any or all of these conditions will be met and YUM may also waive any of the conditions to the distribution. For a complete discussion of all of the conditions to the distribution, see "The Separation and Distribution—Conditions to the Distribution."

Can YUM decide to cancel the distribution of the Company common stock even if all the conditions have been met?

Yes. Until the distribution has occurred, YUM has the right to terminate the distribution, even if all of the conditions are satisfied. See "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement—Termination."

What if I want to sell my YUM common stock or my Company common stock?

You should consult with your financial advisors, such as your stockbroker, bank or tax advisor.

What is "regular-way" and "ex-distribution" trading of YUM stock?

Beginning on or shortly before the record date for the distribution and continuing up to and through the distribution date, it is expected that there will be two markets in YUM common stock: a "regular-way" market and an "ex-distribution" market. Shares of YUM common stock that trade in the "regular-way" market will trade with an entitlement to shares of Company common stock distributed pursuant to the distribution. Shares that trade in the "ex-distribution" market will trade without an entitlement to shares of Company common stock distributed pursuant to the distribution. If you hold shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date and then decide to sell any shares of YUM common stock before the distribution date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your shares of YUM common stock with or without your entitlement to shares of Company common stock distributed pursuant to the distribution.

Where will I be able to trade shares of Company common stock?

The Company intends to file an application to list its common stock on the [·] under the symbol "[·]." The Company anticipates that trading in shares of its common stock will begin on a "when-issued" basis on or shortly before the record date for the distribution and will continue up to the distribution date, and that "regular-way" trading in Company common stock will begin on the first trading day following the distribution. If trading begins on a "when-issued" basis, you may purchase or sell Company common stock up to the distribution date, but your transaction will not settle until after the distribution date. The Company cannot predict the trading prices for its common stock before, on or after the distribution date.

What will happen to the listing of shares of YUM common stock?

YUM common stock will continue to trade on the NYSE after the distribution under the symbol "YUM."

Will the number of shares of YUM common stock that I own change as a result of the distribution?

No. The number of shares of YUM common stock that you own will not change as a result of the distribution.

Will the distribution affect the market price of shares of my YUM common stock?

Yes. As a result of the distribution, it is expected that the trading price of shares of YUM common stock immediately following the distribution will be lower than the "regular-way" trading price of such shares immediately prior to the distribution because the trading price will no longer reflect the value of the China business to be held by the Company. The combined trading prices of one share of YUM common stock and [·] share[s] of Company common stock after the distribution (representing the number of shares of Company common stock to be received per share of YUM common stock in the distribution) may be equal to, greater than or less than the trading price of one YUM common share before the distribution.

What are the material U.S. federal income tax consequences of the distribution?

It is a condition to the distribution that YUM receive (i) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, satisfactory to YUM's board of directors, regarding the qualification of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code and (ii) one or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions. Assuming that the distribution qualifies as tax-free under Sections 355 and 361 of the Code, for U.S. federal income tax purposes, no gain or loss will be recognized by you, and no amount will be included in your income, upon the receipt of shares of Company common stock pursuant to the distribution. You will, however, recognize gain or loss for U.S. federal income tax purposes with respect to cash received in lieu of a fractional share of Company common stock.

You should consult your own tax advisor as to the particular consequences of the distribution to you, including the applicability and effect of any U.S. federal, state and local tax laws, as well as any foreign tax laws. For more information regarding the material U.S. federal income tax consequences of the distribution, see the section entitled "Material U.S. Federal Income Tax Consequences."

What will the Company's relationship be with YUM following the separation?

The Company will enter into a separation and distribution agreement with YUM to effect the separation and provide a framework for the Company's relationship with YUM after the separation. In addition, a subsidiary of the Company will enter into a master license agreement with a subsidiary of YUM providing the exclusive right to use and sublicense the use of intellectual property owned by YUM and its affiliates for the development and operation of KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, and Taco Bell restaurants in China, and for the conduct of all related development, promotional and support activities. The Company and YUM will also enter into certain other agreements, including, among others, a tax matters agreement and an employee matters agreement. These agreements will provide for the allocation between the Company and YUM of YUM's assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the separation and will govern certain relationships between the Company and YUM after the separation. For additional information regarding the separation and distribution agreement and other transaction agreements, see the sections entitled "Risk Factors—Risks Related to the Separation" and "Certain Relationships and Related Person Transactions."

Who will manage the Company after the separation?

The Company will benefit from a management team with an extensive background in the China business. Led by Micky Pant, who will be the Company's Chief Executive Officer after the separation, the Company's management team will possess deep knowledge of, and extensive experience in, its business, geography and industry. For more information regarding the Company's management, see "Management of the Company."

Are there risks associated with owning Company common stock?

Yes. Ownership of Company common stock will be subject to both general and specific risks, including those relating to the Company's business, the industry and geography in which it operates, its separation from YUM and ongoing contractual relationships with YUM and its status as a separate, publicly traded company. These risks are described in the "Risk Factors" section of this Information Statement. You are encouraged to read that section carefully.

Does the Company plan to pay dividends?	We anticipate that following the separation, our board of directors will adopt a program of returning capital to shareholders, which may take the form of establishing a regular dividend and/or engaging in share repurchases. However, we also intend to retain a significant portion of our earnings to finance the operation, development and growth of our business. Any future determination to declare and pay cash dividends or engage in share repurchases will be at the discretion of our board of directors following the separation and will depend on, among other things, our financial condition, results of operations, actual or anticipated cash requirements, contractual or regulatory restrictions and such other factors as our board of directors deems relevant. See "Dividend Policy."
Will the Company incur any indebtedness prior to or at the time of the distribution?	No. The Company does not plan to incur any indebtedness in connection with the distribution, other than indebtedness incurred in the ordinary course of its operations.
Who will be the distribution agent, transfer agent, registrar and information agent for the Company common stock?	The distribution agent, transfer agent, registrar and information agent for Company common stock has not yet been determined.
Where can I find more information about YUM and the Company?	Before the distribution, if you have any questions relating to YUM's China business, you should contact: Yum! Brands, Inc. 1441 Gardiner Lane Louisville, Kentucky 40213 Attention: Investor Relations Telephone: 1 (888) 298-6986 Email: yum.investor@yum.com After the distribution, Company shareholders who have any questions relating to the Company should contact the Company at: Yum! China Holding, Inc. [Address Line 1] [Address Line 2] Telephone: [·] or [·] Email: [·] The Company's investor website is [·].

INFORMATION STATEMENT SUMMARY

The following is a summary of certain material information discussed in this Information Statement. This summary may not contain all of the details concerning the separation or other information that may be important to you. To better understand the separation and the Company's business and financial position, you should carefully review this entire Information Statement.

This Information Statement describes the China business of YUM to be transferred to the Company by YUM in the separation as if the transferred business were the Company's business for all historical periods described. References in this Information Statement to the Company's historical assets, liabilities, products, business or activities are generally intended to refer to the assets, liabilities, products, business or activities of the China business of YUM prior to the distribution.

Our Company

Yum! China Holding, Inc. is the largest restaurant company in China with approximately 7,200 restaurants, $6.9 billion of revenue and $998 million of adjusted EBITDA in 2015. Our growing restaurant base consists of China's leading restaurant brands, including KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep. Following our separation from Yum! Brands, we will have the exclusive right to operate, sub-franchise and license the KFC, Pizza Hut and Taco Bell brands in China, and will own the East Dawning and Little Sheep concepts outright. We were the first major global restaurant brand to enter China in 1987 and have developed deep experience operating in the market. We have since grown to become one of China's largest retail developers covering over 1,100 cities and opening an average of two new locations per day over the past five years.

KFC is the leading Quick-Service Restaurant ("QSR") brand in China. Today, KFC operates over 5,000 restaurants in over 1,100 cities across China. Measured by number of restaurants, KFC has a two-to-one lead over the nearest Western QSR competitor and continues to grow in both large and small cities. Similarly, Pizza Hut Casual Dining is the leading Casual Dining Restaurant ("CDR") brand in China. Today, Pizza Hut Casual Dining, with nearly 1,600 restaurants in over 400 cities, has a seven-to-one lead in terms of restaurants over its nearest Western CDR competitor.

Over the past three decades, we have built a significant lead not just in number of restaurants, but also in brand awareness and loyalty, proprietary consumer know-how in individual provinces and city tiers, a national supply-chain network, product innovation and quality processes, a motivated and highly-educated workforce and a long-tenured and passionate local management team. We believe that these competitive strengths are difficult to replicate.

We generate strong consumer regard and loyalty by developing menus that cater to local tastes in addition to offering global favorites like KFC's Original Recipe chicken. Each of our brands has proprietary menu items, many developed in China, and emphasizes the preparation of food with high-quality ingredients, as well as unique recipes and special seasonings to provide appealing, tasty and convenient food at competitive prices. Most of our restaurants offer consumers the ability to dine in and/or order delivery or carry-out food. With decades of accumulated consumer know-how and loyalty in China, our brands are integrated into Chinese popular culture and consumers' daily lives.

We opened nearly 750 new restaurants in 2015 and more than 3,000 over the past four years—the equivalent of two new restaurant openings per day. While we may either operate, franchise and/or license restaurant brands, we currently have ownership in and operate approximately 90% of our restaurants, and this high ownership percentage has driven our historically attractive return on investment.

Given the strong competitive position of the KFC and Pizza Hut brands, China's growing economy and population of over 1.3 billion, we expect to continue growing our system sales by adding KFC and Pizza Hut Casual Dining restaurants and through growing same-store sales.

Industry Backdrop

The development and growth of our restaurants has benefited from China's rapidly growing middle class and increasing urbanization. The size of the middle class is expected to continue to grow significantly. According to a 2012 McKinsey study, between 2002 and 2022 the number of middle class and affluent households is expected to increase by 283 million. A significant portion of this growth will be driven by upper middle class households, which are expected to increase from 2% of total households in 2002 to 54% by 2022, or an increase of 188 million households. The Company will continue to focus on this core consumer segment and on serving China's growing middle class.

According to the McKinsey study referenced above, in 2002 87% of the middle class lived in coastal China and only 13% of the middle class lived in inland provinces. By 2022 it is expected that only 61% of the middle class will live in coastal cities as the middle class expands more rapidly in inland cities. Likewise, according to the same study, by 2022 it is expected that 39% of the middle class will live in cities with a population of more than one million. This is consistent with the Company's development plans which have focused on entering new trade zones and building new restaurants further inland.

Restaurant Concepts

KFC

KFC is the largest restaurant brand in China in terms of system sales and number of restaurants. Founded in Corbin, Kentucky by Colonel Harland D. Sanders in 1939, KFC opened its first restaurant in Beijing, China in 1987. Today, almost 30 years later, there are over 5,000 KFCs in China, and the Company plans to continue adding new units. In addition to Original Recipe chicken, KFC in China has an extensive menu featuring pork, beef, seafood, rice dishes, fresh vegetables, soups, breakfast, desserts, and many other products, including premium coffee. The KFC brand is also seeking to increase revenues from its restaurants throughout the day with breakfast, delivery and 24-hour operations in many of its locations.

Pizza Hut Casual Dining

Pizza Hut Casual Dining is the largest Western CDR brand in China as measured by system sales and number of restaurants. It operates in over 400 cities and offers multiple dayparts, including breakfast and afternoon tea. The first Pizza Hut in China opened in 1990, and as of 2015 year-end there were nearly 1,600 Pizza Hut Casual Dining restaurants. Pizza Hut Casual Dining has an extensive menu offering a broad variety of pizzas, entrees, pasta, rice dishes, appetizers, beverages and desserts. In 2015, Pizza Hut Casual Dining was ranked the "Most Preferred Western Casual Dining Restaurant" by The Nielsen Corporation.

Other Concepts

Pizza Hut Home Service. The Company introduced pizza delivery to China in 2001, and today there are over 300 Pizza Hut Home Service units in nearly 50 cities, specializing in professional and convenient delivery of Chinese food as well as pizza. Over 70% of the brand's orders come through online or mobile channels. Its professional service and diverse menu provide a strong platform for continued growth in the future.

Little Sheep. A casual-dining brand with its roots in Inner Mongolia, China, Little Sheep specializes in "Hot Pot" cooking, which is very popular in China particularly during the winter months. Little Sheep has approximately 250 units in both China and international markets today. Of these, over 200 units are franchised.

East Dawning. East Dawning is a Chinese food quick-service restaurant brand, primarily located in large coastal cities. There were 15 restaurants as of 2015 year end. This brand is not viewed as a significant growth engine for the Company.

Taco Bell. Taco Bell is the world's leading QSR brand specializing in Mexican-style food, including tacos, burritos, quesadillas, salads, nachos and similar items. While there are over 6,400 Taco Bell units globally, currently no locations exist in China. The Company plans to open its first Taco Bell restaurant in 2016.

Competitive Strengths

We believe the following strengths, developed over our almost 30-year operating history, differentiate us and serve as a platform for future growth.

- Unique Company culture based on global systems and local spirit.
- Category-leading brands in one of the world's fastest growing economies.
- High-quality, great-tasting food, including local favorites with compelling value and a Western experience.
- Strong unit economics.
- Extensive experience in developing new restaurants.
- Knowledge and understanding of Chinese consumers and versatile approach to marketing.
- Supply chain management with a focus on food safety and quality.
- Internal people development culture and training systems.
- World class operations led by certified restaurant managers.
- Digital and technology capability, especially in mobile and social media.
- Experienced senior management team.

Our Strategies

The Company's primary strategy is to grow sales and profits across its portfolio of brands through increased brand relevance, new store development and enhanced unit economics. Other areas of investment include store remodels; product innovation and quality; improved operating platforms leading to improved service; store-level human resources, including recruiting and training; creative marketing programs; and product testing.

New-Unit Growth

Rapidly growing consumer class. Given the rapidly expanding middle class, we believe that there is significant opportunity to expand within China, and we intend to focus our efforts on increasing our geographic footprint in both existing and new markets. We expanded our restaurant count from 3,906 units in 2010 to approximately 7,200 as of the end of 2015, representing a compounded annual growth rate ("CAGR") of 13%.

Franchise opportunity. Currently, only 9% of our restaurants are operated by franchisees. Going forward, we anticipate high franchisee demand for our brands, supported by strong unit economics, operational consistency and simplicity, and multiple store types to drive restaurant growth. While the franchise market in China is still in its early stages compared to developed markets, the Company plans to continue to increase its franchise-owned store percentage over time.

Development pipeline. We believe we have a robust development pipeline and that we have the opportunity to grow our restaurant count three times over the long term with our existing brands. We also believe the opportunity to add Taco Bell restaurants as well as other concepts could further increase our total unit count.

Same-Store Sales Growth

Flavor innovation. We are keenly aware of the strength of our core menu items but we also seek to continue to introduce innovative items to meet evolving consumer preferences and local tastes, while simultaneously maintaining brand relevance and broadening brand appeal. For example, KFC offers soy bean milk, fried dough sticks, and congee for breakfast. Outside of breakfast, KFC has introduced rice dishes, Peking style chicken twisters, roasted chicken products, egg tarts and fresh lemon/calamansi tea.

Daypart opportunities. We believe there are significant daypart opportunities across our brands. For example, at KFC we recently introduced premium coffee to expand our breakfast and afternoon dayparts. Pizza Hut Casual Dining has focused on breakfast and afternoon tea to further grow same-store sales.

Customer frequency through mobile connectivity. KFC is rolling out its K-Gold loyalty program in 2016 with the eventual goal of a fully digitized customer experience. The brand will also improve the customer experience through ease of ordering and speed of service, supported by innovative technology. Pizza Hut Casual Dining is a leader in providing a digital experience with free in-store Wi-Fi, queue ticketing and pre-ordering, partnering with Alipay and WeChat to receive cashless payments, and introducing a loyalty program.

Best in-store experience. The Company continuously looks for ways to improve the customer experience. For example, starting in 2015, KFC revamped its remodel strategy to accelerate restaurant upgrades. Pizza Hut Casual Dining is also well regarded for offering consumers a contemporary casual dining setting. Our brands also look to improve efficiency to drives sales growth. For example, we are simplifying menu boards and fine-tuning our digital menu boards and in-store self-service order devices. We are also exploring expansion of our delivery business through online-to-offline, or O2O, aggregators.

Value innovation. KFC will continue to focus on value with product offerings such as the bucket and increased combo options throughout the day. Pizza Hut Casual Dining will leverage past innovations like business lunch set and breakfast.

O2O and home delivery. China is a world leader in the emerging online-to-offline or O2O market. This is where digital online ordering technologies interact with traditional brick and mortar retail to enhance the shopping experience. In the restaurant sector, KFC and Pizza Hut Home Service are already leading brands in home delivery. We see considerable further growth potential in the rapidly growing in-home consumption market by aligning our proven restaurant operation capabilities with emerging specialized O2O firms (known as aggregators) that offer consumers the ability to order any restaurant food at home. This could be an exciting new business opportunity with potential to create substantial shareholder value.

Enhanced Profitability

We focus on improving our unit-level economics and overall profits while also making the necessary investments to support our future growth. Since we increased our focus on restaurant margin improvement in late 2013, margins at KFC improved two percentage points from 2013 to 2015. We will pursue additional opportunities to improve profits over the long-term by continuing our focus on fiscal discipline and leveraging fixed costs, while maintaining the quality customer experience for which our brands are known.

The Separation and Distribution

On October 20, 2015, YUM announced that it intended to separate into two publicly traded companies: one comprising YUM's world-class operations in China, which will do business as "   , and one that will comprise YUM's remaining operations (including franchising) around the world, which will continue to do business as YUM and retain YUM's current logo.

On [·], 2016, YUM's board of directors approved the distribution of all of the Company's issued and outstanding shares of common stock on the basis of [·] share[s] of Company common stock for each share of YUM common stock held as of 5:00 p.m., Eastern Time, on [·], 2016, the record date for the distribution.

The Company's Post-Separation Relationship with YUM

After the distribution, YUM and the Company will be separate companies with separate management teams and separate boards of directors. The Company will enter into a separation and distribution agreement with YUM, which is referred to in this Information Statement as the "separation and distribution agreement." In addition, a subsidiary of the Company will enter into a master license agreement with a subsidiary of YUM providing the exclusive right to use and sublicense the use of intellectual property owned by YUM and its affiliates for the development and operation of KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, and Taco Bell restaurants in China and for the conduct of all related development, promotional and support activities. In connection with the separation, the Company will also enter into various other agreements to effect the separation and provide a framework for its relationship with YUM after the separation, such as a tax matters agreement and an employee matters agreement. These agreements will provide for the allocation between the Company and YUM of YUM's assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the separation of the Company from YUM and will govern certain relationships between the Company and YUM after the separation. For additional information regarding the separation and distribution agreement and other transaction agreements, see the sections entitled "Risk Factors—Risks Related to the Separation" and "Certain Relationships and Related Person Transactions."

Reasons for the Separation

YUM's board of directors and management believe that the creation of two independent public companies, with the Company operating the China business, and YUM operating its remaining businesses (including franchising) throughout the rest of the world, is in the best interests of YUM and its shareholders for a number of reasons, including:

- *Enhanced strategic and management focus.* The separation will allow each company to focus on and more effectively pursue its own distinct operating priorities and strategies, and will enable the management of each company to concentrate efforts on the unique needs of each business and pursue distinct opportunities for long-term growth and profitability;

- *More efficient allocation of capital.* The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs and facilitating a more efficient allocation of capital;

- *Direct access to capital markets.* The separation will create an independent equity structure that will afford the Company direct access to capital markets and facilitate the ability of the Company to capitalize on its unique growth opportunities and effect future acquisitions utilizing its common stock;

- *Alignment of incentives with performance objectives.* The separation will facilitate incentive compensation arrangements for employees more directly tied to the performance of the relevant company's business, and may enhance employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives;

- *Investor choice.* The separation will allow investors to separately value YUM and the Company based on their unique investment identities, including the merits, performance and future prospects of their respective businesses. The separation will also provide investors with two distinct and targeted investment opportunities; and

- *Optimized Capital Structure.* As a result of the separation, YUM expects to be more highly franchised, more geographically diversified and less volatile in terms of profit and to have lower ongoing capital expenditures. This business model is expected to enable YUM to take on additional leverage, optimize its capital structure and return cash to shareholders. The Company will have no material debt immediately following the separation.

Neither the Company nor YUM can assure you that, following the separation, any of the benefits described above or otherwise will be realized to the extent anticipated or at all.

Risks Associated with the Company and the Separation

The YUM board of directors also considered a number of potentially negative factors in evaluating the creation of two independent public companies, including, among others, risks relating to the loss of benefits arising from YUM and the Company operating within one company and increased operating costs and one-time separation costs relating to the creation of a new public company, but concluded that the potential benefits from separation outweighed these factors. For more information, see the sections entitled "The Separation and Distribution—Reasons for the Separation" and "Risk Factors" included elsewhere in this Information Statement.

Risks Related to Our Business and the Separation and Distribution

An investment in Company common stock is subject to a number of risks, including risks relating to our business and the separation and distribution. The following list of certain significant risk factors is a high-level summary and is not exhaustive. Please read the information in the section captioned "Risk Factors" for a more thorough description of these and other risks.

Risks Related to Our Business and Industry

- Food safety and food-borne illness concerns may have an adverse effect on our business.

- Any failure to maintain effective quality control systems for our restaurants could have a material adverse effect on our reputation, results of operations and financial condition.

- Any significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering could adversely affect our reputation, business and operations.

- Health concerns arising from outbreaks of viruses or other diseases may have an adverse effect on our business.

- We derive all of our revenue from our operating entities in China and our business is highly exposed to all of the risks of doing business there.

- The operation of our restaurants and our ability to expand our operations are subject to the terms of the master license agreement.

- Our business will be materially harmed if we breach the master license agreement or if it is terminated.

- Our success is tied to the success of YUM's brand strength, marketing campaigns and product innovation.

- Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

- We may not attain our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable.

Risks Related to Doing Business in China

- Changes in Chinese political policies and economic and social policies or conditions may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

- Uncertainties with respect to the interpretation and enforcement of China laws, rules and regulations could have a material adverse effect on us.

- Fluctuation in the value of the renminbi ("RMB") may have a material adverse effect on your investment.

- We expect to rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries in China to fund offshore cash and financing requirements, and such distributions may be subject to certain taxes and legal and contractual restrictions.

- Under the China Enterprise Income Tax Law (the "EIT Law"), if we are classified as a Chinese resident enterprise for China enterprise income tax purposes such classification would likely result in unfavorable tax consequences to us and our non-China shareholders.

Risks Related to the Separation

- The combined post-separation value of YUM and the Company's common stock may not equal or exceed the pre-separation value of YUM common stock.

- The separation may not achieve some or all of the anticipated benefits.

- If the distribution does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company and YUM shareholders could be subject to significant tax liabilities, and, in certain circumstances, the Company could be required to indemnify YUM for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.

- Our ability to engage in strategic transactions following the separation may be limited. In addition, we could be liable for adverse tax consequences resulting from engaging in such transactions.

Risks Related to Our Common Stock

- The Company cannot be certain that an active trading market for its common stock will develop or be sustained after the distribution, and following the distribution, the Company's stock price may fluctuate significantly.

- There may be substantial changes in the Company's stockholder base.

- The Company cannot guarantee the timing, amount or payment of dividends on its common stock.
- Your percentage of ownership in the Company may be diluted in the future.

Corporate Information

The Company was incorporated in Delaware on April 1, 2016 for the purpose of holding YUM's China business in connection with the separation and distribution. Until the business is transferred to us in connection with the separation, we will have no operations. The address of our principal executive offices is [·]. Our telephone number is [·].

The Company maintains an Internet site at [·]. The Company's website, and the information contained therein, or connected thereto, is not incorporated by reference into this Information Statement or the registration statement of which this Information Statement forms a part.

Reason for Furnishing This Information Statement

This Information Statement is being furnished solely to provide information to shareholders of YUM who will receive shares of Company common stock in the distribution. It is not, and is not to be construed as, an inducement or encouragement to buy or sell any of the Company's securities. The information contained in this Information Statement is believed by the Company to be accurate as of the date set forth on its cover. Changes may occur after that date, and neither YUM nor the Company will update the information except in the normal course of their respective disclosure obligations and practices or as otherwise required by law.

SUMMARY SELECTED HISTORICAL AND UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following table presents the summary selected historical and unaudited pro forma combined financial information of the Company. The selected historical combined financial data includes all revenues, costs, assets and liabilities directly attributable to the Company and which have been used in managing and operating the Company business as part of YUM. We derived the combined statements of income data for the three years ended December 31, 2015, and the combined balance sheets data as of December 31, 2015 and December 31, 2014, as set forth below, from our audited combined financial statements, which are included elsewhere in this Information Statement. We derived the combined balance sheet data as of December 31, 2013 from the Company's unaudited combined financial statements that are not included in this Information Statement.

The unaudited pro forma combined statement of income for the fiscal year ended December 31, 2015 reflects our results as if the separation and related transactions described below had occurred on January 1, 2015. The unaudited pro forma combined balance sheet as of December 31, 2015 reflects our financial position as if the separation and related transactions described below had occurred as of such date. The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information and we believe such assumptions are reasonable under the circumstances. Please see the notes to the unaudited pro forma combined financial statements included elsewhere in this Information Statement for a discussion of adjustments reflected in the unaudited pro forma combined financial statements.

The unaudited pro forma combined financial information presented below is not necessarily indicative of our results of operations or financial condition had the separation and distribution and our anticipated post-separation capital structure been completed on the dates assumed. Also, they may not reflect the results of operations or financial condition that would have resulted had we been operating as an independent, publicly traded company during such periods. In addition, they are not necessarily indicative of our future results of operations or financial condition.

You should read this summary financial and operating data together with "Unaudited Pro Forma Combined Financial Statements," "Capitalization," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the combined financial statements included elsewhere in this Information Statement. Among other things,

the combined financial statements included in this Information Statement include more detailed information regarding the basis of presentation for the information in the following table.

(Dollars in millions, except per share data)	Pro Forma for the Fiscal Year Ended December 31, 2015	Historical for the Fiscal Years Ended December 31, 2015	December 31, 2014	December 31, 2013
Combined Statements of Income (Loss) Data:				
Revenues	(Unaudited)			
Company sales		6,789	6,821	6,800
Franchise fees and income		120	113	105
Total revenues	—	6,909	6,934	6,905
Costs and Expenses, Net				
Company restaurants				
Food and paper		2,159	2,207	2,258
Payroll and employee benefits		1,386	1,407	1,360
Occupancy and other operating expenses		2,386	2,415	2,347
Company restaurant expenses	—	5,931	6,029	5,965
General and administrative expenses		395	389	356
Franchise expenses		70	64	60
Closures and impairment expenses, net		64	517	325
Refranchising gain, net		(13)	(17)	(5)
Other income, net		(26)	(51)	(25)
Total costs and expenses, net	—	6,421	6,931	6,676
Operating Profit(a)	—	488	3	229
Interest income, net		8	14	5
Income Before Income Taxes	—	496	17	234
Income tax provision		(168)	(54)	(135)
Net Income (loss)—including noncontrolling interests	—	328	(37)	99
Net Income (loss)—noncontrolling interests		5	(30)	(27)
Net Income (loss)—Yum! China Holding, Inc.(a)	—	323	(7)	126
Pro Forma net earnings per share:	(Unaudited)			
Basic		N/A	N/A	N/A
Diluted		N/A	N/A	N/A
Combined Balance Sheets Data	(Unaudited)			
Cash and cash equivalents		425	238	300
Total assets		3,201	3,257	3,750

(a) Operating Profit for 2014 and 2013, respectively, includes $463 million and $295 million of expense associated with non-cash impairment of our investment in Little Sheep. After considering the tax benefit associated with these losses and the portion of the net losses allocated to noncontrolling interests, Net Income (loss)—Yum! China Holding, Inc, was negatively impacted by these impairments by $361 million and $258 million in 2014 and 2013, respectively. Excluding these impairments, Net income (loss)—Yum! China Holding, Inc. was income of $354 million and $384 million in 2014 and 2013, respectively.

RISK FACTORS

You should carefully consider each of the following risks, which we believe are the principal risks that we face and of which we are currently aware, in addition to considering all of the other information in this Information Statement. The risk factors have been separated into four general groups: risks related to our business and industry, risks related to doing business in China, risks related to the separation and risks related to our common stock. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company in each of these categories of risk. However, the risks and uncertainties our company faces are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, financial condition, or results of operations. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on our business, financial condition or results of operations. In such case, the trading price of our common stock could decline.

Risks Related to Our Business and Industry

Food safety and food-borne illness concerns may have an adverse effect on our business.

Food-borne illnesses, such as E. coli, hepatitis A, trichinosis and salmonella, occur or may occur within our system from time to time. In addition, food safety issues such as food tampering, contamination and adulteration occur or may occur within our system from time to time. Any report or publicity linking us, our competitors, our restaurants, including restaurants operated by us or our franchisees, or any of YUM's restaurants, to instances of food-borne illness or food safety issues could adversely affect our restaurants' brands and reputations as well as our revenues and profits and possibly lead to product liability claims, litigation and damages. If a customer of our restaurants becomes ill from food-borne illnesses or as a result of food safety issues, restaurants in our system may be temporarily closed, which would decrease our revenues. In addition, instances or allegations of food-borne illness or food safety issues, real or perceived, involving our or YUM's restaurants, restaurants of competitors, or suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), or otherwise involving the types of food served at our restaurants, could result in negative publicity that could adversely affect our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain and/or lower margins for us and our franchisees.

Any failure to maintain effective quality control systems for our restaurants could have a material adverse effect on our business, reputation, results of operations and financial condition.

The quality and safety of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our and our franchisees' quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and employee implementation and compliance with those quality control policies and guidelines. Our quality control systems consist of (i) supplier quality control, (ii) logistics quality control, (iii) food processing plants' quality control, and (iv) restaurant quality control. There can be no assurance that our and our franchisees' quality control systems will prove to be effective. Any significant failure or deterioration of these quality control systems could have a material adverse effect on our business, reputation, results of operations and financial condition.

Any significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering could adversely affect our reputation, business and operations.

Being in the restaurant industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers, and we may not be able to detect all defects in our supplies. Any food contamination occurring in raw materials at our suppliers' food processing plants or during the transportation from food processing plants to our restaurants that we fail to detect or prevent could adversely affect the quality of the food served in our restaurants. Due to the scale of our and our franchisees' operations, we also face the risk that certain of our and our franchisees' employees may not adhere to our mandated quality procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we offer at our restaurants, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants, the imposition of penalties against us or our franchisees by relevant authorities and compensation awards by courts. Our sales have been significantly impacted by adverse publicity relating to supplier actions over the past decade. For example, our sales and perception of our brands were significantly impacted following adverse publicity relating to the failure of certain upstream poultry suppliers to meet our standards in late 2012 as well as adverse publicity relating to improper food handling practices by a separate, small upstream supplier in mid-2014. There can be no assurance that similar incidents will not occur again in the future or that we will not receive any food contamination claims or defective products from our suppliers in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

Health concerns arising from outbreaks of viruses or other diseases may have an adverse effect on our business.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, such as avian flu, or H1N1, or "swine flu." The occurrence of such an outbreak of an epidemic illness or other adverse public health developments in China could materially disrupt our business and operations. Such events could also significantly impact our industry and cause a temporary closure of restaurants, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having the swine flu or avian flu, since this could require us or our business partners to quarantine some or all of such employees or disinfect our restaurant facilities. Outbreaks of avian flu occur from time to time around the world, including in China where our restaurants are located, and such outbreaks have resulted in confirmed human cases. It is possible that outbreaks in China and elsewhere could reach pandemic levels. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. This would likely result in lower revenues and profits. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact our profit margins and revenues.

Furthermore, other viruses may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. We could also be adversely affected if jurisdictions in which we have restaurants impose mandatory closures, seek voluntary closures or impose restrictions on operations of restaurants. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may affect our business.

We derive all of our revenue from our operations in China.

All of our restaurants are located, and our revenues and profits originate, in China. As a consequence, our financial results are entirely dependent on our results in China, and our business is highly exposed to all of the risks of doing business there. These risks are described further under the section "Risks Related to Doing Business in China."

The operation of our restaurants is subject to the terms of the master license agreement.

Under the master license agreement with YUM, we are required to comply with certain brand standards established by YUM in connection with the licensed business. If we fail to comply with YUM's standards of operations, YUM has various rights, including the right to terminate the applicable license or eliminate the exclusivity of our license in China.

Additionally, the master license agreement will require that we pay a license fee to YUM of 3% of net sales of all restaurants of the licensed brands in China. We have historically not considered such license fee in the evaluation of which Company assets should be tested for impairment. Whether Company store-level assets are impaired will be determined by the overall business performance of the store at that time which will require an assessment of many operational factors. Nonetheless, it is possible that our impairment expense could increase going forward as a result of the inclusion of this license fee. While there may be other considerations that mitigate this expense, it is possible that the imposition of the license fees could impact our unit-level results, which could result in additional Company restaurant closures and/or lower new-unit development.

The master license agreement may also be terminated upon the occurrence of certain events, such as the insolvency or bankruptcy of the Company. If the master license agreement were terminated, or any of our license rights were limited, our business, financial condition and results of operations would be adversely affected. The master license agreement with YUM is further described under the section "Certain Relationships and Related Person Transactions—The Master License Agreement."

Our success is tied to the success of YUM's brand strength, marketing campaigns and product innovation.

The KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell trademarks and related intellectual property are owned by YUM and licensed to us in China. The value of these marks depends on the enforcement of YUM's trademark and intellectual property rights, as well as the strength of YUM's brands. Due to the nature of licensing and our agreements with YUM, our success is, to a large extent, directly related to the success of the YUM restaurant system, including the management, marketing success and product innovation of YUM. Further, if YUM were to reallocate resources away from the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, or Taco Bell brands, these brands and the license rights that have been granted to us could be harmed globally or regionally, which could have a material adverse effect on our operating results and our competitiveness in China. In addition, strategic decisions made by YUM management related to its brands, marketing and restaurant systems may not be in our best interests and may conflict with our strategic plans.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

The products sold by us and our franchisees are sourced from a wide variety of suppliers inside and outside of China. We are also dependent upon third parties to make frequent deliveries of food products and supplies that meet our specifications at competitive prices. Shortages or interruptions in the supply of food items and other supplies to our restaurants could adversely affect the availability, quality and cost of items we use and the operations of our restaurants. Such shortages or disruptions could be caused by inclement weather, natural disasters such as floods, drought and hurricanes, increased demand, problems in production or distribution, restrictions on imports or exports, political

instability in the countries in which suppliers and distributors are located, the financial instability of suppliers and distributors, suppliers' or distributors' failure to meet our standards, product quality issues, inflation, other factors relating to the suppliers and distributors and the countries in which they are located, food safety warnings or advisories or the prospect of such pronouncements or other conditions beyond our control. Despite our efforts in developing multiple suppliers for the same items, a shortage or interruption in the availability of certain food products or supplies could still increase costs and limit the availability of products critical to restaurant operations, which in turn could lead to restaurant closures and/or a decrease in sales. In addition, failure by a principal supplier or distributor for us and/or our franchisees to meet its service requirements could lead to a disruption of service or supply until a new supplier or distributor is engaged, and any disruption could have an adverse effect on our business.

We may not attain our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable.

Our growth strategy depends on our ability to build new restaurants in China. The successful development of new units depends in large part on our ability to open new restaurants and to operate these restaurants profitably. We cannot guarantee that we, or our franchisees, will be able to achieve our expansion goals or that new restaurants will be operated profitably. Further, there is no assurance that any new restaurant will produce operating results similar to those of our existing restaurants. Other risks which could impact our ability to increase the number of our restaurants include prevailing economic conditions and our or our franchisees' ability to obtain suitable restaurant locations, negotiate acceptable lease or purchase terms for the locations, obtain required permits and approvals in a timely manner, hire and train qualified restaurant crews and meet construction schedules.

In addition, the new restaurants could impact the sales of our existing restaurants nearby. There can be no assurance that sales cannibalization will not occur or become more significant in the future as we increase our presence in existing markets in China.

Our growth strategy includes expanding our ownership and operation of restaurant units through organic growth by developing new restaurants that meet our investment objectives. We may not be able to achieve our growth objectives and these new restaurants may not be profitable. The opening and success of restaurants we may open in the future depends on various factors, including:

- our ability to obtain or self-fund adequate development financing;
- competition from other quick service restaurants ("QSRs") in current and future markets;
- our degree of penetration in existing markets;
- the identification and availability of suitable and economically viable locations;
- sales and margin levels at existing restaurants;
- the negotiation of acceptable lease or purchase terms for new locations;
- regulatory compliance regarding restaurant opening and operation;
- the ability to meet construction schedules;
- our ability to hire and train qualified restaurant crews; and
- general economic and business conditions.

The prices of raw materials fluctuate.

Our restaurant business depends on reliable sources of large quantities of raw materials such as protein (including poultry, pork, beef and seafood), cheese, oil, flour and vegetables (including potatoes and lettuce). Our raw materials are subject to price volatility caused by any fluctuation in aggregate

supply and demand, or other external conditions, such as climate and environmental conditions where weather conditions or natural events or disasters may affect expected harvests of such raw materials. As a result, the historical prices of raw materials consumed by us have fluctuated. We cannot assure you that we will continue to purchase raw materials at reasonable prices, or that our raw materials prices will remain stable in the future. In addition, because we and our franchisees provide competitively priced food, our ability to pass along commodity price increases to our customers is limited. If we are unable to manage the cost of our raw materials or to increase the prices of our products, it may have an adverse impact on our future profit margin.

We are subject to all of the risks associated with leasing real estate, and any adverse developments could harm our results of operations and financial condition.

As a significant number of our restaurants are operating on leased properties, we are exposed to the market conditions of the retail rental market. As of year-end 2015, we leased the land and/or building for approximately 7,000 restaurants in China. Accordingly, we are subject to all of the risks generally associated with leasing real estate, including changes in the investment climate for real estate, demographic trends, trade zone shifts, central business district relocations, and supply or demand for the use of the restaurants, as well as potential liability for environmental contamination.

The majority of our existing lease terms are fixed with a term ending within the next 20 years. Most of our leases contain an early termination clause that permits us to early terminate the lease agreement if the restaurant's unit contribution is negative for a specified period of time. We may voluntarily close a restaurant if it ceases to be a desirable location in terms of traffic flow, if there is a change in our targeted trade zones or if it ceases to be profitable. If we decide to close a restaurant, we may nonetheless be subject to certain obligations under the terms of the relevant lease agreements, such as payment of specified early termination amounts. These early termination amounts are generally an amount calculated based on the average monthly rent over the year.

The rent under the majority of our current restaurant lease agreements is generally payable in one of three ways: (i) fixed rent; (ii) the higher of a fixed base rent or a percentage of the restaurant's annual sales revenue, subject to adjustment; or (iii) a percentage of the restaurant's annual sales revenue, subject to adjustment. Adjustments to rent calculated as a percentage of the restaurant's annual sales revenue generally correspond to the level of annual sales revenue as specified in the agreement. In addition to increases in rent resulting from fluctuations in annual sales revenue, certain of our lease agreements include provisions specifying fixed increases in rental payments over the respective terms of the lease agreements. While these provisions have been negotiated and are specified in the lease agreement, they will increase our costs of operation and therefore may materially and adversely affect our business, results of operation and financial position if we are not able to pass on the increased costs to our customers. Certain of our lease agreements also provide for the payment of a management fee at either a fixed rate or fixed amount per square meter of the relevant leased property.

Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, who may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate, or if any existing favorable terms granted by the lessor are not extended, we must determine whether it is desirable to renew on such modified terms. If we are unable to renew leases for our restaurant sites on acceptable terms or at all, we will have to close or relocate the relevant restaurants, which would eliminate the sales that those restaurants would have contributed to our revenues during the period of closure, and could subject us to construction, renovation and other costs and risks. In addition, the revenue and any profit generated after relocation may be less than the revenue and profit previously generated before such relocation. As a result, any inability to obtain leases for desirable restaurant

locations or renew existing leases on commercially reasonable terms could have a material adverse effect on our business and results of operations.

For details of information regarding our leased properties, please refer to the section entitled "Business—Properties."

We may not be able to obtain desirable restaurant locations on commercially reasonable terms.

We compete with other retailers and restaurants for suitable locations, and the market for retail premises is very competitive in China. Our competitors may negotiate more favorable lease terms than our lease terms, and some landlords and developers may offer priority or grant exclusivity to some of our competitors for desirable locations for various reasons beyond our control. We cannot assure you that we will be able to enter into new lease agreements for prime locations on commercially reasonable terms, if at all. If we cannot obtain desirable restaurant locations on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected.

Labor shortages or increases in labor costs could slow our growth, harm our business and reduce our profitability.

Restaurant operations are highly service-oriented and our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant managers, and other crew members. The market for qualified employees in our industry is very competitive. Any future inability to recruit and retain qualified individuals may delay the planned openings of new restaurants and could adversely impact our existing restaurants. Any such delays, material increases in employee turnover rate in existing restaurants or widespread employee dissatisfaction could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also compel us to pay higher wages to attract or retain key crew members, which could result in higher labor costs.

The Chinese Labor Contract Law that became effective on January 1, 2008 formalizes workers' rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions, and provides for specific standards and procedures for employees' protection. Moreover, minimum wage requirements in China have increased and could continue to increase our labor costs in the future. The salary level of employees in the restaurant industry in China has been increasing in the past several years. We may not be able to increase our product prices enough to pass these increased labor costs on to our customers, in which case our business and results of operations would be materially and adversely affected.

Our success depends substantially on our corporate reputation and on the value and perception of our brands.

One of our primary assets is the exclusive right to use the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell trademarks in China. Our success depends in large part upon our ability and our franchisees' ability to maintain and enhance the value of these brands and our customers' loyalty to these brands in China. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring, and whether originating from us, our franchisees, competitors, suppliers and distributors or YUM and its other licensees or franchisees, competitors, suppliers and distributors outside China can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our brands could be damaged by claims or perceptions about the quality or safety of our products or the quality of our suppliers and distributors, regardless of whether such claims or perceptions are true. Any such incidents (even if resulting from the actions of a competitor) could cause a decline directly or indirectly in consumer confidence in, or the perception of, our brands and/or our products and reduce consumer demand for our products, which would likely result in lower

revenues and profits. Additionally, our corporate reputation could suffer from a real or perceived failure of corporate governance or misconduct by a company officer, employee or representative.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.

In recent years, there has been a marked increase in the use of social media platforms, including weblogs (blogs), mini-blogs, chat platforms, social media websites, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of inaccurate or irresponsible information online could harm our business, reputation, prospects, financial condition, and results of operations, regardless of the information's accuracy. The damage may be immediate without affording us an opportunity for redress or correction.

Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about our brands, exposure of personally identifiable information, fraud, hoaxes or malicious exposure of false information. The inappropriate use of social media by our customers or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation and adversely affect our results of operations.

We could be party to litigation that could adversely affect us by increasing our expenses, diverting management attention or subjecting us to significant monetary damages and other remedies.

We are involved in legal proceedings from time to time. These proceedings do or could include consumer, employment, real-estate related, tort, intellectual property, breach of contract, and other litigation. As a public company, we may in the future also be involved in legal proceedings alleging violation of securities laws or derivative litigation. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may not be accurately estimated. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert resources and management attention away from our operations and negatively impact reported earnings. With respect to insured claims, a judgment for monetary damages in excess of any insurance coverage could adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations may also adversely affect our reputation, which in turn could adversely affect our results of operations.

In addition, the restaurant industry around the world has been subject to claims that relate to the nutritional content of food products, as well as claims that the menus and practices of restaurant chains have led to customer health issues, including weight gain and other adverse effects. We may also be subject to these types of claims in the future and, even if we are not, publicity about these matters (particularly directed at the quick service and fast-casual segments of the retail food industry) may harm our reputation and adversely affect our business, financial condition and results of operations.

Failure to comply with anti-bribery or anti-corruption laws could adversely affect our business operations.

The U.S. Foreign Corrupt Practices Act and similar Chinese laws and other similar applicable laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing emphasis and enforcement around the world. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, agents or other third parties will not take actions in violation of our policies or applicable law, particularly as we expand our operations through organic growth and acquisitions. Any such violations or suspected violations could subject us to civil or criminal penalties, including substantial

fines and significant investigation costs, and could also materially damage the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell brands, as well as our reputation and prospects, business and operating results. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and adversely affect our revenues and results of operations.

As a U.S. company, we will be subject to U.S. federal income tax on our worldwide income, which could result in material taxes in addition to the taxes on our China business.

We are a U.S. corporation that will indirectly own the subsidiaries that conduct our business in China. As a U.S. corporation, we will be subject to U.S. federal income tax on our worldwide income, including certain income that is distributed or deemed distributed to us by our subsidiaries operating in China. As a result, although substantially all of our profit is anticipated to be earned outside the U.S. and taxed at local tax rates that may be lower than the U.S. statutory tax rate, our after-tax income is expected to be determined based on U.S. tax rates, except with respect to any portion of our income that is permanently reinvested outside the U.S., thus reducing our after-tax profit.

In addition, as a holding company our ability to make distributions to our shareholders generally will be based on our ability to receive distributions from our subsidiaries. As a U.S. company, our receipt of any such distributions from our subsidiaries may result in the current recognition of U.S. taxable income and could cause our effective tax rate to increase to the extent such U.S. income taxes had not already been taken into account in such determination. This incremental U.S. tax cost could affect the amount of distributions we are able to make to our shareholders. For more information regarding our plans to pay dividends, see "Dividend Policy."

Tax matters, including changes in tax rates, disagreements with taxing authorities and imposition of new taxes could impact our results of operations and financial condition.

We are subject to income taxes as well as non-income based taxes, such as payroll, turnover, use, value-added, import, property and withholding taxes, in China and income and other taxes in the U.S. and other jurisdictions. We are also subject to reviews, examinations and audits by Chinese tax authorities, the U.S. Internal Revenue Service (the "IRS"), and other taxing authorities with respect to income and non-income based taxes. If Chinese tax authorities, the IRS, or another taxing authority disagrees with our tax positions, we could face additional tax liabilities, including interest and penalties. Payment of such additional amounts upon final settlement or adjudication of any disputes could have a material impact on our results of operations and financial position.

In addition, we are directly and indirectly affected by new tax legislation and regulation and the interpretation of tax laws and regulations worldwide. Recently, the U.S. government has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Certain changes to U.S. tax laws currently proposed by lawmakers would impact the ability of U.S. taxpayers to defer U.S. taxation of foreign earnings and to claim and utilize foreign tax credits. These proposals would also eliminate certain tax deductions until earnings are repatriated to the United States. Moreover, the tax regime in China is rapidly evolving and there can be significant uncertainty for taxpayers in China as Chinese tax laws may change significantly or be subject to uncertain interpretations. Changes in legislation, regulation or interpretation of existing laws and regulations in the U.S., China, and other jurisdictions where we are subject to taxation could increase our taxes and have an adverse effect on our operating results and financial condition.

Our business may be adversely impacted by changes in consumer discretionary spending and general economic conditions.

Purchases at our restaurants are discretionary for consumers and, therefore, our results of operations are susceptible to economic slowdowns and recessions. Our results of operations are

dependent upon discretionary spending by consumers, which may be affected by general economic conditions in China. Some of the factors that impact discretionary consumer spending include unemployment rates, fluctuations in the level of disposable income, the price of gasoline, stock market performance and changes in the level of consumer confidence. These and other macroeconomic factors could have an adverse effect on our sales, profitability or development plans, which could harm our financial condition and operating results.

The retail food industry in which we operate is highly competitive.

The retail food industry in which we operate is highly competitive with respect to price and quality of food products, new product development, advertising levels and promotional initiatives, customer service, reputation, restaurant location, and attractiveness and maintenance of properties. If consumer or dietary preferences change, or our restaurants are unable to compete successfully with other retail food outlets in new and existing markets, our business could be adversely affected. We also face growing competition as a result of convergence in grocery, convenience, deli and restaurant services, including the offering by the grocery industry of convenient meals, including pizzas and entrees with side dishes. Competition from delivery aggregators and other food delivery services in China has also increased in recent years, particularly in urbanized areas. Increased competition could have an adverse effect on our sales, profitability or development plans, which could harm our financial condition and operating results.

Any inability to successfully compete with the other restaurants and catering services in our markets may prevent us from increasing or sustaining our revenues and profitability and could have a material adverse effect on our business, financial condition, results of operations and/or cash flows. We may also need to modify or refine elements of our restaurant system in order to compete with popular new restaurant styles or concepts, including delivery aggregators, that develop from time to time. There can be no assurance that we will be successful in implementing any such modifications or that such modifications will not reduce our profitability.

We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations of China, we are required to maintain various approvals, licenses and permits in order to operate our restaurant business. Each of our restaurants in China is required to obtain the relevant food hygiene license or food service license, public assembly venue hygiene license, environmental protection assessment and inspection approval and fire safety design approval and fire prevention inspection report, and some of our restaurants which sell alcoholic beverages are required to make further registrations or obtain additional approvals. These licenses and registrations are achieved upon satisfactory compliance with, among other things, the applicable food safety, hygiene, environmental protection, fire safety, and alcohol laws and regulations. Most of these licenses are subject to periodic examinations or verifications by relevant authorities and are valid only for a fixed period of time and subject to renewal and accreditation. There is no assurance that all of our franchisees will be able to obtain or maintain any of these licenses.

We may not be able to adequately protect the intellectual property we own or have the right to use, which could harm the value of our brands and adversely affect our business and operations.

We believe that our brands are essential to our success and our competitive position. Although the trademarks we use in China are duly registered, these steps may not be adequate to protect these intellectual property rights. See "Certain Relationships and Related Person Transactions—Master License Agreement." In addition, third parties may infringe upon the intellectual property rights we own or have the right to use or misappropriate the proprietary knowledge we use in our business,

primarily our proprietary recipes, which could have a material adverse effect on our business, financial condition or results of operations. The laws of China may not offer the same protection for intellectual property rights as the U.S. and other jurisdictions with more robust intellectual property laws.

We are required under the master license granted by YUM to police, protect and enforce the trademarks and other intellectual property rights used by us, and to protect trade secrets. Such actions to police, protect, or enforce could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. Even if actions to police, protect, or enforce are resolved in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses.

In addition, we may face claims of infringement that could interfere with the use of the proprietary know-how, concepts, recipes or trade secrets we use in our business. Defending against such claims may be costly and, if we are unsuccessful, we may be prohibited from continuing to use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information, any of which could negatively affect our sales, profitability and prospects.

Our licensor may not be able to adequately protect its intellectual property, which could harm the value of the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell brands and branded products and adversely affect our business.

The success of our business depends in large part on our continued ability to use the trademarks, service marks, recipes and other components of the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell branded systems that we license from YUM pursuant to the master license agreement.

We are not aware of any assertions that the trademarks, menu offerings or other intellectual property rights we license from YUM infringe upon the proprietary rights of third parties, but third parties may claim infringement by us or YUM in the future. Any such claim, whether or not it has merit, could be time-consuming, result in costly litigation, cause delays in introducing new menu items in the future or require us to enter into additional royalty or licensing agreements with third parties. As a result, any such claims could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations may fluctuate due to seasonality and certain major events in China.

Our sales are subject to seasonality. For example, we typically experience higher sales during traditional Chinese festivals and holiday seasons, including Chinese New Year, May Labor holiday, China National Day, and Mid-Autumn festival as there are more family and friends gatherings during Chinese festivals and holiday seasons, and customers dine out more frequently during such periods of time. As a result of these fluctuations, a downturn during a period of high seasonality could have a disproportionate effect on our full-year results, and comparisons of sales and operating results within a financial year may not be able to be relied on as indicators of our future performance. Any seasonal fluctuations reported in the future may differ from the expectations of our investors.

Our information systems may fail or be damaged, which could harm our operations and our business.

Our operations are dependent upon the successful and uninterrupted functioning of our computer and information systems. Our systems could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses. System defects, failures, interruptions, unauthorized entries or viruses could result in:

- additional computer and information security and systems development costs;

- diversion of technical and other resources;
- loss of customers and sales;
- loss or theft of customer, employee or other data;
- negative publicity;
- harm to our business and reputation; and
- exposure to litigation claims, government investigations and enforcement actions, fraud losses or other liabilities.

To the extent we rely on the systems of third parties in areas such as credit card processing, telecommunications and wireless networks, any defects, failures and interruptions in such systems could result in similar adverse effects on our business. Sustained or repeated system defects, failures or interruptions could materially impact our operations and operating results. Also, if we are unsuccessful in updating, upgrading and expanding our systems, our ability to increase comparable store sales, improve operations, implement cost controls and grow our business may be constrained.

Despite the implementation of security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties.

As we operate in the restaurant industry, we usually receive and handle relatively large amounts of cash in our daily operations. Instances of fraud, theft or other misconduct with respect to cash can be difficult to detect, deter and prevent, and could subject us to financial losses and harm our reputation.

We may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, long-lived asset impairment, impairment of goodwill and other intangible assets, and share-based compensation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. New accounting guidance may require systems and other changes that could increase our operating costs and/or change our financial statements. For example, implementing future accounting guidance related to leases and other areas impacted by the convergence project between the Financial Accounting Standards Board and the International Accounting Standards Board could require us to make significant changes to our lease management system or other accounting systems, and will result in changes to our financial statements.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

By the distribution date, we expect to have obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in China. However, there are types of losses we may incur that cannot be insured against or that we believe are not cost effective to insure, such as loss of reputation. If we were held liable for uninsured

losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

Failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation.

We receive and maintain certain personal financial and other information about our customers and employees when, for example, we accept credit cards or smart cards for payment. The use and handling of this information is regulated by evolving and increasingly demanding laws and regulations, as well as by certain third-party contracts. If our security and information systems are compromised as a result of data corruption or loss, cyber-attack or a network security incident or our employees, franchisees or vendors fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could subject us to litigation and government enforcement actions, damage our reputation, cause us to incur substantial costs, liabilities and penalties and/or result in a loss of customer confidence, any and all of which could adversely affect our business, financial condition and results of operations.

Failure by us to maintain effective disclosure controls and procedures and internal control over financial reporting in accordance with the rules of the SEC could harm our business and operating results and/or result in a loss of investor confidence in our financial reports, which could have a material adverse effect on our business.

We will be required to maintain effective disclosure controls and procedures and effective internal control over financial reporting in connection with our filing of periodic reports with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Failure to maintain effective disclosure controls and procedures and internal control over financial reporting or to comply with Section 404 of the Sarbanes-Oxley Act of 2002, or any report by us of a material weakness in such controls, may cause investors to lose confidence in our combined financial statements. If we fail to remedy any material weakness, our combined financial statements may be inaccurate and we may face restricted access to the capital markets, which could adversely affect our business, financial condition and results of operations.

Unforeseeable business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fires, floods, earthquakes, power failures and power shortages, hardware and software failures, computer viruses and other events beyond our control. In particular, our business is dependent on prompt delivery and reliable transportation of our food products by our logistics partners. Unforeseeable events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, non-cooperation of our logistics partners, and labor strikes, could lead to delay or lost deliveries to our restaurants, which may result in the loss of revenue or in customer claims. There may also be instances where the conditions of fresh, chilled or frozen food products, being perishable goods, deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our logistics partners. This may result in a failure by us to provide quality food and services to customers, thereby affecting our business and potentially damaging our reputation. Any such events experienced by us could disrupt our operations.

Risks Related to Doing Business in China

Changes in Chinese political policies and economic and social policies or conditions may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Substantially all of our assets and business operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally, and by continued economic growth in China as a whole. The Chinese economy, markets and levels of consumer spending are influenced by many factors beyond our control, including consumer perceptions of current and future economic conditions, political uncertainty, unemployment rates, inflation, fluctuations in the level of disposable income, taxation, foreign exchange control, and changes in interest and currency exchange rates.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, foreign exchange control and fiscal measures and allocation of resources. Although the Chinese government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the restructuring of state assets and state owned enterprises, and the establishment of improved corporate governance in business enterprises, a significant portion of productive assets in China is still owned or controlled by the Chinese government. The Chinese government also exercises significant control or influence over Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary and fiscal policies, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth in recent decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China. Since 2012, Chinese economic growth has slowed and any prolonged slowdown in the Chinese economy may reduce the demand for our products and adversely affect our business, financial condition and results of operations. Restaurant dining, and specifically casual dining, is discretionary for customers and tends to be higher during periods in which favorable economic conditions prevail. Customers' tendency to become more cost-conscious as a result of an economic slowdown or decreases

in disposable income may reduce our customer traffic or average revenue per customer, which may adversely affect our revenues.

Uncertainties with respect to the interpretation and enforcement of Chinese laws, rules and regulations could have a material adverse effect on us.

Substantially all of our operations are conducted in China, and are governed by Chinese laws, rules and regulations. Our subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which legal cases may be cited for reference but have limited value as precedents. In the late 1970s, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. However, since these laws and regulations are relatively new and the Chinese legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to interpret and/or enforce our legal rights. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings, and the level of legal protection we enjoy, than in more developed legal systems. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Furthermore, the Chinese legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially adversely affect our business and impede our ability to continue our operations.

Fluctuation in the value of the RMB may have a material adverse effect on your investment.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China ("PBOC"). The Chinese government allowed the RMB to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar remained within a narrow range. After June 2010, the Chinese government allowed the RMB to appreciate slowly against the U.S. dollar again. On August 11, 2015, however, the PBOC allowed the RMB to depreciate by approximately 2% against the U.S. dollar. Changes in the value of the RMB against the U.S. dollar may occur relatively suddenly, as was the case, for example, in August 2015. It is difficult to predict how market forces or Chinese or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

Substantially all of our revenues and costs are denominated in RMB. As a Delaware holding company, we may rely on dividends and other fees paid to us by our subsidiaries in China. Any significant revaluation of the RMB may materially affect our cash flows, net revenues, earnings and financial position, and the value of, and any dividends payable on, our common stock in U.S. dollars. For example, an appreciation of the RMB against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in

turn could adversely affect the price of our common stock. If we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our common stock, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

Very few hedging options are available in China to reduce our exposure to exchange rate fluctuations. In addition, our currency exchange loss may be magnified by Chinese exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates and restrictions on exchange may have a material adverse effect on your investment.

Changes in the laws and regulations of China or non-compliance with applicable laws and regulations may have a significant impact on our business, financial condition and results of operations.

Our business and operations are subject to the laws and regulations of China. The continuance of our operations depends upon compliance with, *inter alia*, applicable Chinese environmental, health, safety, labor, social security, pension and other laws and regulations. Failure to comply with such laws and regulations could result in fines, penalties or lawsuits. In addition, there is no assurance that we will be able to comply fully with applicable laws and regulations should there be any amendment to the existing regulatory regime or implementation of any new laws and regulations.

Furthermore, our business and operations in China entail the procurement of licenses and permits from the relevant authorities. Difficulties or failure in obtaining the required permits, licenses and certificates could result in our inability to continue our business in China in a manner consistent with past practice. In such an event, our business, financial condition and results of operations may be adversely affected.

We expect to rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries in China to fund offshore cash requirements.

We are a holding company and conduct all of our business through our operating subsidiaries. We expect to rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries for our cash requirements. As noted above, distributions to us from our subsidiaries may result in incremental tax costs.

The laws, rules and regulations applicable to our Chinese subsidiaries permit payments of dividends only out of their accumulated profits, if any, determined in accordance with applicable Chinese accounting standards and regulations. In addition, under Chinese law an enterprise incorporated in China is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. At the discretion of the board of directors, as an enterprise incorporated in China, each of our Chinese subsidiaries may allocate a portion of its after-tax profits based on Chinese accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of our Chinese subsidiaries to pay dividends or make other distributions to us could limit our ability to make investments or acquisitions outside of China that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, China Enterprise Income Tax Law (the "EIT Law") and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to companies that are not Chinese-resident enterprises unless otherwise reduced according to treaties or arrangements between the Chinese central government and the governments of other countries or regions where the non-Chinese-resident enterprises are incorporated. Although a foreign

tax credit is generally available against our U.S. federal income taxes for such withholding taxes, the ability to utilize foreign tax credits is subject to complex limitations and as such we may be limited in our ability to offset any such Chinese withholding tax against our U.S. federal income tax liabilities.

Restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions or remittances to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn could restrict our ability to return capital to our shareholders in the future.

Under the EIT Law, if we are classified as a Chinese resident enterprise for Chinese enterprise income tax purposes such classification would likely result in unfavorable tax consequences to us and our non-Chinese shareholders.

Under the EIT Law and its implementation rules, an enterprise established outside China with a "de facto management body" within China is considered a Chinese resident enterprise for Chinese enterprise income tax purposes. A Chinese resident enterprise is generally subject to certain Chinese tax reporting obligations and a uniform 25% enterprise income tax rate on its worldwide income. Furthermore, under the EIT Law, if we are a Chinese resident enterprise (i) dividends paid by us to our non-Chinese shareholders would be subject to a 10% dividend withholding tax or a 20% individual income tax if the shareholder is an individual and (ii) such non-Chinese shareholders may become subject to Chinese tax and filing obligations as well as withholding with respect to any disposition of our stock, subject to certain treaty or other exemptions or reductions.

The Company and each Company subsidiary that is organized outside of China intend to conduct their management functions in a manner that does not cause them to be Chinese resident enterprises, including by carrying on their day-to-day management activities and maintaining their key assets and records, such as resolutions of their board of directors and resolutions of shareholders, outside of China. As such, we do not believe that the Company or any of its non-Chinese subsidiaries should be considered a Chinese resident enterprise for purposes of the EIT Law. However, given the uncertainty regarding the application of the EIT Law to the Company and its future operations, there can be no assurance that the Company or any of its non-Chinese subsidiaries will not be treated as a Chinese resident enterprise now or in the future for Chinese tax law purposes.

For details of certain Chinese tax considerations related to the distribution and ownership of our common stock, see "Material Chinese Tax Consequences."

We and our shareholders face uncertainty with respect to indirect transfers of equity interests in Chinese resident enterprises through transfer of non-Chinese-holding companies. Enhanced scrutiny by the Chinese tax authorities may have a negative impact on potential acquisitions and dispositions we may pursue in the future.

In February 2015, the Chinese State Administration of Taxation ("SAT") issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a Chinese resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. Where a non-resident enterprise conducts an "indirect transfer" of Chinese interests by disposing of equity interests in an offshore holding company that directly or indirectly owns Chinese interests, the transferor, transferee, and/or the Chinese resident enterprise may report such indirect transfer to the relevant Chinese tax authority, which in turn reports to the SAT. Using general anti-tax avoidance provisions, the SAT may treat such indirect transfer as a direct transfer of Chinese interests if the

transfer has avoided Chinese tax by way of an arrangement without reasonable commercial purpose. As a result, gains derived from such indirect transfer may be subject to Chinese enterprise income tax, and the transferee or other person who is obligated to pay for the transfer would be obligated to withhold the applicable taxes, currently at a rate of up to 10% of the capital gain in the case of an indirect transfer of equity interests in a Chinese resident enterprise. Both the transferor and the party obligated to withhold the applicable taxes may be subject to penalties under Chinese tax laws if the transferor fails to pay the taxes and the party obligated to withhold the applicable taxes fails to withhold the taxes. However, the above regulations do not apply if either (i) the selling non-resident enterprise recognizes the relevant gain by purchasing and selling equity of the same listed enterprise in the open market (the "listed enterprise exception"); or (ii) the selling non-resident enterprise would have been exempted from enterprise income tax in China if it had directly held and transferred such Chinese interests that were indirectly transferred.

Following the distribution, we expect that transfers of our stock by shareholders that have purchased our stock in open market transactions will not be taxable under the China indirect transfer rules due to the listed enterprise exception. However, in the case of corporate and other non-individual shareholders, transfers of stock acquired pursuant to the distribution or that do not take place through open market transactions may be subject to these rules, and our China subsidiaries may have filing obligations in respect of such transfers, unless the shareholder is a tax resident of a country or region that has a tax treaty or arrangement with China that provides for a capital gains tax exemption, and the shareholder qualifies for that exemption. For example, under the U.S.-China double tax treaty, a shareholder that is a U.S. tax resident should be exempt from China capital gains tax if it disposes of stock that represents a participation interest of less than 25% in our company. However, we face uncertainties with respect to the reporting and tax treatment of transactions involving the transfer of equity interests in our company by investors that are non-Chinese resident enterprises.

In addition, we may be subject to these indirect transfer rules in the event of any future sale of a Chinese resident enterprise through the sale of a non-Chinese holding company, or the purchase of a Chinese resident enterprise through the purchase of a non-Chinese holding company. Our company and other non-resident enterprises in our group may be subject to filing obligations or taxation if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us and our management.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, some of our directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of China upon these persons, including with respect to matters arising under applicable U.S. federal and state securities laws. It may also be difficult for investors to bring an original lawsuit against us or our directors or executive officers based on U.S. federal securities laws in a Chinese court. Moreover, China does not have treaties with the United States providing for the reciprocal recognition and enforcement of judgments of courts. Therefore, even if a judgment were obtained against us or our management for matters arising under U.S. federal or state securities laws or other applicable U.S. federal or state law, it may be difficult to enforce such a judgment.

Certain defects caused by non-registration of our lease agreements related to certain properties occupied by us in China may materially and adversely affect our ability to use such properties.

As of December 31, 2015, we leased approximately 7,000 properties in China with an aggregate gross floor area of approximately 2,853,600 square meters. As of December 31, 2015, to our knowledge,

the lessors of most properties leased by us, most of which are used as premises for our restaurants, had not registered the relevant lease agreements with the appropriate government authorities in China.

According to the relevant Chinese laws, an executed lease agreement must be registered and filed with the relevant land and real estate administration bureau. A failure to register an executed lease agreement will not invalidate the lease agreement but will subject the parties to a fine.

Depending on the local regulations, the lessor or both lessor and lessee are under the obligation to register and file an executed lease agreement with the relevant land and real estate administration bureau. We have proactively requested lessors of the relevant properties to complete or cooperate with us to complete the registration and filing procedures in a timely manner, but we are unable to control whether and when such lessors will do so.

To date, the operations of the restaurants have not been disrupted due to the non-registration of our lease agreements. However, we cannot assure you that our lease agreements relating to, and our right to use and occupy, our premises will not be challenged in the future.

Our restaurants are susceptible to risks in relation to unexpected land acquisitions, building closures or demolitions.

The Chinese government has the statutory power to acquire any land use rights of land plots and the buildings thereon in China in the public interest subject to certain legal procedures. Under the Regulations for the Expropriation of and Compensation for Housing on State-owned Land, issued by the State Council, which became effective as of January 21, 2011, there is no legal provision that the tenant of an expropriated property is entitled to compensation. Generally speaking, only the owner of such property is entitled to compensation from the government. The claims of the tenant against the landlord will be subject to the terms of the lease agreement. In the event of any compulsory acquisition, closure or demolition of any of the properties at which our restaurants or facilities are situated, we may not receive any compensation from the government or the landlord. In such event, we may be forced to close the affected restaurant(s) or relocate to other locations, which may have an adverse effect on our business and results of operations.

Governmental control of currency conversion may limit our ability to utilize our cash balances effectively and affect the value of your investment.

The Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current corporate structure as a Delaware holding company, our income is primarily derived from the earnings from our Chinese subsidiaries. Substantially all revenues of our Chinese subsidiaries are denominated in RMB. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or to make other payments to us, or otherwise to satisfy their foreign currency-denominated obligations. Under existing Chinese foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from China's State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements. However, for any Chinese company, dividends can be declared and paid only out of the retained earnings of that company under Chinese law. Furthermore, approval from SAFE or its local branch is required where RMB are to be converted into foreign currencies and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. Specifically, under the existing exchange restrictions, without a prior approval of SAFE, cash generated from the operations of our subsidiaries in China may not be used to pay dividends by our Chinese subsidiaries to our company and pay employees of our Chinese subsidiaries who are located outside China in a currency other than the RMB. With a prior approval from SAFE, cash generated from the operations

of our Chinese subsidiaries and consolidated affiliated entities may be used to pay off debt in a currency other than the RMB owed by our subsidiaries and consolidated affiliated entities to entities outside China, and make other capital expenditures outside China in a currency other than the RMB. The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in currencies other than RMB to our shareholders or service and repay our indebtedness when due.

Furthermore, because repatriation of funds of our Chinese subsidiaries requires the prior approval of SAFE, such repatriation could be delayed, restricted or limited. There can be no assurance that the rules and regulations pursuant to which SAFE grants or denies such approval will not change in a way that adversely affects the ability of our Chinese subsidiaries to repatriate funds out of China. Any limitation on the ability of our Chinese subsidiaries to repatriate funds from China could materially and adversely affect our ability to pay dividends or otherwise fund and conduct our business.

Any failure to comply with Chinese regulations regarding our employee equity incentive plans may subject Chinese plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, China residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are Chinese citizens or who have resided in China for a continuous period of not less than one year and who have been granted restricted shares, RSUs or options may follow SAFE Circular 37 to apply for foreign exchange registration before our company becomes an overseas listed company. After our company becomes an overseas listed company upon completion of the distribution, we and our directors, executive officers and other employees who are Chinese citizens or who have resided in China for a continuous period of not less than one year and who have been granted restricted shares, RSUs or options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are Chinese citizens or who are non-Chinese citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete SAFE registrations may result in fines and legal sanctions and may also limit our ability to make payments under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under Chinese law.

In addition, the SAT has issued circulars concerning employee share options and restricted shares. Under these circulars, employees working in China who exercise share options, or whose restricted shares or RSUs vest, will be subject to Chinese individual income tax. The Chinese subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options, restricted shares or RSUs. Although we currently intend to withhold income tax from our Chinese employees in connection with their exercise of options and the vesting of their restricted shares and RSUs, if the employees fail to pay, or Chinese subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, Chinese subsidiaries may face sanctions imposed by the tax authorities or other Chinese government authorities.

Failure to make adequate contributions to various employee benefit plans as required by Chinese regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. While we believe we comply with all material aspects of relevant regulations, the requirements governing employee benefit plans have not been implemented consistently by the local governments in China given the different levels of economic development in different locations. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

The audit report included in this Information Statement is prepared by auditors who are not currently inspected by the Public Company Accounting Oversight Board and, as such, our shareholders are deprived of the benefits of such inspection.

As an auditor of companies that are publicly traded in the United States and a firm registered with the Public Company Accounting Oversight Board ("PCAOB"), our independent registered public accounting firm is required under the laws of the United States to undergo regular inspections by the PCAOB. However, because we have substantial operations within China, our independent registered public accounting firm's audit documentation related to their audit report included in this Information Statement is located in China. The PCAOB is currently unable to conduct inspections in China or review audit documentation located within China without the approval of Chinese authorities.

Inspections of other auditors conducted by the PCAOB outside of China have at times identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, shareholders may be deprived of the benefits of PCAOB inspections, and may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Proceedings instituted by the SEC against five China-based accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese member firms of the "big four" accounting firms, including our independent registered public accounting firm. The Rule 102(e) proceedings initiated by the SEC relate to the failure of these firms to produce certain documents, including audit work papers, in response to a request from the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002. The auditors located in China claim they are not in a position lawfully to produce such documents directly to the SEC because of restrictions under Chinese law and specific directives issued by the China Securities Regulatory Commission ("CSRC"). The issues raised by the proceedings are not specific to our auditor or to us, but potentially affect equally all PCAOB-registered audit firms based in China and all businesses based in China (or with substantial operations in China) with securities listed in the United States. In addition, auditors based outside of China are subject to similar restrictions under Chinese law and CSRC directives in respect of audit work that is carried out in China which supports the audit opinions issued on financial statements of entities with substantial China operations.

In January 2014, the administrative judge reached an initial decision that the Chinese member firms of the "big four" accounting firms should be barred from practicing before the SEC for a period of six months. In February 2014, the accounting firms filed a petition for review of the initial decision. In February 2015, the Chinese member firms of the "big four" accounting firms reached a settlement with the SEC. As part of the settlement, each of the "big four" accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute with the SEC. The settlement stays the current proceeding for four years, during which time the firms are required to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If a firm does not follow the procedures, the SEC may impose penalties such as suspensions, or commence a new, expedited administrative proceeding against any non-compliant firm. The SEC could also restart administrative proceedings against all four firms.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC, and we are unable to timely find another independent registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to delisting of our common stock from [·]. Moreover, any negative news about the proceedings against these audit firms may adversely affect investor confidence in companies with substantial China based operations listed in on securities exchanges in the United States. All of these factors could materially and adversely affect the market price of our common stock and our ability to access the capital markets.

Chinese regulation of loans to, and direct investment in, Chinese entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from making loans to our Chinese entities or making additional capital contributions to our Chinese subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We are a Delaware holding company conducting our operations in China through our Chinese subsidiaries. We may make loans to our Chinese entities, or we may make additional capital contributions to our Chinese subsidiaries, or we may establish new Chinese subsidiaries and make capital contributions to these new Chinese subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these uses are subject to Chinese regulations and approvals. For example, loans by us to our wholly-owned Chinese subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly-owned Chinese subsidiaries by means of capital contributions, these capital contributions must be approved by the China Ministry of Commerce ("MOFCOM") or its local counterpart.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within China with limited exceptions (*e.g.*, by holding companies, venture capital or private equity firms). In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from the foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Such requirements are also known as the "payment-based foreign currency settlement system" established under SAFE Circular 142. Violations of SAFE Circular 142 could result in monetary or other penalties. Furthermore, SAFE promulgated a

circular on November 9, 2010, known as Circular 59, and another supplemental circular on July 18, 2011, known as Circular 88, which both tighten the examination of the authenticity of settlement of foreign currency capital or net proceeds from overseas listings. SAFE further promulgated the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45, on November 9, 2011, which expressly prohibits foreign-invested enterprises from using registered capital settled in RMB converted from foreign currencies to grant loans through entrustment arrangements with a bank, repay inter-company loans or repay bank loans that have been transferred to a third party. Circular 142, Circular 59, Circular 88 and Circular 45 may significantly limit our ability to make loans or capital contributions to our Chinese subsidiaries and to convert such proceeds into RMB, which may adversely affect our liquidity and our ability to fund and expand our business in China.

Furthermore, on April 8, 2015, SAFE promulgated the Circular on the Reform of the Administrative Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 19, which became effective as of June 1, 2015. This Circular 19 is to implement the so-called "conversion-at-will" of foreign currency in capital account, which was established under a circular issued by SAFE on August 4, 2014, or Circular 36, and was implemented in 16 designated industrial parks as a reform pilot. The Circular 19 now implements the conversion-at-will of foreign currency settlement system nationally, and it abolishes the application of Circular 142, Circular 88 and Circular 36 starting from June 1, 2015. Among other things, under Circular 19, foreign-invested enterprises may either continue to follow the payment-based foreign currency settlement system or elect to follow the conversion-at-will of foreign currency settlement system. Where a foreign-invested enterprise follows the conversion-at-will of foreign currency settlement system, it may convert any or 100% of the amount of the foreign currency in its capital account into RMB at any time. The converted RMB will be kept in a designated account known as "Settled but Pending Payment Account," and if the foreign-invested enterprise needs to make further payment from such designated account, it still needs to provide supporting documents and go through the review process with its bank. If under special circumstances the foreign-invested enterprise cannot provide supporting documents in time, Circular 19 grants the banks the power to provide a grace period to the enterprise and make the payment before receiving the supporting documents. The foreign-invested enterprise will then need to submit the supporting documents within 20 working days after payment. In addition, foreign-invested enterprises are now allowed to use their converted RMB to make equity investments in China under Circular 19. However, foreign-invested enterprises are still required to use the converted RMB in the designated account within their approved business scope under the principle of authenticity and self-use. It remains unclear whether a common foreign-invested enterprise, other than such special types of enterprises as holding companies, venture capital or private equity firms, can use the converted RMB in the designated account to make equity investments if equity investment or similar activities are not within their approved business scope.

In light of the various requirements imposed by Chinese regulations on loans to and direct investment in Chinese entities by offshore holding companies as discussed above, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans by us to our Chinese entities or with respect to future capital contributions by us to our Chinese subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our Chinese operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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Risks Related to the Separation

The combined post-separation value of YUM and the Company's common stock may not equal or exceed the pre-separation value of YUM common stock.

As a result of the distribution, YUM expects the trading price of YUM common stock immediately following the distribution to be lower than the "regular-way" trading price of such common stock immediately prior to the distribution because the trading price will no longer reflect the value of the business held by the Company. The aggregate market value of YUM common stock and Company common stock following the separation may be higher or lower than the market value of YUM common stock immediately prior to the separation.

The separation may not achieve some or all of the anticipated benefits.

We may not realize some or all of the anticipated strategic, financial, operational or other benefits from the separation. The separation and distribution is expected to provide the following benefits, among others:

- allowing each company to focus on and more effectively pursue its own distinct operating priorities and strategies, and enabling the management of each company to concentrate efforts on the unique needs of each business and pursue distinct opportunities for long-term growth and profitability;
- permitting each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs and facilitating a more efficient allocation of capital;
- creating an independent equity structure that will afford the Company direct access to capital markets and facilitating the ability of the Company to capitalize on its unique growth opportunities and effect future acquisitions utilizing its common stock;
- facilitating incentive compensation arrangements for employees more directly tied to the performance of the relevant company's business, and enhancing employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives;
- allowing investors to separately value YUM and the Company based on their unique investment identities, including the merits, performance and future prospects of their respective businesses, and providing investors with two distinct and targeted investment opportunities; and
- optimizing the capital structure of both YUM and the Company, enabling YUM to take on additional leverage, optimize its capital structure and return cash to shareholders, and allowing the Company to have no material debt immediately following the separation.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others:

- the separation will require significant amounts of Company management's time and effort, which may divert Company management's attention from operating and growing the Company's business;
- following the separation, the Company may be more susceptible to market fluctuations and other adverse events than if it were still a part of YUM;
- following the separation, the Company's business will be less diversified than YUM's business prior to the separation; and

- the other actions required to separate YUM's and the Company's respective businesses could disrupt the Company's operations.

As independent publicly traded companies, the Company and YUM will be smaller than the combined companies pre-separation and the Company will be less diversified with business operations almost entirely in China. As a result, each company may be more vulnerable to changing market conditions, which could materially and adversely affect their respective business, financial condition and results of operations.

If the distribution does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company and YUM shareholders could be subject to significant tax liabilities, and, in certain circumstances, the Company could be required to indemnify YUM for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.

As discussed above, the distribution will be conditioned on YUM's receipt of opinions of outside advisors regarding the tax-free treatment of the distribution for U.S. federal income tax purposes. The opinions will rely on various assumptions and representations as to factual matters made by YUM and us which, if inaccurate or incomplete in any material respect, would jeopardize the conclusions reached by such counsel in its opinion. The opinions will not be binding on the IRS or the courts, and there can be no assurance that the IRS or the courts will not challenge the conclusions stated in the opinions or that any such challenge would not prevail.

If, notwithstanding receipt of the opinions, the distribution were determined to be a taxable transaction, YUM would be treated as having sold shares of the Company in a taxable transaction, likely resulting in a significant taxable gain. Furthermore, YUM shareholders who receive shares of Company common stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. Pursuant to the tax matters agreement, the Company will agree to indemnify YUM for any taxes and related losses resulting from any breach of covenants regarding the preservation of the tax-free status of the distribution, certain acquisitions of our equity securities or assets, or those of certain of our subsidiaries, and any breach by us or any member of our group of certain representations in the agreements entered into between us and YUM in connection with the distribution. Therefore, if the distribution fails to qualify as a transaction that is generally tax-free as a result of one of these actions or events, we may be required to make material payments to YUM under this indemnity.

YUM may be subject to Chinese indirect transfer tax with respect to the distribution, in which event the Company could be required to indemnify YUM for material taxes and related amounts pursuant to indemnification obligations under the tax matters agreement.

As noted above, Bulletin 7 provides that in certain circumstances a non-resident enterprise may be subject to Chinese enterprise income tax on an "indirect transfer" of Chinese interests. YUM has informed us that it believes that the distribution has reasonable commercial purpose and that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, there are significant uncertainties regarding the circumstances in which the tax will apply, and there can be no assurances that the Chinese tax authorities will not seek to impose this tax on YUM.

Pursuant to the tax matters agreement, the Company will indemnify YUM for a portion (tied to the relative market capitalization of YUM and the Company) of any taxes and related losses resulting from the application of Bulletin 7 to the distribution. Alternatively, if Bulletin 7 applies to the distribution as a result of a breach by the Company or Company group members of certain representations or covenants, or due to certain actions of the Company or Company group members following the distribution, the Company generally will indemnify YUM for all such taxes and related losses. Therefore, if YUM is subject to such Chinese tax with respect to the distribution, we may be

required to make material payments to YUM under this indemnity. Such payments could have a material adverse effect on our financial condition.

Our ability to engage in strategic transactions following the separation may be limited. In addition, we could be liable for adverse tax consequences resulting from engaging in such transactions.

To preserve the tax-free treatment to YUM and its shareholders of the separation and the distribution for U.S. federal income tax purposes, under the tax matters agreement that we will enter into with YUM, for a period of time following the distribution, we generally will be prohibited from taking certain actions that prevent the distribution and related transactions from qualifying as a transaction that is generally tax-free, for U.S. federal income tax purposes under Sections 355 and 361 of the Code. Under the tax matters agreement, for the two-year period following the distribution, it is expected that the Company will be prohibited, except in certain circumstances, from:

- entering into any transaction or transactions resulting in the acquisition of 40% or more of its stock or 50% or more of its assets, whether by merger or otherwise;
- merging, consolidating, or liquidating;
- issuing equity securities other than pursuant to certain employment related issuances;
- redeeming or repurchasing its capital stock other than in certain open market transactions;
- ceasing to actively conduct its business; and
- taking or failing to take any action that prevents the distribution and related transactions from being tax-free.

These restrictions may limit our ability to pursue certain strategic transactions or other transactions that may maximize the value of our business.

Our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the separation and the distribution.

Our financial results previously were included within the consolidated results of YUM, and our reporting and control systems were appropriate for those of a subsidiary of a public company. Prior to the distribution, we are not directly subject to reporting and other requirements of the Exchange Act, and Section 404 of the Sarbanes-Oxley Act of 2002. As an independent company, we will be subject to additional reporting and other requirements, which may require, among other things, annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These and other obligations may place significant demands on our management, administrative and operational resources, including accounting and IT resources.

To comply with these requirements, we may, in the foreseeable future, need to implement additional financial and management controls, reporting systems and procedures, and hire additional staff. We expect to incur additional annual expenses related to these steps, which expenses may be significant. If we are unable to upgrade our financial and management controls, reporting systems and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, results of operations and financial condition.

We also expect that being a public company subject to additional laws, rules and regulations will require the investment of additional resources to comply with these laws, rules and regulations. In this

regard, we will incur expenses related to, among other things, director and officer liability insurance, director fees, expenses associated with our SEC reporting obligations, transfer agent fees, increased auditing and legal fees and similar expenses, which expenses may be significant.

Our management does not have experience managing a public company, our current resources may not be sufficient to fulfill our public company obligations and regulatory compliance may divert management's attention from the day-to-day management of our business.

Our management team does not have experience managing a publicly traded company, interacting with public company investors or complying with the increasingly complex laws and requirements pertaining to public companies. These requirements include record keeping, financial reporting and corporate governance rules and regulations. Our management team may not successfully or efficiently manage our transition to becoming a public company that will be subject to significant regulatory oversight and reporting obligations under U.S. federal securities laws and the scrutiny of securities analysts and investors. These new obligations will require substantial attention from our management team and could divert its attention away from the day-to-day management of our business, which could adversely affect our business, financial condition and operating results.

There can be no assurance that we will have access to the capital markets on terms acceptable to us.

From time to time, we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that the sources of capital in place at the time of the distribution will permit us to finance our operations for the foreseeable future on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future or at all will be impacted by many factors, including, but not limited to:

- our financial performance;
- our credit ratings or absence of a credit rating;
- the liquidity of the overall capital markets; and
- the state of the Chinese, U.S. and global economies.

There can be no assurance, particularly as a new company that currently has no credit rating, that we will have access to the capital markets on terms acceptable to us or at all.

We have no history of operating as an independent company and we expect to incur increased administrative and other costs following the separation by virtue of our status as an independent public company. Our historical and pro forma financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

Our historical information provided in this Information Statement refers to our business as operated by and integrated with YUM. Our historical and pro forma financial information included in this Information Statement is derived from or based on the consolidated financial statements and accounting records of YUM. Accordingly, our historical and pro forma financial information included in this Information Statement does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future primarily as a result of the following factors, among others:

- Prior to the separation, our business has been operated by YUM as part of its broader corporate organization, rather than as an independent company. YUM or one of its affiliates performed various corporate functions for us such as legal, treasury, accounting, internal auditing, human

resources and public affairs. Our historical and pro forma financial results reflect allocations of corporate expenses from YUM for such functions which are likely to be less than the expenses we would have incurred had we operated as a separate publicly traded company. Following the separation, our costs related to such functions previously performed by YUM may increase.

- Currently, our business is integrated with the other businesses of YUM. Historically, we have shared economies of scope and scale in costs, employees, and vendor relationships. Although we will enter into certain agreements with YUM in connection with the separation, these arrangements may not fully capture the benefits that we enjoyed as a result of being integrated with YUM and may result in us paying higher charges than in the past for these services. These circumstances could have an adverse effect on our results of operations and financial condition following the completion of the separation.

- Generally, our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, have historically been satisfied as part of the corporate-wide cash management policies of YUM. Following the completion of the separation, we may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, through strategic relationships or from other arrangements, which may or may not be available and may be more costly.

- After the completion of the separation, the cost of capital for our business may be higher than YUM's cost of capital prior to the separation.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a company separate from YUM. For additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements and the unaudited pro forma combined financial statements of our business, see "Unaudited Pro Forma Combined Financial Statements," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical combined and condensed combined financial statements and accompanying notes included elsewhere in this Information Statement.

As we build our information technology infrastructure and transition our data to our own systems, we could incur substantial additional costs and experience temporary business interruptions.

After the distribution, the Company will continue to install and implement information technology infrastructure to support its critical business functions, including accounting and reporting, inventory control and distribution. We may incur temporary interruptions in business operations if we cannot transition effectively from YUM's existing transactional and operational systems and data centers. We may not be successful in implementing new systems and transitioning data, and we may incur substantially higher costs for implementation than currently anticipated. Operational interruptions that result from the implementation of these new systems and replacement of YUM's information technology services, or our failure to implement the new systems and replace YUM's services successfully, could disrupt our business and have a material adverse effect on our profitability. In addition, if we are unable to replicate or transition certain systems, our ability to comply with regulatory requirements could be impaired.

The master license agreement that we will enter into with YUM will limit our ability to compete with YUM following the separation and will contain other restrictions on our operations.

The master license agreement will include non-compete provisions pursuant to which we will generally agree to not compete with YUM. Such restrictions will be subject to certain exceptions set forth in the master license agreement. See "Certain Relationships and Related Person Transactions—The Master License Agreement—Non-Competition." The master license agreement will also contain

other restrictions on the operations of the Company, including restrictions on expansion outside of China of our brands licensed from YUM.

These factors could materially and adversely affect our business, financial condition and results of operations.

The Company or YUM may fail to perform under certain transaction agreements that are executed as part of the separation, and we may not have necessary systems and services in place when these transaction agreements expire.

In connection with the separation, the Company and YUM will enter into several agreements, including among others a master license agreement, a separation and distribution agreement, a tax matters agreement and an employee matters agreement. The master license agreement will establish a bilateral relationship between YUM and us for [·]. The separation and distribution agreement, tax matters agreement and employee matters agreement will determine the allocation of assets and liabilities between the companies following the separation for those respective areas and include any necessary indemnifications related to liabilities and obligations. If YUM is unable to satisfy its obligations under these agreements, we could incur operational difficulties or losses that could have a material and adverse effect on our business, financial condition and results of operations.

Potential indemnification liabilities owing to YUM pursuant to the separation and distribution agreement could materially and adversely affect our business, financial condition and results of operations.

The separation and distribution agreement will provide for, among other things, indemnification obligations generally designed to make us financially responsible for (i) certain liabilities associated with the Company business; (ii) our failure to pay, perform or otherwise promptly discharge any such liabilities or contracts, in accordance with their respective terms, whether prior to, at or after the distribution; (iii) any guarantee, indemnification obligation, surety bond or other credit support agreement, arrangement, commitment or understanding by YUM for our benefit, unless related to liabilities primarily associated with the YUM business; (iv) certain tax liabilities; (v) any breach by us of the separation and distribution agreement or any of the ancillary agreements or any action by us in contravention of our amended and restated certificate of incorporation or amended and restated bylaws; and (vi) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the registration statement of which this Information Statement forms a part (as amended or supplemented) or any other disclosure document that describes the separation or the distribution or the Company and its subsidiaries or primarily relates to the transactions contemplated by the separation and distribution agreement, subject to certain exceptions. If we are required to indemnify YUM under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities. See "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement—Indemnification."

In connection with the separation, YUM will indemnify us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that YUM's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the separation and distribution agreement and certain other agreements we will enter into with YUM, YUM will indemnify the Company for certain liabilities as discussed further in "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement—Indemnification." However, third parties could also seek to hold us responsible for any of the liabilities that YUM has agreed to retain, and there can be no assurance that the indemnity from YUM will be sufficient to protect us against the full amount of such liabilities, or that YUM will be

able to fully satisfy its indemnification obligations. In addition, YUM's insurers may attempt to deny us coverage for liabilities associated with certain occurrences of indemnified liabilities prior to the separation. Moreover, even if we ultimately succeed in recovering from YUM or such insurance providers any amounts for which we are held liable, we may be temporarily required to bear these losses. Each of these risks could negatively affect our business, financial position, results of operations and cash flows.

A court could require that we assume responsibility for obligations allocated to YUM under the separation and distribution agreement.

Under the separation and distribution agreement and related ancillary agreements, from and after the separation, each of YUM and the Company will be generally responsible for the debts, liabilities and other obligations related to the business or businesses which they own and operate following the consummation of the separation. Although we do not expect to be liable for any obligations that are not allocated to us under the separation and distribution agreement, a court could disregard the allocation agreed to between the parties, and require that we assume responsibility for obligations allocated to YUM (for example, tax and/or environmental liabilities), particularly if YUM were to refuse or were unable to pay or perform the allocated obligations.

Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations.

In connection with the separation and distribution, YUM has undertaken and will undertake several corporate reorganization transactions involving its subsidiaries which, along with the separation and distribution, may be subject to federal and state fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the separation and distribution, any entity involved in these reorganization transactions or the separation and distribution:

- was insolvent;
- was rendered insolvent by reason of the separation and distribution or a related transaction;
- had remaining assets constituting unreasonably small capital; or
- intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured,

then the court could void the separation and distribution, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our shareholders to return to YUM some or all of the shares of Company common stock issued in the distribution, or require YUM or the Company, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency will vary depending upon the jurisdiction whose law is being applied. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities, or if it was unable to pay its liabilities as they mature.

After the separation, certain of our executive officers and directors may have actual or potential conflicts of interest because of their previous or continuing positions at YUM.

Because of their current or former positions with YUM, certain of our expected executive officers and directors own YUM common stock and equity awards. Following the separation, even though our board of directors will consist of a majority of directors who are independent, and our executive officers who are currently employees of YUM will cease to be employees of YUM, some of our executive officers and directors will continue to have a financial interest in YUM common stock and equity awards. Ownership could create, or appear to create, potential conflicts of interest if the

Company and YUM pursue the same corporate opportunities, have disagreements about the contracts between them or face decisions that could have different implications for the Company and YUM.

No vote of the YUM shareholders is required in connection with this distribution. As a result, if the distribution occurs and shareholders do not want to receive Company common stock in the distribution, the sole recourse of any shareholder will be to divest all ownership of such shareholder's YUM common stock prior to the record date.

No vote of the YUM shareholders is required in connection with the distribution. Accordingly, if a shareholder does not want to receive Company common stock in the distribution, the only recourse will be to divest all ownership of YUM common stock prior to 5:00 p.m., Eastern Time, on the record date for the distribution.

Risk Related to Our Common Stock

The Company cannot be certain that an active trading market for its common stock will develop or be sustained after the distribution, and following the distribution, the Company's stock price may fluctuate significantly.

Although we expect that Company common stock will be listed on [·], a public market for Company common stock does not currently exist. The Company anticipates that on or prior to the record date for the distribution, trading of shares of its common stock will begin on a "when-issued" basis which will continue through the distribution date. However, the Company cannot guarantee that an active trading market will develop or be sustained for its common stock after the distribution. Nor can the Company predict the prices at which shares of its common stock may trade after the distribution. Similarly, the Company cannot predict the effect of the distribution on the trading prices of its common stock or whether the combined market value of the shares of Company common stock and YUM common stock will be less than, equal to or greater than the market value of YUM common stock prior to the distribution.

The market price of Company common stock may decline or fluctuate significantly due to a number of factors, some of which may be beyond the Company's control, including:

- actual or anticipated fluctuations in the Company's operating results;
- significant liability claims, health concerns, food contamination complaints from our customers, shortages or interruptions in the availability of food or other supplies, or reports of incidents of food tampering;
- foreign exchange issues;
- the operating and stock price performance of comparable companies;
- changes in the Company's stockholder base due to the separation;
- changes in the regulatory and legal environment in which the Company operates; or
- market conditions in the restaurant industry and the domestic and worldwide economies as a whole.

There may be substantial changes in the Company's stockholder base.

Many investors holding YUM common stock may hold that stock because of a decision to invest in a company with YUM's profile. Following the distribution, the shares of Company common stock held by those investors will represent an investment in a company with a different profile. This may not be aligned with a holder's investment strategy and may cause the holder to sell the shares. As a result, the Company's stock price may decline or experience volatility as the Company's stockholder base changes.

The Company cannot guarantee the timing, amount or payment of dividends on its common stock.

We anticipate that following the separation, our board of directors will adopt a program of returning capital to shareholders, which may take the form of establishing a regular dividend and/or engaging in share repurchases. However, we also intend to retain a significant portion of our earnings to finance the operation, development and growth of our business. Any future determination to declare and pay cash dividends or engage in share repurchases will be at the discretion of our board of directors following the separation and will depend on, among other things, our financial condition, results of operations, actual or anticipated cash requirements, contractual or regulatory restrictions and such other factors as our board of directors deems relevant. For more information, see "Dividend Policy."

Your percentage of ownership in the Company may be diluted in the future.

In the future, your percentage ownership in the Company may be diluted because of equity awards that the Company will be granting to the Company's directors, officers and employees or otherwise as a result of equity issuances for acquisitions or capital market transactions. The Company's and YUM's employees will have options to purchase shares of its common stock after the distribution as a result of conversion of their YUM stock options (in whole or in part) to Company stock options. The Company anticipates its executive compensation committee will grant additional stock-based awards to its employees after the distribution. Such awards will have a dilutive effect on the Company's earnings per share, which could adversely affect the market price of Company common stock. From time to time, the Company will issue additional stock-based awards to its employees under the Company's employee benefits plans. See "Certain Relationships and Related Person Transactions—Employee Matters Agreement—Equity-Based Compensation and Certain Executive Compensation Arrangements."

In addition, the Company's amended and restated certificate of incorporation will authorize the Company to issue, without the approval of the Company's shareholders, one or more classes or series of preferred stock that have such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over Company common stock respecting dividends and distributions, as the Company's board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of Company common stock. Similarly, the repurchase or redemption rights or liquidation preferences the Company could assign to holders of preferred stock could affect the residual value of the common stock. See "Description of Capital Stock."

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Information Statement and other materials YUM and the Company have filed or will file with the SEC contain, or will contain, "forward-looking statements."

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as "may," "will," "estimate," "intend," "seek," "expect," "project," "anticipate," "believe," "plan," "could," "target," "predict," "likely," "should," "forecast," "outlook," "ongoing" or other similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions or projections concerning future results or events. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or projections will be achieved. Factors that could cause actual results and events to differ materially from our expectations and forward-looking statements include the matters described in this Information Statement. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. The forward-looking statements included in this Information Statement are only made as of the date of this Information Statement and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

DIVIDEND POLICY

We anticipate that following the separation, our board of directors will adopt a program of returning capital to shareholders, which may take the form of establishing a regular dividend and/or engaging in share repurchases. However, we also intend to retain a significant portion of our earnings to finance the operation, development and growth of our business. Any future determination to declare and pay cash dividends or engage in share repurchases will be at the discretion of our board of directors following the separation and will depend on, among other things, our financial condition, results of operations, actual or anticipated cash requirements, contractual or regulatory restrictions and such other factors as our board of directors deems relevant.

CAPITALIZATION

The following table sets forth our capitalization on a historical basis and on a pro forma basis to give effect to the separation and distribution and the transactions related to the separation and distribution as if they occurred on December 31, 2015.

The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Combined Financial Statements" and the historical combined financial statements and accompanying notes included elsewhere in this Information Statement.

The historical financial information may not necessarily reflect what our capitalization would have been had we been an independent, publicly traded company during the period presented and is not necessarily indicative of our future capitalization.

(in millions)	Historical	Pro Forma
Cash and cash equivalents	$ 425	
Equity		
Common stock, $0.01 par value	—	
Preferred stock, $0.01 par value	—	
Additional paid-in capital	—	
Parent Company investment	1,791	
Accumulated other comprehensive income (loss)	130	
Total Equity—Yum! China Holding, Inc.	1,921	
Noncontrolling interests	58	
Total Equity	1,979	
Total Capitalization	$ 1,979	

We have not yet finalized our post-separation capitalization. We intend to update and include pro forma financial information reflecting our post-separation capitalization in an amendment to this Information Statement.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial statements of the Company consist of the unaudited pro forma combined statement of income for the fiscal year ended December 31, 2015 and an unaudited pro forma combined balance sheet as of December 31, 2015. The unaudited pro forma combined financial statements should be read in conjunction with "Capitalization," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Certain Relationships and Related Person Transactions" and our historical combined financial statements included elsewhere in this Information Statement.

The unaudited pro forma combined financial statements have been prepared based on our historical combined financial statements included in this Information Statement and are not intended to be a complete presentation of our financial position or results of operations had the transactions contemplated by the separation and distribution agreement and related agreements occurred as of and for the period indicated. In addition, they are provided for illustrative and informational purposes only and are not necessarily indicative of our future results of operations or financial condition as an independent, publicly traded company. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable, that reflect the expected impacts of events directly attributable to the separation and related transactions described below, and that are factually supportable, and for purposes of the pro forma combined statement of income, are expected to have a continuing impact on us. However, such adjustments are subject to change based on the finalization of the terms of the separation and related agreements.

The unaudited pro forma combined statement of income for the fiscal year ended December 31, 2015 reflects our results of operations as if the separation and related transactions described below had occurred on January 1, 2015. The unaudited pro forma combined balance sheet as of December 31, 2015 reflects our financial position as if the separation and related transactions described below had occurred as of such date.

The unaudited pro forma combined financial statements give effect to the following:

- the contribution to us, pursuant to the separation, of substantially all assets and certain liabilities of the Company's business;
- the distribution of shares of our common stock by YUM to its shareholders and the elimination of historical parent company investment;
- our anticipated post-distribution capital structure, including the issuance of up to approximately **[•]** shares of our common stock to holders of shares of YUM common stock (this number of shares is based upon the number of shares of YUM common stock outstanding on **[•]** and an assumed distribution ratio of **[•]** shares of Company common stock for each share of YUM common stock held on the record date); and
- the impact of, and transactions contemplated by, the separation and distribution agreement, the master license agreement, the tax matters agreement, and other agreements described under "Certain Relationships and Related Person Transactions" between us and YUM and the provisions contained therein.

The operating expenses reported in our historical combined statements of income include allocations of certain YUM costs. These costs include allocation of certain YUM costs for centralized corporate functions performed on our behalf.

These historical allocations may not be indicative of our future costs and we have not adjusted the accompanying unaudited pro forma combined financial statements to reflect any independent public company costs as such amounts are estimates and not factually supportable.

Unaudited Pro Forma Combined Statement of Income
Yum! China Holding, Inc.
For the year ended December 31, 2015
(in millions, except per share data)

	Historical	Pro Forma Adjustments	Pro Forma
Revenues			
Company sales	$ 6,789		
Franchise and license fees and income	120		
Total revenues	6,909		
Costs and Expenses, Net			
Company restaurants			
Food and paper	2,159		
Payroll and employee benefits	1,386		
Occupancy and other operating expenses	2,386		
Company restaurant expenses	5,931		
General and administrative expenses	395		
Franchise and license expenses	70		
Closures and impairment expenses, net	64		
Refranchising gain, net	(13)		
Other income, net	(26)		
Total costs and expenses, net	6,421		
Operating Profit	488		
Interest income, net	8		
Income Before Income Taxes	496		
Income tax provision	(168)		
Net Income (loss)—including noncontrolling interests	328		
Net Income (loss)—noncontrolling interests	5		
Net Income (loss)—Yum! China Holding, Inc.	$ 323		
Pro Forma net earnings per share:			
Basic	N/A		
Diluted	N/A		
Shares used to calculate Pro Forma net earnings per share			
Basic	N/A		
Diluted	N/A		

See accompanying Notes to the Unaudited Pro Forma Combined Financial Statements

Unaudited Pro Forma Combined Balance Sheet
Yum! China Holding, Inc.
As of December 31, 2015
(in millions)

	Historical	Pro Forma Adjustments	Pro Forma
ASSETS			
Current Assets			
Cash and cash equivalents	$ 425		
Accounts receivable, net	76		
Inventories	189		
Prepaid expenses and other current assets	109		
Total Current Assets	799		
Property, plant and equipment, net	1,841		
Goodwill	85		
Intangible assets, net	107		
Investments in unconsolidated affiliates	61		
Other assets	192		
Deferred income taxes	116		
Total Assets	$ 3,201		
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	$ 926		
Income taxes payable	22		
Total Current Liabilities	948		
Capital lease obligations	34		
Other liabilities and deferred credits	234		
Total Liabilities	1,216		
Redeemable Noncontrolling Interest	6		
Equity			
Common stock, $0.01 par value	—		
Preferred stock, $0.01 par value	—		
Additional paid-in capital	—		
Parent Company investment	1,791		
Accumulated other comprehensive income (loss)	130		
Total Equity—Yum! China Holding, Inc.	1,921		
Noncontrolling interests	58		
Total Equity	1,979		
Total Liabilities, Redeemable Noncontrolling Interest and Equity	$ 3,201		

See accompanying Notes to the Unaudited Pro Forma Combined Financial Statements

SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table presents our selected historical combined financial data. We derived the combined statements of income data for the three years ended December 31, 2015, and the combined balance sheets data as of December 31, 2015 and December 31, 2014, as set forth below, from our audited combined financial statements, which are included elsewhere in this Information Statement. We derived the combined statements of income for the years ended December 31, 2012 and December 31, 2011, and the combined balance sheets data as of December 31, 2013, December 31, 2012, and December 31, 2011, from our unaudited combined financial statements that are not included in this Information Statement.

Our combined financial information may not necessarily reflect our financial position, results of operations or cash flows as if we had operated as a stand-alone public company during all periods presented, including changes that will occur in our operations and capitalization as a result of the separation from YUM and the distribution. Accordingly, our historical results should not be relied upon as an indicator of our future performance.

The following tables should be read together with, and are qualified in their entirety by reference to, the historical combined financial statements and the related notes included elsewhere in this Information Statement. Among other things, the historical combined financial statements include more detailed information regarding the basis of presentation for the information in the following table. The tables should also be read together with the sections entitled "Capitalization," "Unaudited Pro Forma

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Combined Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

For fiscal years ended and as of: (in millions, except for unit data)	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Combined Statements of Income (Loss) Data:					
Revenues					
Company sales	$ 6,789	$ 6,821	$ 6,800	$ 6,797	$ 5,487
Franchise fees and income	120	113	105	101	79
Total revenues	6,909	6,934	6,905	6,898	5,566
Costs and Expenses, Net					
Company restaurants					
Food and paper	2,159	2,207	2,258	2,312	1,947
Payroll and employee benefits	1,386	1,407	1,360	1,259	890
Occupancy and other operating expenses(a)	2,386	2,415	2,347	2,210	1,747
Company restaurant expenses	5,931	6,029	5,965	5,781	4,584
General and administrative expenses(b)	395	389	356	336	278
Franchise expenses(c)	70	64	60	55	43
Closures and impairment expenses, net	64	517	325	9	12
Refranchising gain, net(d)	(13)	(17)	(5)	(17)	(14)
Other income, net	(26)	(51)	(25)	(112)	(42)
Total costs and expenses, net	6,421	6,931	6,676	6,052	4,861
Operating Profit(e)	488	3	229	846	705
Interest income, net	8	14	5	8	9
Income Before Income Taxes	496	17	234	854	714
Income tax provision	(168)	(54)	(135)	(181)	(169)
Net Income (loss)—including noncontrolling interests	328	(37)	99	673	545
Net Income (loss)—noncontrolling interests	5	(30)	(27)	11	16
Net Income (loss)—Yum! China Holding, Inc. (e)	$ 323	$ (7)	$ 126	$ 662	$ 529
Combined Balance Sheets Data:					
Total assets	$ 3,201	$ 3,257	$ 3,750	$ 3,782	$ 2,916
Property, plant and equipment, net	1,841	2,001	1,979	1,810	1,370
Parent Company investment	1,791	1,671	2,014	2,012	1,343
Other Statistics					
Net cash provided by operating activities	$ 910	$ 775	782	$ 871	931
Capital spending	512	525	568	655	405
Number of restaurants	7,176	6,715	6,243	5,726	4,493

(a) Occupancy and other operating expenses include license fees paid to YUM of $219 million, $217 million, $215 million, $217 million and $178 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

(b) General and administrative expenses include $12 million, $11 million, $12 million, $15 million and $12 million of corporate expenses allocated from YUM for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

(c) Franchise expenses include license fees paid to YUM of $50 million, $48 million, $47 million, $46 million and $39 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

(d) See Note 4 to the Combined Financial Statements for discussion of Refranchising gain, net for fiscal years 2015, 2014 and 2013.

(e) Operating Profit for 2014 and 2013, respectively, includes $463 million and $295 million of expense associated with non-cash impairment of our investment in Little Sheep. After considering the tax benefit associated with these losses and the portion of the net losses allocated to noncontrolling interests, Net Income (loss)—Yum! China Holding, Inc, was negatively impacted by these impairments by $361 million and $258 million in 2014

and 2013, respectively. Excluding these impairments, Net income (loss)—Yum! China Holding, Inc. was income of $354 million and $384 million in 2014 and 2013, respectively. Operating profit in 2012 includes a $74 million gain in 2012 related to the acquisition of additional interest in and resulting consolidation of Little Sheep with no associated tax expense. Excluding this gain, Net Income (loss)—Yum! China Holding, Inc. was $588 million in 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Combined Financial Statements and accompanying notes included elsewhere in this Information Statement for the years ended December 31, 2015, 2014 and 2013 which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). This MD&A includes the following sections:

- Separation and Distribution
- Overview
- Results of Operations
- Combined Cash Flows
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Quantitative and Qualitative Disclosures About Market Risk
- New Accounting Pronouncements Not Yet Adopted
- Critical Accounting Policies and Estimates

Certain of the statements below are forward-looking statements. In addition, any projections of future results of operations and cash flows are subject to substantial uncertainty. See "Cautionary Statement Concerning Forward-Looking Statements" included elsewhere in this Information Statement.

Separation and Distribution

On October 20, 2015, YUM announced that it intended to separate into two independent publicly traded companies each with a separate strategic focus. YUM plans to distribute to its shareholders all outstanding shares of the Company, a wholly owned subsidiary of YUM, which will hold, directly or indirectly, the assets and liabilities associated with YUM's operations in China. The separation transaction will be completed by way of a pro rata distribution of Company shares by YUM to its shareholders as of the record date. Completion of the transaction will be subject to certain conditions, including, among others, receiving final approval from YUM's Board of Directors, receipt of various regulatory approvals, receipt of an opinion of counsel with respect to certain tax matters, the effectiveness of filings related to public listing in the United States of America and applicable securities laws, and other terms and conditions as may be determined by YUM's Board of Directors. The transaction is expected to be completed by the end of 2016 and is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes. The transaction will not require YUM shareholder approval.

The Combined Financial Statements have been prepared on a stand-alone basis and are derived from YUM's Consolidated Financial Statements and underlying accounting records. Transactions between the Company and YUM that were not cash settled were considered to be effectively settled at the time the transactions were recorded.

The Combined Financial Statements include all revenues, costs, assets and liabilities directly attributable to the Company either through specific identification or allocation. The Combined Statements of Income include allocations of certain of YUM's Corporate functions which provide a direct benefit to the Company. These costs have been allocated based on system sales of the Company relative to YUM's global system sales. All allocated costs have been deemed to have been incurred and settled in the period in which the costs were recorded. The Company considers the expense allocation

methodology and results to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for the periods presented. Following the separation, we will perform these functions using our own resources or purchased services. See Note 3 to the Combined Financial Statements for further discussion.

Overview

Yum! China Holding, Inc. is the largest restaurant company in China, with approximately 7,200 restaurants, $6.9 billion of revenue and $998 million of adjusted EBITDA in 2015. Our growing restaurant base consists of China's leading restaurant brands, including KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep. Following our separation from Yum! Brands, we will have the exclusive right to operate, sub-franchise and license the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell brands in China, and will own the East Dawning and Little Sheep concepts outright. We were the first major global restaurant brand to enter China in 1987 and have developed deep experience operating in the market. We have since grown to become one of China's largest retail developers covering over 1,100 cities and opening an average of two new locations per day over the past five years.

KFC is the leading Quick-Service Restaurant ("QSR") brand in China. Today, KFC operates over 5,000 restaurants in over 1,100 cities across China. Measured by number of restaurants, KFC has a two-to-one lead over the nearest Western QSR competitor and continues to grow in both large and small cities. Similarly, Pizza Hut Casual Dining is the leading Casual Dining Restaurant ("CDR") brand in China. Today, Pizza Hut Casual Dining, with nearly 1,600 restaurants in over 400 cities, has a seven-to-one lead in terms of restaurants over its nearest Western CDR competitor.

The operations of each of the concepts represent an operating segment of the Company within these Combined Financial Statements. We have two reportable segments: KFC and Pizza Hut Casual Dining. Our remaining operating segments, including the operations of Pizza Hut Home Service, East Dawning and Little Sheep, are combined and referred to as All Other Segments, as those operating segments are individually insignificant.

We intend for this MD&A to provide the reader with information that will assist in understanding our results of operations, including performance metrics that management uses to assess the Company's performance. Throughout this MD&A, we commonly discuss the following performance metrics:

- The Company provides certain percentage changes excluding the impact of foreign currency translation ("FX" or "Forex"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

- System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise and unconsolidated affiliate restaurants that operate our Concepts, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise and unconsolidated affiliate restaurants typically generate ongoing franchise fees for the Company at a rate of approximately 6% of system sales. Franchise and unconsolidated affiliate restaurant sales are not included in Company sales on the Combined Statements of Income; however, the franchise fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.

- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the Company system one year or more.

- Company Restaurant profit ("Restaurant profit") is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Restaurant profit divided by Company sales. Within the Company Sales and Restaurant Profit analysis, Store Portfolio Actions represent the net impact of new unit openings, acquisitions, refranchising and store closures, and Other primarily represents the impact of same-store sales as well as the impact of changes in costs such as inflation/deflation.

- In addition to the results provided in accordance with GAAP throughout this MD&A, the Company provides non-GAAP measurements which present Adjusted EBITDA and operating results on a basis before Special Items. The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our segment results. The Company provides Adjusted EBITDA because we believe that investors and analysts may find it useful in measuring operating performance without regard to items such as income taxes, interest expense, depreciation and amortization and impairment charges. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of Adjusted EBITDA and earnings before Special Items provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

All Note references herein refer to the Notes to the Combined Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except per share and unit count amounts, or as otherwise specifically identified. Percentages may not recompute due to rounding.

Results of Operations

Summary

All comparisons within this summary are versus the same period a year ago and exclude the impact of Special Items. All system sales growth and Operating Profit comparisons exclude the impact of foreign currency.

In 2013, KFC China sales and profits were negatively impacted due to intense media surrounding an investigation by the Shanghai FDA into our poultry supply that began in 2012, coupled with additional intense media in April 2013 surrounding avian flu in China.

In 2014, the Company's sales and profits were significantly impacted by adverse publicity surrounding improper food handling practices by a former supplier. Specifically, on July 20, 2014, an undercover report was televised in China depicting improper food handling practices by supplier Shanghai Husi, a division of OSI, which is a large, global supplier to many in the restaurant industry. This triggered extensive news coverage in China that shook consumer confidence and impacted brand usage. Immediately following the incident, we experienced a significant, negative impact to sales and profits at both KFC and Pizza Hut Casual Dining. For further information about the potential impact of food safety risks on our business, see "Risk Factors—Risks Related to Our Business and Industry—Food safety and food-borne illness concerns may have an adverse effect on our business."

In 2015, we expected sales and profits to grow significantly in the second half as we recovered from the adverse publicity in July 2014. Sales initially turned significantly positive as we lapped the supplier incident, but overall sales in the second half of 2015 trailed our expectations, particularly at Pizza Hut Casual Dining.

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The Combined Results of Operations for the years ended December 31, 2015, 2014 and 2013 are presented below:

	2015	2014	2013	% B/(W) 2015	% B/(W) 2014
Company sales	$ 6,789	$ 6,821	$ 6,800	—	—
Franchise fees and income	120	113	105	7	7
Total revenues	$ 6,909	$ 6,934	$ 6,905	—	—
Restaurant profit	$ 858	$ 792	$ 835	8	(5)
Restaurant Margin %	12.6%	11.6%	12.3%	1.0 ppts.	(0.7) ppts.
Operating Profit	$ 488	$ 3	$ 229	NM	(99)
Interest income, net	8	14	5	46	NM
Income tax provision	(168)	(54)	(135)	NM	60
Net Income—including noncontrolling interests	328	(37)	99	NM	NM
Net Income (loss)—noncontrolling interests	5	(30)	(27)	NM	(12)
Net Income—Yum! China Holding, Inc.	$ 323	$ (7)	$ 126	NM	NM
Reported Effective tax rate	33.9%	322.3%	57.5%		
Operating Profit before Special Items	$ 503	$ 466	$ 524		
Effective tax rate before Special Items	33.7%	26.8%	28.9%		
Adjusted EBITDA	$ 998	931	949		

	2015	2014
System Sales Growth	—%	1%
System Sales Growth, excluding FX	2%	1%
Same-store Sales Growth (Decline)%	(4)%	(5)%

Unit Count	2015	2014	2013	% Increase (Decrease) 2015	% Increase (Decrease) 2014
Company-owned	5,768	5,417	5,026	6	8
Unconsolidated affiliates	796	757	716	5	6
Franchise	612	541	501	13	8
	7,176	6,715	6,243	7	8

Special Items

Special Items, along with the reconciliation to the most comparable GAAP financial measure, are presented below.

Detail of Special Items	Year 2015	Year 2014	Year 2013
Little Sheep impairment (See Note 4)	—	(463)	(295)
Losses associated with planned sale of aircraft (See Note 6)	(15)	—	—
Special Items Income (Expense)—Operating Profit	(15)	(463)	(295)
Tax Benefit (Expense) on Special Items(a)	4	76	18
Special Items Income (Expense), net of tax—including noncontrolling interests	(11)	(387)	(277)
Special Items Income (Expense), net of tax—noncontrolling interests	—	26	19
Special Items Income (Expense), net of tax—Yum! China Holding, Inc.	$ (11)	$ (361)	$ (258)
Reconciliation of Operating Profit Before Special Items to Reported Operating Profit			
Operating Profit before Special Items	$ 503	$ 466	$ 524
Special Items Expense—Operating Profit	(15)	(463)	(295)
Reported Operating Profit	$ 488	$ 3	$ 229
Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate			
Effective Tax Rate before Special Items	33.7%	26.8%	28.9%
Impact on Tax Rate as a result of Special Items(a)	0.2%	295.5%	28.6%
Reported Effective Tax Rate (See Note 14)	33.9%	322.3%	57.5%

(a) The tax benefit (expense) was determined based upon the impact of the nature of each Special Item tax effected at the 25% China tax rate, except for non-cash impairments of Little Sheep goodwill of $160 million and $222 million for 2014 and 2013, respectively, which resulted in no related income tax benefit.

Adjusted EBITDA

Adjusted EBITDA, along with the reconciliation to the most comparable GAAP financial measure, is presented below.

	Year 2015	Year 2014	Year 2013
Reconciliation of Reported Operating Profit to Adjusted EBITDA			
Reported Operating Profit	$ 488	$ 3	$ 229
Depreciation and amortization	425	411	394
Store impairment charges (See Note 4)	70	54	31
Special Items Income (Expense)—Operating Profit	15	463	295
Adjusted EBITDA	$ 998	$ 931	$ 949

KFC

	2015	2014	2013	% B/(W) 2015 Reported	% B/(W) 2015 Ex FX	% B/(W) 2014 Reported	% B/(W) 2014 Ex FX
Company sales	$ 4,652	$ 4,782	$ 4,892	(3)	(1)	(2)	(2)
Franchise fees and income	116	111	103	4	7	7	7
Total revenues	$ 4,768	$ 4,893	$ 4,995	(3)	(1)	(2)	(2)
Restaurant profit	$ 620	$ 559	$ 557	11	14	—	1
Restaurant margin %	13.3%	11.7%	11.4%	1.6 ppts.	1.7 ppts.	0.3 ppts.	0.3 ppts.
G&A expenses	$ 150	$ 150	$ 137	—	(2)	(9)	(10)
Closure and impairment expenses, net	$ 50	$ 41	$ 23	(22)	(26)	(74)	(76)
Operating Profit	$ 499	$ 435	$ 456	14	18	(5)	(4)

	2015	2014
System Sales Growth	(2)%	(1)%
System Sales Growth, excluding FX	—%	(1)%
Same-Store Sales Growth (Decline)%	(4)%	(4)%

Unit Count	2015	2014	2013	% Increase (Decrease) 2015	% Increase (Decrease) 2014
Company-owned	3,821	3,732	3,569	2	5
Unconsolidated affiliates	796	757	716	5	6
Franchise	386	339	278	14	22
	5,003	4,828	4,563	4	6

	2014	New Builds	Closures	Refranchised	Acquired	Other	2015
Company-owned	3,732	282	(144)	(52)	3	—	3,821
Unconsolidated affiliates	757	58	(15)	—	—	(4)	796
Franchise	339	11	(17)	52	(3)	4	386
Total	4,828	351	(176)	—	—	—	5,003

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Company-owned	3,569	318	(91)	(65)	1	—	3,732
Unconsolidated affiliates	716	56	(14)	(1)	—	—	757
Franchise	278	2	(6)	66	(1)	—	339
Total	4,563	376	(111)	—	—	—	4,828

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2015 vs. 2014				
Income / (Expense)	2014	Store Portfolio Actions	Other	FX	2015
Company sales	$ 4,782	$ 137	$ (176)	$ (91)	$ 4,652
Cost of sales	(1,584)	(40)	83	29	(1,512)
Cost of labor	(963)	(18)	60	18	(903)
Occupancy and other	(1,676)	(42)	69	32	(1,617)
Restaurant profit	$ 559	$ 37	$ 36	$ (12)	$ 620

	2014 vs. 2013				
Income / (Expense)	2013	Store Portfolio Actions	Other	FX	2014
Company sales	$ 4,892	$ 117	$ (216)	$ (11)	$ 4,782
Cost of sales	(1,682)	(36)	130	4	(1,584)
Cost of labor	(970)	(21)	26	2	(963)
Occupancy and other	(1,683)	(43)	47	3	(1,676)
Restaurant profit	$ 557	$ 17	$ (13)	$ (2)	$ 559

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth, partially offset by the impact of refranchising. Significant other factors impacting Company sales and/or Restaurant profit were labor efficiencies and lower utilities, partially offset by wage inflation of 8% and Company same-store sales declines of 4%.

In 2014, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were wage inflation of 9% and same-store sales declines of 4%, partially offset by labor efficiencies and lower advertising expense.

Franchise Fees and Income

In 2015, the increase in Franchise fees and income, excluding the impact of foreign currency translation, was driven by the impact of refranchising and net new unit growth, partially offset by franchise same-store sales declines of 9%.

In 2014, the increase in Franchise fees and income, excluding the impact of foreign currency translation, was driven by the impact of refranchising and net new unit growth, partially offset by franchise same-store sales declines of 8%.

G&A Expenses

In 2015, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by higher compensation costs due to wage inflation.

In 2014, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by higher compensation costs due to wage inflation and higher headcount.

Operating Profit

In 2015, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by net new unit growth and lower restaurant operating costs, partially offset by same-store sales declines and higher closure and impairment expenses.

In 2014, the decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales declines, higher closure and impairment expenses and higher G&A expenses, partially offset by net new unit growth.

Pizza Hut Casual Dining

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Company sales	$ 1,824	$ 1,696	$ 1,522	8	10	11	12
Franchise fees and income	1	—	—	NM	NM	NM	NM
Total revenues	$ 1,825	$ 1,696	$ 1,522	8	10	11	12
Restaurant profit	$ 225	$ 243	$ 291	(7)	(5)	(17)	(17)
Restaurant margin %	12.3%	14.3%	19.2%	(2.0) ppts.	(1.9) ppts.	(4.9) ppts.	(4.9) ppts.
G&A expenses	$ 73	$ 65	$ 55	(12)	(14)	(18)	(18)
Closure and impairment expenses, net	$ 8	$ 2	$ 1	NM	NM	NM	NM
Operating Profit	$ 145	$ 176	$ 235	(18)	(16)	(25)	(25)

	2015	2014
System Sales Growth	8%	11%
System Sales Growth, excluding FX	10%	12%
Same-Store Sales Growth %	(5)%	(5)%

				% Increase (Decrease)	
Unit Count	2015	2014	2013	2015	2014
Company-owned	1,556	1,310	1,058	19	24
Franchise	16	3	2	NM	50
	1,572	1,313	1,060	20	24

	2014	New Builds	Closures	Refranchised	Acquired	2015
Company-owned	1,310	279	(21)	(12)	—	1,556
Franchise	3	1	—	12	—	16
Total	1,313	280	(21)	—	—	1,572

	2013	New Builds	Closures	Refranchised	Acquired	2014
Company-owned	1,058	270	(18)	—	—	1,310
Franchise	2	1	—	—	—	3
Total	1,060	271	(18)	—	—	1,313

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Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

Income / (Expense)	2015 vs. 2014				
	2014	Store Portfolio Actions	Other	FX	2015
Company sales	$ 1,696	$ 249	$ (85)	$ (36)	$ 1,824
Cost of sales	(494)	(75)	15	11	(543)
Cost of labor	(346)	(58)	5	8	(391)
Occupancy and other	(613)	(95)	30	13	(665)
Restaurant profit	$ 243	$ 21	$ (35)	$ (4)	$ 225

Income / (Expense)	2014 vs. 2013				
	2013	Store Portfolio Actions	Other	FX	2014
Company sales	$ 1,522	$ 247	$ (69)	$ (4)	$ 1,696
Cost of sales	(429)	(73)	7	1	(494)
Cost of labor	(283)	(56)	(8)	1	(346)
Occupancy and other	(519)	(97)	1	2	(613)
Restaurant profit	$ 291	$ 21	$ (69)	$ —	$ 243

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were wage rate inflation of 8% and Company same-store sales declines of 5%, partially offset by labor efficiencies and lower utilities.

In 2014, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were wage rate inflation of 8%, same-store sales declines of 5% and commodity inflation of 3%.

G&A Expenses

In 2015 and 2014, the increases in G&A expenses, excluding the impact of foreign currency translation, were driven by higher compensation costs due to wage rate inflation and higher headcount.

Operating Profit

In 2015 and 2014, the decreases in Operating Profit, excluding the impact of foreign currency translation, were driven by higher restaurant operating costs, same-store sales declines and higher G&A expenses, partially offset by net new unit growth.

All Other Segments

All Other Segments includes Pizza Hut Home Service, East Dawning and Little Sheep.

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Company sales	$ 313	$ 343	$ 386	(9)	(7)	(11)	(11)
Franchise fees and income	3	2	2	NM	NM	(15)	(15)
Total revenues	$ 316	$ 345	$ 388	(8)	(6)	(11)	(11)
Restaurant profit	$ 13	$ (10)	$ (13)	NM	NM	30	28
Restaurant margin %	4.3%	(2.8)%	(3.6)%	7.1 ppts.	7.2 ppts.	0.8 ppts.	0.7 ppts.
G&A expenses	$ 28	$ 31	$ 41	7	5	26	26
Closure and impairment expenses, net	$ 6	$ 11	$ 6	44	43	NM	NM
Operating Loss	$ (14)	$ (44)	$ (54)	70	70	20	20

In 2015, the decrease in total revenues, excluding the impact of foreign currency translation, was driven primarily by a net unit decline related to Little Sheep units, partially offset by net new unit growth for Pizza Hut Home Service.

In 2014, the decrease in total revenues, excluding the impact of foreign currency translation, was driven primarly by same-store sales declines related to Little Sheep units.

In 2015 and 2014, the decreases in Operating Loss, excluding the impact of foreign currency translation, were driven by lower operating losses at Little Sheep.

Corporate & Unallocated

				% B/(W)	
Income/(Expense)	2015	2014	2013	2015	2014
Corporate G&A expenses	$ (144)	$ (143)	$ (123)	(1)	(16)
Unallocated closures and impairments (See Note 4)	—	(463)	(295)	NM	(57)
Refranchising gain (loss) (See Note 4)	13	17	5	(21)	NM
Other unallocated (See Note 6)	(11)	25	5	NM	NM
Interest income, net	8	14	5	(46)	NM
Income tax provision (See Note 14)	(168)	(54)	(135)	NM	60
Effective tax rate (See Note 14)	33.9%	322.3%	57.5%	288.4 ppts.	(264.8) ppts.

Corporate G&A Expenses

In 2015 and 2014, the increase in Corporate G&A expenses was driven primarily by higher compensation costs due to wage inflation and higher headcount.

Unallocated Closures and Impairments

In 2014 and 2013, Unallocated closures and impairments represent Little Sheep impairment charges. See Note 4.

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Other Unallocated

In 2015, Other unallocated primarily includes the write-down related to our decision to dispose of a corporate aircraft, partially offset by insurance recoveries related to the 2012 poultry supply incident.

In 2014, Other unallocated includes an insurance recovery related to the 2012 poultry supply incident.

Interest Income, Net

The decrease in interest income, net for 2015 was driven by lower short term investments.

The increase in interest income, net for 2014 was driven by higher returns on short term investments.

Income tax provision

Our income tax provision includes tax on our earnings at the China statutory tax rate of 25%. To the extent those earnings are not deemed permanently reinvested in China we are required to record US tax on those earnings, net of a credit for the foreign taxes paid in China. Our effective tax rate before special items was 33.7%, 26.8% and 28.9% in 2015, 2014 and 2013, respectively. The higher effective tax rate before special items in 2015 was due to a greater amount of our earnings being subject to US tax.

Significant Known Events, Trends or Uncertainties Expected to Impact Future Results

The Chinese government recently announced reform to its retail tax structure, which is intended to be a progressive and positive shift to more closely align with a more modern service-based economy. Under this reform, a 6% output VAT would replace the present 5% Business Tax currently applied to certain restaurant sales. Input VAT would be creditable to the aforementioned 6% output VAT. This change was effective May 1, 2016.

While it is difficult to estimate the full benefit of this VAT reform prior to its actual implementation, we expect a positive financial benefit, further enabling continued investment in the business and creating thousands of additional jobs in China.

Combined Cash Flows

Net cash provided by operating activities was $910 million in 2015 versus $775 million in 2014. The increase was primarily due to the timing of payments for inventory, lower tax payments and higher Operating Profit before Special Items.

In 2014, net cash provided by operating activities was $775 million compared to $782 million in 2013. The decrease was due to lower Operating Profit before Special Items offset by the timing of payments for inventory.

Net cash used in investing activities was $493 million in 2015 compared to $512 million in 2014. The decrease was primarily driven by lower capital spending.

In 2014, net cash used in investing activities was $512 million compared to $575 million in 2013. The decrease was primarily driven by primarily driven by lower capital spending and higher refranchising proceeds.

Net cash used in financing activities was $213 million in 2015 compared to $319 million in 2014. The decrease was primarily driven by changes in net parent investment.

In 2014, net cash used in financing activities was $319 million compared to $136 million in 2013. The increase was primarily driven by changes in net parent investment.

Liquidity and Capital Resources

Historically we have funded our operations through cash generated from the operation of our Company-owned stores and from our franchise operations and dividend payments from our unconsolidated affiliates. Excess cash has historically been repatriated to YUM through intercompany loans or dividends.

Our ability to fund our future operations and capital needs will depend on our ongoing ability to generate cash from operations. We believe our principal uses of cash in the future will be primarily to fund our operations, capital expenditures and any distributions to our shareholders we plan to make. We believe that our future cash from operations, together with our access to funds on hand and capital markets, will provide adequate resources to fund these uses of cash.

If our cash flows from operations are less than we require, we may need to access the capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future or at all will be impacted by many factors, including, but not limited to:

- our financial performance;
- our credit ratings or absence of a credit rating;
- the liquidity of the overall capital markets; and
- the state of the Chinese, U.S. and global economies.

There can be no assurance, particularly as a new company that currently has no credit rating, that we will have access to the capital markets on terms acceptable to us or at all. See "Risk Factors" included elsewhere in this Information Statement for a further discussion.

Generally our income is subject to the China statutory tax rate of 25%. However, to the extent our cash flows from operations exceed our China cash requirements, the excess cash may be subject to an overall tax rate equal to the 35% U.S. statutory income tax rate.

Borrowing Capacity

As of December 31, 2015, we have two RMB300 million (approximately $92 million in total) revolving credit facilities (each a "Credit Facility"). Our three-year Credit Facility matured on April 30, 2016 but remains available to us and may be renewed until the bank completes its annual internal credit review process. It contains a cross-default provision whereby our failure to make any payment on a principal amount from the other Credit Facility will constitute a default on the agreement. Our one-year Credit Facility matures on February 16, 2017. Each Credit Facility bears interest based on the prevailing rate stipulated by the People's Bank of China and contains financial covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Interest on any outstanding borrowings is due at least monthly. As of December 31, 2015, the full amount of borrowings were available to us under each Credit Facility.

Contractual Obligations

Our significant contractual obligations and payments as of December 31, 2015 consisted of:

	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Capital Leases	54	3	6	8	37
Operating Leases(a)	3,549	490	888	752	1,419
Purchase Obligations(b)	311	311	—	—	—
Total Contractual Obligations	3,914	804	894	760	1,456

(a) These obligations, which are shown on a nominal basis, relate primarily to approximately 5,700 company-owned restaurants. See Note 10.

(b) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We have excluded agreements that are cancelable without penalty. Purchase obligations relate primarily to supply agreements, marketing, as well as consulting and other agreements.

We have not included in the contractual obligations table approximately $18 million of liabilities for unrecognized tax benefits relating to various tax positions we have taken. These liabilities may increase or decrease over time as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. These liabilities exclude amounts that are temporary in nature and for which we anticipate that over time there will be no net cash outflow.

Off-Balance Sheet Arrangements

See the Unconsolidated Affiliates Guarantees sections of Note 16 for discussion of our off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

Changes in foreign currency exchange rates impact the translation of our reported foreign currency denominated earnings, cash flows and net investments in foreign operations, virtually all of which are denominated in RMB. Historically, YUM has chosen not to hedge foreign currency risks related to our foreign currency denominated earnings and cash flows through the use of financial instruments. In addition, we attempt to minimize the exposure related to foreign currency denominated financial instruments by purchasing goods and services from third parties in local currencies when practical. Following the separation, the Company is considering a foreign currency risk management program to mitigate our foreign currency exchange risk.

As substantially all of the Company's assets are located in China, the Company is exposed to movements in the Chinese Renminbi ("RMB") foreign currency exchange rate. For the fiscal year ended December 31, 2015 Operating Profit would have decreased approximately $46 million if the RMB weakened 10% relative to the U.S. dollar. This estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

Commodity Price Risk

We are subject to volatility in food costs as a result of market risk associated with commodity prices. Our ability to recover increased costs through higher pricing is, at times, limited by the competitive environment in which we operate. We manage our exposure to this risk primarily through pricing agreements with our vendors.

New Accounting Pronouncements Not Yet Adopted

In May, 2014 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. In July, 2015 the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for the Company in our first quarter of fiscal 2018 with early adoption permitted in the first quarter of 2017. The standard allows for either a full retrospective or modified retrospective transition method. In March and April, 2016 the FASB issued the following amendments to clarify the implementation guidance: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* and ASU No. 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. We do not believe the standards will impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise sales. We are continuing to evaluate the impact the adoption of these standards will have on the recognition of other less significant revenue transactions such as initial fees from franchisees and refranchising of company-owned restaurants.

In February, 2016 the FASB issued ASU No. 2016-02, *Leases (Topic 842*), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Company in our first quarter of fiscal 2019 with early adoption permitted. The standard must be adopted using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

In March, 2016 the FASB issued ASU No. 2016-09, C*ompensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company in our first quarter of fiscal 2017 with early adoption permitted. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

Critical Accounting Policies and Estimates

Our reported results are impacted by the application of certain accounting policies that require us to make subjective or complex judgments. These judgments involve estimations of the effect of matters that are inherently uncertain and may significantly impact our quarterly or annual results of operations or financial condition. Changes in the estimates and judgments could significantly affect our results of operations, financial condition and cash flows in future years. A description of what we consider to be our most significant critical accounting policies follows.

Impairment or Disposal of Long-Lived Assets

We review long-lived assets of restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We evaluate recoverability based on the restaurant's forecasted undiscounted cash flows, which incorporate our best estimate of sales growth and margin improvement based upon our plans for the unit and actual results at comparable restaurants. Our restaurant impairment indicator and recoverability tests do not include a deduction for the license fee paid to YUM. For restaurant assets that are deemed to not be recoverable, we write down the impaired restaurant to its estimated fair value. Key assumptions in the determination of fair value are the future after-tax cash flows of the restaurant, which are reduced by future royalties a franchisee would pay, and a discount rate. The after-tax cash flows incorporate reasonable sales growth and margin improvement assumptions that would be used by a franchisee in the determination of a purchase price for the restaurant. Estimates of future cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

When we believe it is more likely than not a restaurant or groups of restaurants will be refranchised for a price less than their carrying value, but do not believe the restaurant(s) have met the criteria to be classified as held for sale, we review the restaurants for impairment. Expected net sales proceeds are generally based on actual bids from the buyer, if available, or anticipated bids given the discounted projected after-tax cash flows for the group of restaurants. Historically, these anticipated bids have been reasonably accurate estimations of the proceeds ultimately received. The after-tax cash flows used in determining the anticipated bids incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement as well as expectations as to the useful lives of the restaurant assets. These after-tax cash flows also include a deduction for the anticipated, future royalties we would receive under a franchise agreement with terms substantially at market entered into simultaneously with the refranchising transaction.

The discount rate used in the fair value calculations is our estimate of the required rate of return that a franchisee would expect to receive when purchasing a similar restaurant or groups of restaurants and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

We evaluate indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicates impairment might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset. Our only indefinite-lived intangible asset is our Little Sheep trademark. In 2013, we wrote down the Little Sheep trademark from its carrying value of $414 million to $345 million as a result of an impairment charge of $69 million. In 2014, we recorded impairment charges of $284 million to write the trademark down to its estimated fair value. The Little Sheep trademark has a book value of $56 million at December 31, 2015. Our 2015 fair value estimate of the Little Sheep trademark exceeded its carrying value. Fair value was determined using a relief-from-royalty valuation approach that included estimated future revenues as a significant input, and a discount rate of 13% as our estimate of the required rate-of-return that a third-party buyer would expect to receive when purchasing the Little Sheep trademark. The primary drivers of fair value include franchise revenue growth and revenues from a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflects annual same-store sales growth of 4% and approximately 35 new franchise units per year, partially offset by the impact of approximately 25 franchise closures per year. The seasoning business is forecasted to generate sales growth rates consistent with historical results.

Impairment of Goodwill

We evaluate goodwill for impairment on an annual basis as of the beginning of our fourth quarter or more often if an event occurs or circumstances change that indicates impairment might exist. Goodwill is evaluated for impairment by determining whether the fair value of our reporting units exceed their carrying values. Our reporting units are our individual operating segments. Fair value is the price a willing buyer would pay for the reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties

Future cash flow estimates and the discount rate are the key assumptions when estimating the fair value of a reporting unit. Future cash flows are based on growth expectations relative to recent historical performance and incorporate sales growth and margin improvement assumptions that we believe a third-party buyer would assume when determining a purchase price for the reporting unit. The sales growth and margin improvement assumptions that factor into the discounted cash flows are highly correlated as cash flow growth can be achieved through various interrelated strategies such as product pricing and restaurant productivity initiatives. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

Other than the Little Sheep reporting unit discussed below, the fair values of our other reporting units were substantially in excess of their respective carrying values as of the goodwill testing dates in 2015, 2014 and 2013, respectively.

We wrote down Little Sheep's goodwill from $384 million to $162 million as a result of an impairment charge of $222 million in 2013. In 2014, we completely impaired the remaining goodwill balance at the Little Sheep reporting unit of $160 million. The fair value of the Little Sheep reporting unit in both years was based on the estimated price a willing buyer would pay, and was determined using an income approach with future cash flow estimates generated by the business as a significant input. Future cash flow estimates were impacted by assumptions related to new unit development, sales growth and margin improvement. These fair values incorporated a discount rate of 13% as our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing the Little Sheep reporting unit.

When we refranchise restaurants, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising versus the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which include a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transaction. Appropriate adjustments are made to the fair value determinations if such franchise agreement is determined to not be at prevailing market rates.

The discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee is reduced by future royalties the franchisee will pay the Company. The Company thus considers the fair value of future royalties to be received under the franchise agreement as fair value retained in its determination of the goodwill to be written off when refranchising. Others may consider the fair value of these future royalties as fair value disposed of and thus would conclude that a larger percentage of a reporting unit's fair value is disposed of in a refranchising transaction.

Income Taxes

Our operations have historically been included in the U.S. federal and U.S. state income tax returns filed by YUM. Our foreign income tax returns, primarily those filed by our China subsidiaries, are filed on an individual entity basis. Income tax expense and other income tax related information contained in our Combined Financial Statements are presented on a separate return basis as if we filed our own U.S. federal and U.S. state tax returns rather than having been included in these YUM tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if we were a separate taxpayer and a standalone enterprise for the periods presented. The calculation of our income taxes on a separate return basis requires a considerable amount of judgment and the use of both estimates and allocations. Current income tax liabilities related to our operations under the separate return method are assumed to be immediately settled with YUM and are relieved through the Parent company investment account and the net transfers to Parent in the combined statements of cash flows.

At December 31, 2015 and 2014, we had valuation allowances of approximately $45 million and $34 million to reduce our $173 million and $187 million of deferred tax assets, respectively, to amounts that are more likely than not to be realized. The deferred tax assets not subject to a valuation allowance primarily relate to temporary differences in our profitable China legal entities. In evaluating our ability to recover our deferred tax assets, we consider future taxable income as well as carryforward periods and restrictions on usage. The estimation of future taxable income and our resulting ability to utilize deferred tax assets can significantly change based on future events, including our determinations as to feasibility of certain tax planning strategies. Thus, recorded valuation allowances may be subject to material future changes.

As a matter of course, we are regularly subject to tax audits and examination by federal, state and foreign tax authorities. We recognize the benefit of positions taken or expected to be taken in our tax returns when it is more likely than not that the position would be sustained upon examination by these tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. At December 31, 2015 and 2014 we had $15 million and $13 million, respectively, of unrecognized tax benefits. We evaluate unrecognized tax benefits, including interest thereon, on a quarterly basis to ensure that they have been appropriately adjusted for events, including audit settlements, which may impact our ultimate payment for such exposures.

We have investments in foreign subsidiaries where the carrying values for financial reporting exceed the tax basis. We have not provided deferred tax on the portion of the excess that we believe is indefinitely reinvested, as we have the ability and intent to indefinitely postpone these basis differences from reversing with a tax consequence. We estimate that our total temporary difference upon which we have not provided deferred tax is approximately $1.6 billion at December 31, 2015. However, it is not practicable to determine the deferred tax liability on this amount due to uncertainty with regard to the timing or manner of repatriation and the related impact on local taxes, withholding taxes and foreign tax credits.

If our intentions regarding our ability and intent to postpone these basis differences from reversing with a tax consequence change, deferred tax may need to be provided on this excess that could materially impact the provision for income taxes.

See Note 14 of the Combined Financial Statements for a further discussion of our income taxes.

BUSINESS

Overview

Yum! China Holding, Inc. is the largest restaurant company in China with approximately 7,200 restaurants, $6.9 billion of revenue and $998 million of adjusted EBITDA in 2015. Our growing restaurant base consists of China's leading restaurant brands, including KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep. Following our separation from Yum! Brands, we will have the exclusive right to operate, sub-franchise and license the KFC, Pizza Hut and Taco Bell brands in China, and will own the East Dawning and Little Sheep concepts outright. We were the first major global restaurant brand to enter China in 1987 and have developed deep experience operating in the market. We have since grown to become one of China's largest retail developers covering over 1,100 cities and opening an average of two new locations per day over the past five years.

KFC is the leading Quick-Service Restaurant ("QSR") brand in China. Today, KFC operates over 5,000 restaurants in over 1,100 cities across China. Measured by number of restaurants, KFC has a two-to-one lead over the nearest Western QSR competitor and continues to grow in both large and small cities. Similarly, Pizza Hut Casual Dining is the leading Casual Dining Restaurant ("CDR") brand in China. Today, Pizza Hut Casual Dining, with nearly 1,600 restaurants in over 400 cities, has a seven-to-one lead in terms of restaurants over its nearest Western CDR competitor.

Over the past three decades, we have built a significant lead not just in number of restaurants, but also in brand awareness and loyalty, proprietary consumer know-how in individual provinces and city tiers, a national supply-chain network, product innovation and quality processes, a motivated and highly-educated workforce and a long-tenured and passionate local management team. We believe that these competitive strengths are difficult to replicate.

We generate strong consumer regard and loyalty by developing menus that cater to local tastes in addition to offering global favorites like KFC's Original Recipe chicken. Each of our brands has proprietary menu items, many developed in China, and emphasizes the preparation of food with high-quality ingredients, as well as unique recipes and special seasonings to provide appealing, tasty and

convenient food at competitive prices. Most of our restaurants offer consumers the ability to dine in and/or order delivery or carry-out food. With decades of accumulated consumer know-how and loyalty in China, our brands are integrated into Chinese popular culture and consumers' daily lives.

We opened nearly 750 new restaurants in 2015 and more than 3,000 over the past four years—the equivalent of two new restaurant openings per day. While we may either operate, franchise and/or license restaurant brands, we currently own and operate either through direct company ownership or minority ownership in unconsolidated affiliates approximately 90% of our restaurants, and this high ownership percentage has driven our historically attractive return on investment.

Given the strong competitive position of the KFC and Pizza Hut Casual Dining brands, China's growing economy and population of over 1.3 billion, we expect to continue growing our system sales by adding KFC and Pizza Hut Casual Dining restaurants and through growing same-store sales.

Strong Cash Flow Generator

(in millions)	2015	2014	2013
Revenues	**$ 6,909**	**$ 6,934**	**$ 6,905**
Operating Profit	$ 488	$ 3	$ 229
+ Special Items Expense—Operating Profit(a)	15	463	295
+ Depreciation and amortization	425	411	394
+ Store impairment charges(b)	70	54	31
= **Adjusted EBITDA(c)**	**$ 998**	**$ 931**	**$ 949**

(a) The Company believes that the presentation of Special Items provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our ongoing operations

due to their size and/or nature. Refer to further discussion of non-GAAP measures in MD&A.

(b) Refer to Note 4 of the Combined Financial Statements.

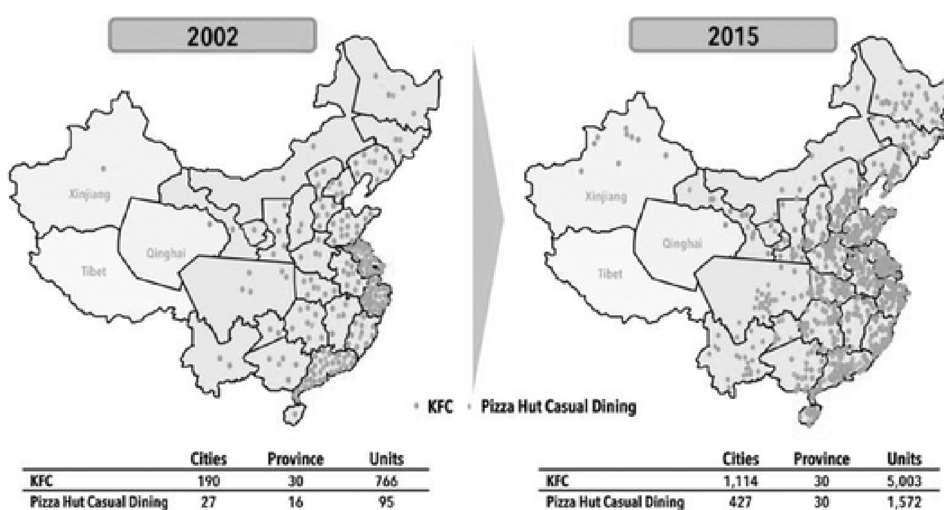
(c) The Company provides Adjusted EBITDA as a non-GAAP measure because we believe that investors may find it useful in measuring operating performance. Refer to further discussion of non-GAAP measures in MD&A.

Industry Backdrop

The development and growth of our business has benefited from China's rapidly growing middle class and increasing urbanization. The size of the middle class is expected to continue to grow significantly. According to a 2012 McKinsey study, between 2002 and 2022 the number of middle class and affluent households is expected to increase by 283 million. A significant portion of this growth will be driven by upper middle class households, which are expected to increase from 2% of total households in 2002 to 54% by 2022, or an increase of 188 million households. The Company will continue to focus on this core consumer segment and on serving China's growing middle class.

According to the McKinsey study referenced above, in 2002 87% of the middle class lived in coastal China and only 13% of the middle class lived in inland provinces. By 2022 it is expected that only 61% of the middle class will live in coastal cities as the middle class expands more rapidly in inland cities. Likewise, according to the same study, by 2022 it is expected that 39% of the middle class will live in cities with a population of more than one million. This is consistent with the Company's development plans which have focused on entering new trade zones and building new restaurants further inland.

Growing with a Shifting Middle Class



Reporting Segments

We have two reportable segments: KFC and Pizza Hut Casual Dining. We also have three other operating segments consisting of the operations of Pizza Hut Home Service, East Dawning and Little Sheep, which are combined and referred to as All Other Segments. While we have rights to the Taco Bell concept, we currently have no operations and expect to open the first Taco Bell restaurant in China in 2016.

The following table presents the total segment revenue attributable to each reportable segment for each of the last three fiscal years.

	Revenues ($Bn)		
	2015	2014	2013
KFC	4.8	4.9	5.0
Pizza Hut Casual Dining	1.8	1.7	1.5
All Other Segments	0.3	0.3	0.4
	$ 6.9	$ 6.9	$ 6.9

See Note 15 of the Combined Financial Statements for additional information concerning the Company's segments.

Restaurant Concepts

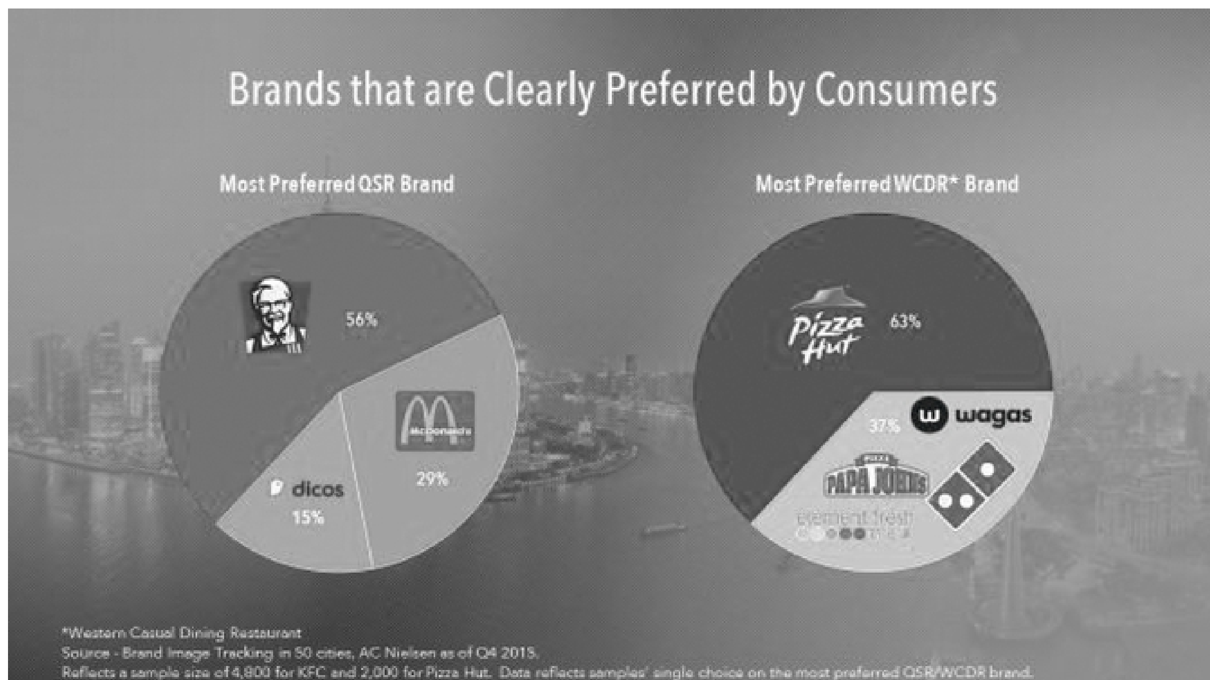
KFC

KFC is the largest restaurant brand in China in terms of system sales and number of restaurants. Founded in Corbin, Kentucky by Colonel Harland D. Sanders in 1939, KFC opened its first restaurant in Beijing, China in 1987. Today, almost 30 years later, there are over 5,000 KFCs in China, and the Company plans to continue adding new units. In addition to Original Recipe chicken, KFC in China has an extensive menu featuring pork, beef, seafood, rice dishes, fresh vegetables, soups, breakfast, desserts, and many other products, including premium coffee. The KFC brand is also seeking to increase revenues from its restaurants throughout the day with breakfast, delivery and 24-hour operations in many of its locations.

Pizza Hut Casual Dining

Pizza Hut Casual Dining is the largest Western CDR brand in China as measured by system sales and number of restaurants. It operates in over 400 cities and offers multiple dayparts, including breakfast and afternoon tea. The first Pizza Hut in China opened in 1990, and as of 2015 year-end there were nearly 1,600 Pizza Hut Casual Dining restaurants. Pizza Hut Casual Dining has an extensive menu offering a broad variety of pizzas, entrees, pasta, rice dishes, appetizers, beverages and desserts.

In 2015, Pizza Hut Casual Dining was ranked the "Most Preferred Western Casual Dining Restaurant" by The Nielsen Corporation.



Other Concepts

Pizza Hut Home Service. The Company introduced pizza delivery to China in 2001, and today there are over 300 Pizza Hut Home Service units in nearly 50 cities, specializing in professional and convenient delivery of Chinese food as well as pizza. Over 70% of the brand's orders come through online or mobile channels. Its professional service and diverse menu provide a strong platform for continued growth in the future.

Little Sheep. A casual-dining brand with its roots in Inner Mongolia, China, Little Sheep specializes in "Hot Pot" cooking, which is very popular in China particularly during the winter months. Little Sheep has approximately 250 units in both China and international markets today. Of these, over 200 units are franchised.

East Dawning. East Dawning is a Chinese food quick-service restaurant brand, primarily located in large coastal cities. There were 15 restaurants as of 2015 year end. This brand is not viewed as a significant growth engine for the Company.

Taco Bell. Taco Bell is the world's leading QSR brand specializing in Mexican-style food, including tacos, burritos, quesadillas, salads, nachos and similar items. While there are over 6,400 Taco Bell units globally, currently no locations exist in China. The Company plans to open its first Taco Bell restaurant in 2016.

Competitive Strengths

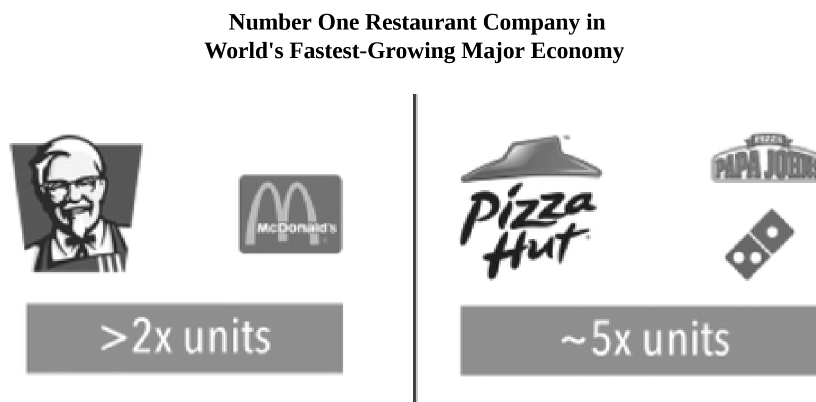
We believe the following strengths, developed over our almost 30-year operating history, differentiate us and serve as a platform for future growth.

Unique Company culture based on global systems and local spirit. We have operated for three decades as part of Fortune 500 global companies, first under Pepsico, and then as a part of Yum!

Brands following its own spin off from PepsiCo in 1997. Our Company culture promotes systems, practices and accountability that are consistent with a global company. In addition, our experience of operating for three decades across the breadth of China has enabled us to develop a uniquely Chinese spirit that promotes and rewards team-work, respect for the individual, and a quest for excellence in everything we do. We believe this unique combination allows us to delight our customer everyday while also becoming an employer of choice for our workforce. We employ approximately 400,000 people, who serve an average of over five million Chinese consumers daily.

Category-leading brands in one of the world's fastest growing economies. KFC and Pizza Hut Casual Dining are China's leading brands in their respective categories as measured by number of units and consumer preference. This significant competitive advantage is largely a result of our early entry into the China market. Rapid China infrastructure development and a growing consumer class position our brands for continued growth.

Number One Restaurant Company in
World's Fastest-Growing Major Economy



Strong Presence in 1,100+ Cities, 2 Billion+ Consumer Visits a Year

High-quality, great-tasting food, including local favorites with compelling value and a Western experience. Our KFC and Pizza Hut Casual Dining brands offer consumers a Western menu and experience, while also providing menu items that appeal to local taste preferences. Moreover, we provide our guests a clean and attractive dining destination. Our menus focus on providing our customers great food at a great value.

Strong Unit Economics. Our focus on driving efficiencies and improving our operating model has led to increasing margins and strong cash flow from our restaurants. This focus will continue, and we expect our financial results will benefit from operating leverage as sales grow. Our operating discipline has allowed us to deliver a new restaurant cash-on-cash pre-tax payback period of approximately three to four years for KFC and Pizza Hut Casual Dining.

Extensive experience in developing new restaurants. Our development capability consists of hundreds of experienced development specialists focused on all major regions of China. We continuously update a proprietary database reflecting our own knowledge of thousands of trade zones over nearly three decades. We have extensive knowledge of infrastructure development and trade zone evolution. This allows for more in-depth site selection analysis and more accurate sales projections for new units. Our real estate development capabilities have allowed us to historically maintain a high rate of new restaurant openings with attractive returns on investment.

Knowledge and understanding of Chinese consumers and versatile approach to marketing. With approximately 7,200 restaurants, $6.9 billion of revenue, and $998 billion of adjusted EBITDA in 2015, the Company's scale enables significant marketing investment to broadly advertise and promote our

brands, and the resources to understand and leverage consumer insights and changing consumer behavior.

Supply chain management with a focus on food safety and quality. Given our size and scale, the Company can effectively leverage suppliers to meet our high standards for food safety and quality, while negotiating prices that reflect our purchasing power in the category. With distribution centers strategically placed throughout China, we have the ability to readily enter new cities and efficiently supply these new restaurants with high-quality food.

Internal people development culture and training systems. We have an extensive system to support the growing people capability that is needed to enable rapid expansion. For example, our internally developed management training system called Whampoa Academy enables us to train and develop our high-potential team members into restaurant general managers ("RGMs"). This program was recently recognized by The Association for Talent Development with a 2015 "Excellence in Practice Award." Our focus on people development results in increased loyalty: our above-store managers have average tenures of over 12 years.

World class operations led by certified restaurant managers. Every restaurant has an RGM and at least one Assistant Manager. With thousands of restaurants from which to draw talent, the Company can utilize existing restaurant operating expertise to staff new restaurants, as Assistant Managers are promoted to RGMs of new units. This continuity enables new restaurants to meet our high operational standards upon opening.

Digital and technology capability, especially in mobile and social media. The Company is in a strong position to invest in emerging technologies, such as digital ordering, cashless payments and loyalty programs. The Company is often sought as a key strategic partner by China's leading-edge technology companies in digital and social media. We are on the forefront of these offerings because they are critical to maintain our competitive advantages in the market place.

Experienced senior management team. Many of our functional leaders have experience with our Company since our early days in China. Because of our strong track record of growth historically, we have been able to attract and retain highly talented management team members across our various functions.

Our Strategies

The Company's primary strategy is to grow sales and profits across its portfolio of brands through increased brand relevance, new store development and enhanced unit economics. Other areas of investment include store remodels; product innovation and quality; improved operating platforms leading to improved service; store-level human resources, including recruiting and training; creative marketing programs; and product testing.

New-Unit Growth

Rapidly growing consumer class. Given the rapidly expanding middle class, we believe that there is significant opportunity to expand within China, and we intend to focus our efforts on increasing our geographic footprint in both existing and new markets. We expanded our restaurant count from 3,906 units in 2010 to approximately 7,200 as of the end of 2015, representing a compounded annual growth rate ("CAGR") of 13%.

Substantial New-Unit Growth Potential...

Franchise opportunity. Currently, only 9% of our restaurants are operated by franchisees. Going forward, we anticipate high franchisee demand for our brands, supported by strong unit economics, operational consistency and simplicity, and multiple store types to drive restaurant growth. While the franchise market in China is still in its early stages compared to developed markets, the Company plans to continue to increase its franchise-owned store percentage over time.

Development pipeline. We believe we have a robust development pipeline and that we have the opportunity to grow our restaurant count three times over the long term with our existing brands. We also believe the opportunity to add Taco Bell restaurants as well as other concepts could further increase our total unit count.

Same-Store Sales Growth

Flavor innovation. We are keenly aware of the strength of our core menu items but we also seek to continue to introduce innovative items to meet evolving consumer preferences and local tastes, while simultaneously maintaining brand relevance and broadening brand appeal. For example, KFC offers soy bean milk, fried dough sticks, and congee for breakfast. Outside of breakfast, KFC has introduced rice dishes, Peking style chicken twisters, roasted chicken products, egg tarts and fresh lemon/calamansi tea.

Daypart opportunities. We believe there are significant daypart opportunities across our brands. For example, at KFC we recently introduced premium coffee to expand our breakfast and afternoon dayparts. Pizza Hut Casual Dining has focused on breakfast and afternoon tea to further grow same-store sales.

Customer frequency through mobile connectivity. KFC is rolling out its K-Gold loyalty program in 2016 with the eventual goal of a fully digitized customer experience. The brand will also improve the customer experience through ease of ordering and speed of service, supported by innovative technology. Pizza Hut Casual Dining is a leader in providing a digital experience with free in-store Wi-Fi, queue ticketing and pre-ordering, partnering with Alipay and WeChat to receive cashless payments, and introducing a loyalty program.

Best in-store experience. The Company continuously looks for ways to improve the customer experience. For example, starting in 2015, KFC revamped its remodel strategy to accelerate restaurant upgrades. Pizza Hut Casual Dining is also well regarded for offering consumers a contemporary casual dining setting. Our brands also look to improve efficiency to drives sales growth. For example, we are simplifying menu boards and fine-tuning our digital menu boards and in-store self-service order devices. We are also exploring expansion of our delivery business through online-to-offline, or O2O, aggregators.

Value innovation. KFC will continue to focus on value with product offerings such as the bucket and increased combo options throughout the day. Pizza Hut Casual Dining will leverage past innovations like business lunch set and breakfast.

O2O and home delivery. China is a world leader in the emerging online-to-offline or O2O market. This is where digital online ordering technologies interact with traditional brick and mortar retail to enhance the shopping experience. In the restaurant sector, KFC and Pizza Hut Home Service are already leading brands in home delivery. We see considerable further growth potential in the rapidly growing in-home consumption market by aligning our proven restaurant operation capabilities with emerging specialized O2O firms (known as aggregators) that offer consumers the ability to order any restaurant food at home. This could be an exciting new business opportunity with potential to create substantial shareholder value.

Enhanced Profitability

We focus on improving our unit-level economics and overall profits while also making the necessary investments to support our future growth. Since we increased our focus on restaurant margin improvement in late 2013, margins at KFC improved two percentage points from 2013 to 2015. We will pursue additional opportunities to improve profits over the long-term by continuing our focus on fiscal discipline and leveraging fixed costs, while maintaining the quality customer experience for which our brands are known.

Franchise and New Business Development

The franchise programs of the Company are designed to promote consistency and quality, and the Company is selective in granting franchises. Under standard franchise agreements, franchisees supply capital—initially by paying a franchise fee to the Company; by purchasing or leasing the land use right, building, equipment, signs, seating, inventories and supplies; and, over the longer term, by reinvesting in the business through expansion or acquisitions. Franchisees contribute to the Company's revenues on an ongoing basis through the payment of royalties based on a percentage of sales.

The Company believes that it is important to maintain strong and open relationships with our franchisees and their representatives. To this end, the Company invests a significant amount of time working with the franchisee community and their representative organizations on key aspects of the business, including products, equipment, operational improvements and standards and management techniques.

Restaurant Operations

Restaurant management structure varies among our brands and by unit size. Generally, each restaurant operated by the Company is led by an RGM, together with one or more Assistant Managers. RGMs are skilled and highly trained, with most having a college-level education. Each brand issues detailed manuals, which may then be customized to meet local regulations and customs. These manuals set forth standards and requirements for all aspects of restaurant operations, including food safety and quality, food handling and product preparation procedures, equipment maintenance, facility standards and accounting control procedures. The restaurant management teams are responsible for the day-to-day operation of each unit and for ensuring compliance with operating standards. The performance of RGM's is regularly monitored and coached by Area Managers. In addition, senior operations leaders regularly visit restaurants to promote adherence to system standards and mentor restaurant teams.

Supply and Distribution

The Company's restaurants, including those operated by franchisees, are substantial purchasers of a number of food and paper products, equipment and other restaurant supplies. The principal items purchased include chicken, cheese, beef and pork products and paper and packaging materials. The Company has not experienced any significant, continuous shortages of supplies, and alternative sources for most of these products are generally available. Prices paid for these supplies fluctuate. When prices increase, the brands may attempt to pass on such increases to their customers, although there is no assurance that this can be done practically.

The Company partners with approximately 600 independent suppliers, mostly China-based, providing a wide range of products. The Company, along with multiple independently owned and operated distributors, utilizes 18 distribution centers to distribute restaurant products to owned and franchised stores. The Company also owns a seasoning facility in Inner Mongolia, which supplies products to the Little Sheep business, as well as to third-party customers.

Food safety is the top priority at the Company. Food safety systems include rigorous standards and training of employees in our restaurants and distribution system, as well as requirements for suppliers. These standards and training topics include, but are not limited to, employee health, product handling, ingredient and product temperature management and prevention of cross contamination. Food safety training is focused on illness prevention, food safety and regulation adherence in day-to-day operations. Our standards also promote compliance with applicable laws and regulations when building new or renovating existing restaurants. For further information on food safety issues, see "Risk Factors—Risks Related to Our Business and Industry—Food safety and food-borne illness concerns may have an adverse effect on our business".

Trademarks, and Other Intellectual Property

The Company's use of certain material trademarks and service marks is governed by a master license agreement with YUM. The master license agreement is further described under the section "Certain Relationships and Related Person Transactions—The Master License Agreement." The Company is the exclusive licensee of the KFC, Pizza Hut Casual Dining and Pizza Hut Home Service brands and their related marks and other intellectual property rights for restaurant services in China. The term of the license is 50 years with automatic renewals for additional consecutive renewal terms of 50 years each, subject to certain conditions and unless one of the parties gives notice of its intent to not renew. In addition, subject to certain agreed-upon milestones, the Company has an exclusive license under the master license agreement to use and develop Taco Bell restaurants and related marks.

The Company's use of certain other material intellectual property (including intellectual property in product recipes, restaurant operation and restaurant design) is likewise governed by the master license agreement with YUM.

The Company owns registered trademarks and service marks relating to the East Dawning and Little Sheep brands. Collectively, these licensed and owned marks have significant value and are important to the Company's business. The Company's policy is to pursue registration of our important intellectual property rights whenever feasible and to oppose vigorously any infringement of our rights.

Working Capital

Information about the Company's working capital is included in Management's Discussion and Analysis.

Seasonal Operations

Due to higher sales during holidays and summer months, the Company has experienced significant seasonality in operating results. Also, due to Yum's fiscal calendar having 12 weeks each in its first, second and third fiscal quarters and 16 weeks in its fourth fiscal quarter, the Company has historically operated on a modified quarterly basis whereby January and February comprised the first quarter; March, April and May comprised the second quarter; June, July and August comprised the third quarter and September, October, November and December comprised the fourth quarter. On average over the last 10 years the third quarter represented 36% of total annual operating profit, followed by the first quarter with 24%, the fourth quarter with 22% and the second quarter with 18%. The Company currently expects that, beginning in 2017, it will operate on the basis of fiscal quarters with each quarter consisting of three months.

Competition

For sales in the consumer foodservice market in China, the National Bureau of Statistics of China released 2015 data indicating that the retail sales of the catering industry is approximately $500 billion. Industry conditions vary by region, with local Chinese restaurants and Western chains present, but the Company possesses the largest market share (as measured by both units and system sales). On average, competition is less than in the United States, and branded quick service restaurant units per population are well below that of the United States. However, competition is increasing and the Company still competes with respect to food quality, price, service, convenience, restaurant location and concept. The restaurant business is often affected by changes in consumer tastes; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants; and disposable purchasing power. The Company competes not only for consumers but also for management and hourly personnel and suitable real estate sites.

Among KFC's primary competitors in China are restaurant chains such as McDonald's and Dicos. Pizza Hut's Western pizza-brand competitors include Domino's and Papa John's.

Research and Development

The Company operates a test kitchen in Shanghai to promote product innovation. From time to time, the Company also works with independent suppliers to conduct research and development activities for the benefit of the Company.

Government Regulation

The Company is subject to various laws affecting its business, including laws and regulations concerning information security, labor, health, sanitation and safety. Each of the brands' restaurants must comply with licensing and regulation by a number of governmental authorities, which include restaurant operation, health, sanitation, food safety and fire agencies in the province and/or municipality in which the restaurant is located. To date, the Company has not been materially adversely affected by such licensing and regulation or by any difficulty, delay or failure to obtain required licenses or approvals. The Company is also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment, as well as anti-bribery and corruption laws.

See "Risk Factors" for a discussion of risks relating to federal, state, provincial, local and international regulation of our business.

Regulations relating to Dividend Distribution

The Chinese laws, rules and regulations applicable to our China subsidiaries permit payments of dividends only out of their accumulated profits, if any, determined in accordance with applicable

accounting standards and regulations. In addition, under China law an enterprise incorporated in China is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. As a result, our China subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. At the discretion of our Board of Directors, as enterprises incorporated in China, our China subsidiaries may allocate a portion of their after-tax profits based on China accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Regulations relating to Taxation

Enterprise Income Tax. Under the EIT Law and its implementation rules, a China resident enterprise shall be subject to China enterprise income tax in respect of its net taxable income derived from sources inside and outside China. The term "resident enterprise" refers to any enterprise established in China and any enterprise established outside China with a "de facto management body" within China.

Our China subsidiaries will be regarded as China resident enterprises by virtue of their incorporation in China, and will generally be subject to China enterprise income tax on their worldwide income at the current uniform rate of 25%, unless reduced under certain specific qualifying criteria. Our China subsidiaries may deduct reasonable expenses that are actually incurred and are related to the generation of its income, including interest and other borrowing expenses, amortization of land use rights and depreciation of buildings and certain fixed assets, subject to any restrictions that may be imposed under the EIT Law, its implementation regulations and any applicable tax notices and circulars issued by the Chinese government or tax authorities.

The Company and each Company subsidiary that is organized outside of China intend to conduct their management functions in a manner that does not cause them to be China resident enterprises, including by carrying on their day-to-day management activities and maintaining their key assets and records, such as resolutions of their board of directors and resolutions of shareholders, outside of China. As such, we do not believe that the Company or any of its non-Chinese subsidiaries should be considered a China resident enterprise for purposes of the EIT Law, and should not be subject to China enterprise income tax on that basis. See "Risk Factors—Risks Related To Doing Business in China—Under the EIT Law, if we are classified as a Chinese resident enterprise for Chinese enterprise income tax purposes such classification would likely result in unfavorable tax consequences to us and our non-Chinese shareholders."

Value-Added Tax / Business Tax and Local Surcharges. Effective May 1, 2016, a 6% value-added tax ("VAT") on output replaced the 5% business tax that has historically been applied to certain restaurant sales under the China Provisional Regulations on Business Tax. Pursuant to Caishui 2016 (36) jointly issued by the Ministry of Finance and the State Administration for Taxation, from May 1, 2016 onwards, any entity engaged in the provision of certain catering services in China is generally required to pay VAT, at the rate of 6% on revenues generated from the provision of such services, less any creditable VAT already paid or borne by such entity upon purchase of materials and services.

Local surcharges generally ranging from 7% to 13%, varying with the location of the relevant China subsidiary, are imposed on the amount of VAT payable.

Repatriation of Dividends from our China Subsidiaries. Dividends (if any) paid by our China subsidiaries to their direct offshore parent company are subject to China withholding income tax at the rate of 10%, provided that such dividends are not effectively connected with any establishment or place of the offshore parent company in China. The 10% withholding income tax rate may be reduced or exempted pursuant to the provisions of any applicable double tax treaties or tax arrangements entered into by China.

Gains on Direct Disposal of Equity Interests in our China Subsidiaries. Under the EIT Law and its implementation rules, gains derived by non-resident enterprises from the sale of equity interests in a China resident enterprise are subject to China withholding income tax at the rate of 10%. The gains are computed based on the difference between the sales proceeds and the original investment basis. Stamp duty is also payable upon a direct transfer of equity interest in a China resident enterprise. The stamp duty is calculated at 0.05% on the transfer value, payable by each of the transferor and transferee. We may be subject to these taxes in the event of any future sale by us of a China resident enterprise.

Gains on Indirect Disposal of Equity Interests in our China Subsidiaries. In February, 2015, the SAT issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a Chinese resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. Where a non-resident enterprise conducts an "indirect transfer" of Chinese interests by disposing of equity interests in an offshore holding company, the transferor, transferee, and/or the China resident enterprise being indirectly transferred may report such indirect transfer to the relevant Chinese tax authority, which in turn reports to the SAT. Using general anti-tax avoidance provisions, the SAT may treat such indirect transfer as a direct transfer of Chinese interests if the transfer has avoided Chinese tax by way of an arrangement without reasonable commercial purpose. As a result, gains derived from such indirect transfer may be subject to Chinese enterprise income tax, and the transferee or other person who is obligated to pay for the transfer would be obligated to withhold the applicable taxes, currently at a rate of up to 10% of the capital gain in the case of an indirect transfer of equity interests in a Chinese resident enterprise. Both the transferor and the party obligated to withhold the applicable taxes may be subject to penalties under Chinese tax laws if the transferor fails to pay the taxes and the party obligated to withhold the applicable taxes fails to withhold the taxes.

The above regulations do not apply if either (i) the selling non-resident enterprise recognizes the relevant gain by purchasing and selling equity of the same listed enterprise in the open market (the "listed enterprise exception"); or (ii) the selling non-resident enterprise would have been exempted from enterprise income tax in China if it had directly held and transferred such Chinese interests that were indirectly transferred.

Following the distribution, we expect that transfers of our stock by shareholders that have purchased our stock in open market transactions will not be taxable under the China indirect transfer rules due to the listed enterprise exception. However, in the case of corporate and other non-individual shareholders, transfers of stock acquired pursuant to the distribution or that do not take place through open market transactions may be subject to these rules, and our China subsidiaries may have filing obligations in respect of such transfers. Further, a shareholder may be exempted from taxation if it is a tax resident of a country or region that has a tax treaty or arrangement with China that provides for a capital gains tax exemption, and the shareholder qualifies for the exemption. For example, under the U.S.-China double tax treaty, a U.S. tax resident shareholder should qualify for the treaty exception if it disposes of stock that represents a participation interest of less than 25% in our company.

Employees

As of year-end 2015, the Company employed approximately 400,000 persons, approximately 90% of whom were restaurant team members who were employed on a full- or part-time basis with their pay calculated based on their service hours. The Company believes that it provides working conditions and compensation that compare favorably with those of our principal competitors. The majority of employees are paid on an hourly basis. The Company considers our employee relations to be good.

Unconsolidated Affiliates

As of year-end 2015, 11% of the Company's units were jointly owned by unconsolidated affiliates that operated as our franchisees. All 796 of these were KFC restaurants, or 16% of total KFC restaurants. These unconsolidated affiliates are Chinese joint venture partners which helped KFC establish its initial presence in certain regions of China.

Properties

As of year-end 2015, the Company leased land, building or both for 5,768 units in China, which unit count includes land use rights for approximately 40 properties. These units are further detailed as follows:

- KFC leased land, building or both (including land use rights) in approximately 3,821 units.
- Pizza Hut Casual Dining leased land, building or both (including land use rights) in approximately 1,556 units.
- All other segments leased land, building or both (including land use rights) in approximately 391 units.

Company-owned restaurants in China are generally leased for initial terms of 10 to 20 years and generally do not have renewal options.

The Company leases its corporate headquarters and test kitchen facilities in Shanghai, China and owns land use rights for six non-store properties of Little Sheep. Additional information about the Company's properties is included in Note 10 of the Combined Financial Statements.

The Company believes that its properties are generally in good operating condition and are suitable for the purposes for which they are being used.

Legal Proceedings

The Company is subject to various lawsuits covering a variety of allegations from time to time. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Combined Financial Statements, is not likely to have a material adverse effect on the Company's annual results of operations, financial condition or cash flows. Matters faced by the Company from time to time include, but are not limited to, claims from landlords, employees, customers and others related to operational, contractual or employment issues. Refer to Note 16 of the Combined Financial Statements included in this Information Statement.

MANAGEMENT OF THE COMPANY

Executive Officers Following the Distribution

The following table includes information relating to certain of our expected executive officers following the separation. After the separation, none of these individuals will continue to be employees of YUM. Future filings will list additional executive officers once they have been determined.

Name	Age	Position
Muktesh ("Micky") Pant	61	Chief Executive Officer

Micky Pant is expected to serve as the Chief Executive Officer of the Company. He has served as CEO of Yum! Restaurants China since August 2015. Over the past decade, Mr. Pant has held a number of leadership positions at YUM, including CEO of the KFC Division, CEO of Yum! Restaurants International ("YRI"), President of Global Branding for YUM, President of YRI, Chief Marketing Officer of YUM, Global Chief Concept Officer for YUM and President of Taco Bell International. Before joining YUM, Mr. Pant built a foundation in marketing and international business with 15 years at Unilever in India and the UK and worked at PepsiCo, Inc. and Reebok. While he was Chief Marketing Officer, Reebok was the winner of two Golden Lion awards at the Cannes Film Festival, widely considered as the highest recognition in advertising. Since December 2014, Mr. Pant has served as an independent director on the board of Pinnacle Foods, Inc. (NYSE: PF), where he also serves on the audit committee.

Board of Directors Following the Distribution

The Company is in the process of identifying the individuals who are expected to serve on the Company's board of directors following the separation. We will provide details regarding these individuals in an amendment to this Information Statement.

Director Qualification Standards and Board of Directors Membership Criteria

It is anticipated that, upon consummation of the distribution, a majority of the members of the Company's board of directors will qualify as independent directors in accordance with the applicable rules of [ ]. It is anticipated that the Company's board of directors will be comprised of members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Company directors should have experience in positions with a high degree of responsibility, be (or have been) leaders in the companies or institutions with which they are affiliated and be selected based upon contributions they can make to the Company's board of directors.

Following the distribution, the ultimate responsibility for selection of director candidates will reside in the Company's board of directors. The Company's Nominating and Governance Committee will have, as one of its responsibilities, the recommendation of director candidates to the full board of directors. Each member of the Nominating and Governance Committee will interview a director candidate before the candidate is recommended by the Nominating and Corporate Governance Committee for election to the full board of directors. As one of its responsibilities, the Nominating and Governance Committee will be required to periodically review and recommend the composition, organization and responsibilities of the Company's board of directors and its committees.

Committees of the Board of Directors

Effective upon completion of the separation, the Company's board of directors will establish several standing committees in connection with the discharge of its responsibilities. Such standing committees will include the Audit Committee, Compensation Committee and Nominating and

Governance Committee. Each committee will consist solely of independent directors under the applicable independence requirements of [·] and be governed by a written charter. All such committee charters will be available on the Company's website at www.[ ].com.

Audit Committee. The initial membership of the Audit Committee will be determined prior to the separation. The committee will have at least three members at all times, each of whom shall satisfy the applicable independence requirements of [·] and Section 10A of the Exchange Act, and the rules promulgated thereunder. Each member of the Audit Committee will be financially literate, and at least one member will be an "audit committee financial expert" as defined by the rules of the SEC. The Audit Committee will, among other things, assist the board of directors in its oversight of:

- the integrity of the financial statements of the Company;
- the Company's compliance with legal and regulatory requirements;
- the Company's system of internal controls and procedures, including disclosure controls and procedures;
- the independent auditors' qualifications and independence; and
- the performance of the Company's internal audit function and independent auditors.

Compensation Committee. The initial membership of the Compensation Committee will be determined prior to the separation. The Compensation Committee will consist of no fewer than three members. Each member of the Compensation Committee will satisfy the independence requirements of [·] and, if deemed appropriate by the board of directors from time to time, meet the definition of "non-employee director" under Rule 16b-3 under the Exchange Act, and "outside director" for purposes of Section 162(m) of the Code. Among other things, the Compensation Committee will:

- oversee the Company's executive compensation plans and programs and review and recommend changes to these plans and programs;
- monitor the performance of the Chief Executive Officer and other senior executives in light of corporate goals set by the Committee;
- review and approve the compensation of the Chief Executive Officer and other senior executive officers; and
- review management succession planning.

Nominating and Governance Committee. The initial membership of the Nominating and Governance Committee will be determined prior to the separation. The Nominating and Governance Committee will consist of no fewer than three members. Each member of the Nominating and Governance Committee will satisfy the independence requirements of [·]. Among other things, the Nominating and Governance Committee will:

- identify and propose to the board of directors suitable candidates for board membership;
- advise the board of directors on matters of corporate governance;
- review and reassess from time to time the adequacy of the Company's corporate governance principles;
- receive comments from all directors and report annually to the board of directors with an assessment of the board's performance; and
- prepare and supervise the board of directors' annual review of director independence.

Limitations on Liability, Indemnification of Officers and Directors, and Insurance

The Delaware General Corporation Law (the "DGCL") authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties as directors, except for liability

- for any breach of the director's duty of loyalty to the corporation or its shareholders,
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law,
- for unlawful payments of dividends or unlawful stock repurchases or redemptions described by Section 174 of the DGCL, or
- for any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation will include such an exculpation provision. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that require the Company to indemnify, to the fullest extent allowable under the DGCL, directors or officers for monetary damages for actions taken as a director or officer of the Company, or for serving at the Company's request as a director or officer or another position at another corporation or enterprise, as the case may be. Our amended and restated certificate of incorporation will also provide that the Company must indemnify and advance reasonable expenses to its directors and officers. Our amended and restated certificate of incorporation will expressly authorize the Company to carry directors' and officers' insurance to protect the Company and our directors, officers and employees and agents from certain liabilities.

The limitation of liability and indemnification provisions that will be in our amended and restated certificate of incorporation and amended and restated bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit our company and our shareholders. However, these provisions will not limit or eliminate the Company's rights, or those of any shareholder, to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's fiduciary duties. The provisions will not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, the Company pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Compensation Committee Interlocks and Insider Participation

During the Company's fiscal year ended December 31, 2015, the Company was not an independent company, and did not have a Compensation Committee or any other committee serving a similar function. Decisions as to the compensation of the Company's executive officers who currently serve as YUM's executive officers were made by YUM, as described in the section of this Information Statement captioned "Compensation Discussion and Analysis."

COMPENSATION DISCUSSION AND ANALYSIS

As discussed above, the Company is currently a part of YUM and not an independent company, and the Company's Compensation Committee has not yet been formed. This Compensation Discussion and Analysis describes the historical compensation practices of YUM and attempts to outline certain aspects of the Company's anticipated compensation structure for its named executive officers following the separation. The Company's anticipated programs and policies remain subject to the review and approval of the Company's Compensation Committee.

Mr. Pant is expected to be appointed to serve as the Company's Chief Executive Officer following the separation and is currently an executive officer of YUM. The other individuals expected to be the Company's named executive officers as of the separation will be identified in subsequent amendments to this Information Statement. In connection with the separation, the Company (or YUM on the Company's behalf) will identify additional Company executive officers, including a chief financial officer. The compensation arrangements for such executive officers will either have been approved by YUM for historical executive officers of YUM or will be approved by the Compensation Committee following the separation. In subsequent filings with the SEC, the Company will describe the material terms of the compensation arrangements with the Company's Chief Executive Officer and the material terms of any compensation arrangements with the other individuals expected to serve as executive officers of the Company. For purposes of the following Compensation Discussion and Analysis and executive compensation disclosures, such individuals are collectively referred to as the Company's or our "named executive officers."

The historical decisions relating to the compensation of the Company's named executive officers who are currently executive officers of YUM in 2015 and prior years have been made by YUM. Following the separation, the compensation of the Company's executive officers will be determined by the Compensation Committee consistent with the compensation and benefit plans, programs and policies adopted by the Company.

Additional information about the Company's expected executive officers following the separation is set forth in the section of this Information Statement captioned "Management of the Company."

Initially, the Company's compensation policies will be substantially the same as those employed by YUM. The Compensation Committee will review these policies and practices, and, it is expected, will make adjustments to support the Company's strategies and to remain market competitive. This Compensation Discussion and Analysis will describe YUM's compensation philosophy, policies and practices as they applied to the Company named executive officers identified above during 2015.

EXECUTIVE COMPENSATION

Historical Compensation of Executive Officers Prior to the Separation

The four individuals, in addition to Mr. Pant, expected to be the Company's named executive officers as of the separation will be identified in a subsequent amendment to this Information Statement.

Prior to the effectiveness of the registration statement of which this Information Statement forms a part, information regarding the compensation arrangements of the Company's named executive officers following the separation will be disclosed in accordance with the rules and regulations of the SEC.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Agreements with YUM

Following the separation and distribution, the Company and YUM will operate separately, each as an independent public company. We will enter into a separation and distribution agreement with YUM, which is referred to in this Information Statement as the "separation and distribution agreement." In connection with the separation, we will also enter into various other agreements to effect the separation and provide a framework for our relationship with YUM after the separation, including a master license agreement, a tax matters agreement, and an employee matters agreement. These agreements will provide for the allocation between us and YUM of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after our separation from YUM and will govern certain relationships between the Company and YUM after the separation. The agreements listed above will be filed as exhibits to the registration statement on Form 10 of which this Information Statement is a part.

The summaries of each of the agreements listed above are qualified in their entireties by reference to the full text of the applicable agreements, which are incorporated by reference into this Information Statement. See "Where You Can Find More Information."

The Separation and Distribution Agreement

Transfer of Assets and Assumption of Liabilities

The separation and distribution agreement will identify the assets to be transferred, the liabilities to be assumed and the contracts to be assigned to each of the Company and YUM as part of the separation of YUM into two independent companies, and it will provide for when and how these transfers, assumptions and assignments will occur. In particular, the separation and distribution agreement will provide, among other things, that subject to the terms and conditions contained therein:

- Certain assets related to the Company business, which are referred to as the "Company Assets," will be transferred to the Company, including:

  - equity interests in certain YUM subsidiaries that operate the Company business:
  - contracts (or portions thereof) that relate to the Company business;
  - certain information, technology, software and intellectual property exclusively used in the Company business;
  - rights and assets expressly allocated to the Company pursuant to the terms of the separation and distribution agreement or certain other agreements entered into in connection with the separation;
  - permits primarily used in the Company business; and
  - other assets that are included in the Company pro forma combined balance sheet included in this Information Statement.

- Certain liabilities related to the Company business or the Company Assets, which are referred to as the "Company Liabilities," will be retained by or transferred to the Company, including:

  - liabilities and obligations expressly allocated to the Company pursuant to the terms of the separation and distribution agreement or certain other agreements entered into in connection with the separation; and

- other liabilities that are included in the Company pro forma combined balance sheet included in this Information Statement.

- All of the assets and liabilities (including whether accrued, contingent or otherwise) other than the Company Assets and the Company Liabilities (all such assets and liabilities, other than the Company Assets and the Company Liabilities, referred to as the "YUM Assets" and the "YUM Liabilities," respectively), will be retained or assumed by YUM.

Except as expressly set forth in the separation and distribution agreement or any ancillary agreement, neither the Company nor YUM will make any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the separation, as to any approvals or notifications required in connection with the transfers, as to the value of or the freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either the Company or YUM, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the separation. All assets will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of all security interests, that any necessary consents or governmental approval are not obtained or that any requirements of laws, agreements, security interests, or judgments are not complied with.

Information in this Information Statement with respect to the assets and liabilities of the parties following the distribution is presented based on the allocation of such assets and liabilities pursuant to the separation and distribution agreement, unless the context otherwise requires. The separation and distribution agreement will provide that, in the event that the transfer or assignment of certain assets and liabilities to the Company or YUM, as applicable, does not occur prior to the separation, then until such assets or liabilities are able to be transferred or assigned, the Company or YUM, as applicable, will hold such assets on behalf and for the benefit of the other party and will pay, perform and discharge such liabilities, for which the other party will reimburse YUM or the Company, as applicable, for any payments made in connection with the maintenance of such assets or the performance and discharge of such liabilities.

The Distribution

The separation and distribution agreement will also govern the rights and obligations of the parties regarding the distribution following the completion of the separation. On the distribution date, YUM will distribute to its shareholders that hold YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution all of the issued and outstanding shares of the Company's common stock held by YUM on a pro rata basis. YUM shareholders will receive cash in lieu of any fractional shares.

Conditions to the Distribution

The separation and distribution agreement will provide that the distribution is subject to satisfaction (or waiver by YUM) of certain conditions described under "The Separation and Distribution—Conditions to the Distribution." YUM has the sole and absolute discretion to determine (and change) the terms of, and to determine whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the record date for the distribution, the distribution date and the distribution ratio.

Settlement of Accounts Between the Company and YUM

The separation and distribution agreement will provide that all intercompany receivables and payables as to which there are no third parties and that are between the Company or a Company subsidiary, on the one hand, and YUM or a YUM subsidiary, on the other hand, other than accounts related to the agreements to be entered into in connection with the separation and post-separation agreements between YUM and the Company and other than any accrued liabilities incurred in connection with providing the services that will be memorialized by certain ancillary agreements, in each case existing as of immediately prior to the completion of the separation, will be settled, capitalized, cancelled, assigned or assumed by the Company or one or more Company subsidiaries.

Claims

In general, each party to the separation and distribution agreement will assume or retain liability for all pending, threatened and unasserted legal matters related to its own business or its assumed or retained liabilities and will indemnify the other party for any liability to the extent arising out of or resulting from such assumed or retained legal matters.

Releases

The separation and distribution agreement will provide that the Company and its affiliates will release and discharge YUM and its affiliates from all liabilities assumed by the Company as part of the separation, from all acts and events occurring or failing to occur, and all conditions existing, on or before the distribution date relating to the Company's business, and from all liabilities existing or arising in connection with the implementation of the separation, except as expressly set forth in the separation and distribution agreement. YUM and its affiliates will release and discharge the Company and its affiliates from all liabilities retained by YUM and its affiliates as part of the separation and from all liabilities existing or arising in connection with the implementation of the separation, except as expressly set forth in the separation and distribution agreement.

These releases will not extend to obligations or liabilities under any agreements between the parties that remain in effect following the separation, which agreements include, but are not limited to, the separation and distribution agreement, the tax matters agreement, the employee matters agreement, and certain other agreements, including the master license agreement and the transfer documents in connection with the separation.

Indemnification

In the separation and distribution agreement, the Company will agree to indemnify, defend and hold harmless YUM, each of its affiliates and each of their respective directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from:

- the Company Liabilities;
- the failure of the Company or any other person to pay, perform or otherwise promptly discharge any of the Company Liabilities, in accordance with their respective terms, whether prior to, at or after the distribution;
- specified litigation matters that relate to the Company business;
- any breach by the Company of the separation and distribution agreement or any of the ancillary agreements;
- except to the extent relating to a YUM Liability, any guarantee, indemnification or contribution obligation for the benefit of the Company by YUM that survives the distribution; and

- any untrue statement or alleged untrue statement or omission or alleged omission of material fact in the registration statement of which this Information Statement forms a part, or in this Information Statement (as amended or supplemented), except for any such statements or omissions made explicitly in YUM's name.

YUM agrees to indemnify, defend and hold harmless the Company, each of its affiliates and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from:

- the YUM Liabilities;

- the failure of YUM or any other person to pay, perform or otherwise promptly discharge any of the YUM Liabilities, in accordance with their respective terms whether prior to, at or after the distribution;

- specified litigation matters that relate to the YUM business;

- any breach by YUM of the separation and distribution agreement or any of the ancillary agreements;

- except to the extent relating to a Company Liability, any guarantee, indemnification or contribution obligation for the benefit of YUM by the Company that survives the distribution; and

- any untrue statement or alleged untrue statement or omission or alleged omission of a material fact made explicitly in YUM's name in the registration statement of which this Information Statement forms a part, or in this Information Statement (as amended or supplemented).

The separation and distribution agreement will also establish procedures with respect to claims subject to indemnification and related matters.

Intellectual Property

Following the distribution, YUM will continue to own the YUM, KFC, Pizza Hut and Taco Bell names and other intellectual property rights associated with such brands, and will license to the Company certain intellectual property rights, including use of the KFC, Pizza Hut and Taco Bell names for use in the Company business, pursuant to the master license agreement, which is described below.

Insurance

The separation and distribution agreement will provide for the allocation between the parties of rights and obligations under existing insurance policies with respect to occurrences prior to the distribution and sets forth procedures for the administration of insured claims.

Non-Solicitation

The separation and distribution agreement will contain a non-solicitation provision preventing each of YUM and the Company from soliciting certain of the other party's employees for twelve months from the distribution date, subject to certain exceptions, including, among others, for generalized solicitations that are not directed to employees of the other party and the solicitation of a person whose employment was terminated by the other party.

Further Assurances

In addition to the actions specifically provided for in the separation and distribution agreement, except as otherwise set forth therein or in any ancillary agreement, both the Company and YUM will agree in the separation and distribution agreement to use reasonable best efforts, prior to, on and after

the distribution date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the separation and distribution agreement and the ancillary agreements.

Dispute Resolution

The separation and distribution agreement will contain provisions that govern, except as otherwise provided in any ancillary agreement, the resolution of disputes, controversies or claims that may arise between the Company and YUM related to the separation or distribution and that are unable to be resolved by the transition committee. These provisions will contemplate that efforts will be made to resolve disputes, controversies and claims by escalation of the matter to executives of the Company and YUM. If such efforts are not successful, either the Company or YUM may submit the dispute, controversy or claim to nonbinding mediation or, if such nonbinding mediation is not successful, binding arbitration, subject to the provisions of the separation and distribution agreement.

Expenses

Except as expressly set forth in the separation and distribution agreement or in any ancillary agreement, all costs and expenses incurred in connection with the separation and distribution incurred prior to the distribution date, including costs and expenses relating to legal and tax counsel, financial advisors and accounting advisory work related to the separation and distribution, will be paid by the party incurring such cost and expense.

Other Matters

Other matters governed by the separation and distribution agreement will include access to financial and other information, confidentiality, access to and provision of records and treatment of outstanding guarantees and similar credit support.

Termination

The separation and distribution agreement will provide that it may be terminated, and the separation and distribution may be modified or abandoned, at any time prior to the distribution date in the sole discretion of YUM without the approval of any person, including the Company's or YUM's shareholders. In the event of a termination of the separation and distribution agreement, no party, nor any of its directors, officers or employees, will have any liability of any kind to the other party or any other person. After the distribution date, the separation and distribution agreement may not be terminated except by an agreement in writing signed by both YUM and the Company.

Tax Matters Agreement

In connection with the separation, we will enter into a tax matters agreement with YUM that will govern our respective rights, responsibilities, and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings, and certain other matters regarding taxes.

Under the tax matters agreement, subject to certain exceptions, YUM generally will be liable for and indemnify us against all taxes attributable to the YUM business and we generally will be liable for and indemnify YUM against all taxes attributable to our business for all taxable periods, whether ending on, before or after the date of the distribution. The tax matters agreement also addresses the allocation of liability for taxes that are incurred as a result of distribution or restructuring activities undertaken to effectuate the distribution. To the extent any Chinese indirect transfer tax pursuant to Bulletin 7 is imposed, such tax will be allocated between YUM and us in proportion to our respective

share of the combined market capitalization of YUM and the Company during the thirty trading days after the distribution, subject to certain exceptions. In addition, we generally would be responsible for any tax imposed with respect to the distribution and related separation transactions resulting from our breach of certain covenants relating to actions or inactions that would be inconsistent with the intended tax-free treatment of the distribution and related separation transactions, and any U.S. tax imposed on YUM with respect to the distribution arising under Section 355(e) of the Code.

The tax matters agreement generally provides that YUM is responsible for preparing and filing tax returns of YUM and its affiliates and we are responsible for preparing and filing tax returns of us and our affiliates, and that we shall not take positions on our tax returns inconsistent with past practices or that would adversely affect YUM. Generally, the party responsible for preparing and filing a tax return will also have the authority to control all tax proceedings, including tax audits, involving any taxes or adjustment to taxes reported on such tax return, except that YUM will have review and control rights over certain of our tax returns and related proceedings. The tax matters agreement further provides for cooperation between us and YUM with respect to tax matters, including the exchange of information and the retention of records.

Employee Matters Agreement

YUM and the Company will enter into an employee matters agreement ("EMA") prior to the separation and distribution. The EMA will allocate liabilities and responsibilities relating to employees, employment matters, compensation, benefit plans, and other related matters in connection with the separation and distribution, including the treatment of outstanding equity and incentive awards, both inside and outside of the United States.

Employee Benefits Generally

Employees of the businesses to be conducted by the Company after the separation and distribution (the "Company Business") are currently employed by the Company and such employees currently participate only in benefit plans and arrangements maintained by the Company (other than equity-based arrangements and certain executive compensation arrangements discussed below). Similarly, employees of the businesses to be conducted by YUM after the separation and distribution (the "YUM Business") are currently employed by YUM and such employees currently participate only in benefit plans and arrangements maintained by YUM. It is anticipated that employees will remain employed by the same business before and after the separation and distribution. Based on the foregoing, the EMA generally provides that the Company will retain all liabilities relating to the employees and former employees of the Company Business and YUM will retain all liabilities relating to the employees and former employees of the YUM Business (other than equity-based arrangements and certain executive compensation arrangements discussed below). These liabilities include all liabilities relating to, arising out of or resulting from employment (or termination of employment) and all liabilities and obligations under and with respect to the employee benefit plans and arrangements that are maintained by the Company or YUM, as applicable, respectively. YUM, however, will retain limited liabilities accrued by Company employees under YUM benefit plans through the date of the separation and distribution, such as liabilities under qualified retirement plans and nonqualified deferred compensation plans prior to the separation and distribution.

Employees of the Company will not be eligible to participate in YUM benefit plans and arrangements for periods after the separation and distribution and employees of YUM will not be eligible to participate in Company benefit plans for periods after the separation and distribution.

The separation and distribution is not a change in control for purpose of any benefit plan, equity plan, employment agreement or other purpose. Therefore, it will not entitle employees to any change in control benefits.

Equity-Based Compensation and Certain Executive Compensation Arrangements

Unless otherwise specified and notwithstanding the general provisions of the EMA relating to allocation of liabilities between YUM and the Company, concurrently with the separation and distribution, holders of YUM equity-based awards (including stock options, stock appreciation rights and restricted stock units) will generally receive awards with respect to Company stock and their YUM awards will be adjusted. To the extent applicable, each award will be adjusted in order to preserve the aggregate intrinsic value of the award as measured immediately before and immediately after the separation, subject to rounding.

Except for the adjustments described above, all adjusted awards will remain subject to the same vesting conditions and other material terms and conditions that applied to the original YUM equity award immediately before the separation and distribution.

If local regulations outside the United States or the terms of any employment agreement do not permit use of the specified adjustment method, a compliant alternative adjustment method will be used.

Adjustments will also be made with respect to phantom equity awards under executive programs, such as deferred compensation programs. These adjustments will generally be made in accordance with the shareholder method. Appropriate adjustments to reflect the separation and distribution are also being considered with respect to performance targets under existing awards and bonus arrangements.

Master License Agreement

In connection with the separation, Yum! Restaurants Asia Pte. Ltd. ("YRAPL"), a wholly-owned indirect subsidiary of YUM, and Yum Restaurants Consulting (Shanghai) Company, Ltd. ("YCCL"), a wholly-owned indirect subsidiary of the Company, will enter into a master license agreement. Under the master license agreement, YRAPL grants YCCL the exclusive right to use and sublicense the use of intellectual property owned by YUM and its subsidiaries for the operation of KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, and Taco Bell restaurants in the People's Republic of China, excluding Hong Kong, Taiwan and Macau (the "territory") including related development, promotional and support activities. The master license agreement also gives YCCL a right of first refusal to develop and franchise in the territory other restaurant brands that YUM may later develop or acquire. KFC, Pizza Hut and Taco Bell are referred to in this section as the "brands" and each as a "brand."

Term

The term of the master license agreement expires on the 50th anniversary of the effective date of the agreement, but as long as YCCL satisfies certain conditions, including that it is in "good standing," and unless one of the parties gives notice of its intent not to renew, the agreement will be automatically renewed for an unlimited number of additional 50-year renewal terms.

Payments and Required Expenditures

YCCL must pay YRAPL a monthly license fee in an amount equal to 3% of net sales, net of certain taxes and surcharges, from the operation of the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell businesses in the territory by YCCL or its sublicensees and franchisees. YCCL must spend a specified minimum percentage of gross revenues to market, advertise and promote the brands and their products in the territory.

Guarantor

YCCL's obligations under the master license agreement are guaranteed by the Company.

Growth

To maintain its exclusivity, YCCL must meet certain benchmarks designed to measure growth of the brands in the territory. These benchmarks may vary by brand. In addition, YCCL must open a certain number of Taco Bell restaurants in the territory during the first five years of the master license agreement; if it does not, YCCL will lose its exclusivity with respect to the Taco Bell brand and YRAPL may terminate YCCL's right to develop new Taco Bell restaurants.

Non-Competition

The master license agreement restricts YCCL and its affiliates from engaging in a "competing business" in China and other countries in which YUM operates its brands during the term of the agreement and for twelve months following the expiration, termination or transfer of the agreement or an interest in the agreement. A "competing business" is (a) one that offers to consumers any food product that is similar to one offered by restaurants operating under the brands (like pizza, pasta, ready-to-eat chicken and Mexican-style food) and that accounts for more than 20% of all product revenues generated by the business, and (b) certain businesses specifically identified in the master license agreement, which may be updated from time to time.

Brand Standards

YCCL must maintain, and cause its sublicensees to maintain, specified standards of quality and comply, and cause its sublicensees to comply, with certain brand standards set forth by YRAPL.

Transfer and Change of Control

YRAPL and its affiliates may transfer their interests in brand assets, the master license agreement, and their rights and obligations under the master license agreement (including those pertaining to a particular brand, which are separable under the master license agreement), with advance notice to (and for transfers to competitors after consultation with) YCCL, but without YCCL's consent. The transfer by YCCL of its rights or obligations under the master license agreement or any sublicense agreement is subject to YRAPL's prior written consent. YRAPL may terminate the master license agreement or YCCL's rights as to a particular brand in the event of an unauthorized transfer. A change of control occurs if YCCL ceases to be a wholly-owned subsidiary of the Company and in any of the following circumstances: (i) substantially all of the assets of YCCL or the Company are transferred to a competitor; (ii) YCCL or the Company merge, or engage in any other business combination, with a competitor; (iii) 20% or more of the Company's outstanding capital stock or voting securities is owned by a competitor; and (iv) a competitor acquires the power to manage YCCL or the Company. A competitor is a person or entity engaged in a competing business (or an affiliate of such a person or entity). YRAPL may terminate the master license agreement or YCCL's rights as to a particular brand in the event of a change of control.

Termination

Except for the dissolution, liquidation, insolvency or bankruptcy of YCCL or the Company and other breaches that cannot be cured (or cannot be cured within a commercially reasonable time), YCCL may cure any breach of the master license agreement. Upon the occurrence of a non-curable breach, YRAPL may terminate the master license agreement (or YCCL's rights to a particular brand) on delivery of written notice. If the breach is curable, the master license agreement contemplates a remediation arrangement that allows the parties to fashion an appropriate cure. If the parties do not enter into the remediation arrangement, or if YCCL fails to cure the breach under the remediation arrangement, YRAPL may terminate the master license agreement (or YCCL's rights to a particular brand). The master license agreement also contemplates remedies other than termination that YRAPL

may use as appropriate. These remedies include: actions for injunctive and/or declaratory relief (including specific performance) and/or damages; limitations on YCCL's future development rights or suspension of restaurant operations pending a cure; modification or elimination of YCCL's territorial exclusivity; and YRAPL's right to repurchase from YCCL the business operated under an affected brand at fair market value, less YRAPL's damages.

Indemnification

YCCL will indemnify YRAPL for certain claims including those related to the operation or franchise of the brands in the territory, YCCL's actions prior to the separation, third party claims regarding use and license of the intellectual property in the territory and YCCL's breaches of its representations and warranties under the master license agreement.

Other Related Person Transactions

We may enter into commercial transactions with entities for which our expected executive officers or directors serve as directors and/or executive officers in the ordinary course of our business. All of these transactions will be approved under our policy for approval of related person transactions described below.

Procedures for Approval of Related Person Transactions

The YUM board of directors has adopted policies and procedures for the review of related person transactions and the Company expects to adopt policies and procedures substantially similar to those in effect at YUM. The Company expects that its Nominating and Governance Committee will review transactions, arrangements, or relationships or any series of similar transactions, arrangements or relationships in which a related person had or will have a material interest and that exceed $100,000 to determine if such transactions are in the best interests of the Company's shareholders and the Company. Any member of the Nominating and Governance Committee who is a related person with respect to a transaction under review will not participate in the deliberation or vote respecting approval or ratification of the transaction.

Related persons are directors, director nominees, executive officers, holders of 5% or more of the Company's voting stock and their immediate family members. Immediate family members are spouses, parents, stepparents, children, stepchildren, siblings, daughters-in-law, sons-in-law and any person, other than a tenant or domestic employee, who resides in the household of a director, director nominee, executive officer or holder of 5% or more of the Company voting stock.

After its review, the Nominating and Governance Committee will consider whether to approve or ratify the transaction.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Before the distribution, all of the outstanding shares of the Company's common stock will be owned beneficially and of record by YUM. Immediately following the distribution, the Company expects to have outstanding an aggregate of approximately [·] shares of common stock based upon the number of shares of YUM common stock outstanding on [·], 2016, assuming no subsequent exercise of YUM stock awards, and applying the distribution ratio. Yum will not own any shares of the Company's common stock following the distribution.

The following table sets forth information concerning the expected beneficial ownership of our common stock following the distribution by:

- holders of more than 5% of YUM's outstanding shares of common stock as of [·], 2016;
- each of our expected directors;
- each of our named executive officers; and
- all of our expected directors and executive officers as a group.

The information provided in the table is based on our records, information filed with the SEC and information provided to us, except where otherwise noted. The information is intended to estimate the expected beneficial ownership of our common stock immediately following the distribution, calculated as of [·], 2016, and based upon the distribution of [·] share[s] of Company common stock for each share of YUM common stock. To the extent the expected directors and executive officers own YUM stock as of 5:00 p.m., Eastern Time, on [·], 2016, or the record date for the distribution, they will participate in the distribution on the same terms as other holders of YUM common stock. The address of each expected director and named executive officer shown in the table below is c/o [·].

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
*Persons with over 5% of Outstanding Shares**(1)***		
Vanguard 100 Vanguard Blvd. Malvern, PA 19355	[ ]	6.31%
Blackrock Inc. 55 East 52nd Street New York, NY 10055	[ ]	5.1%
Corvex Management, LP 667 Madison Ave. New York, NY 10065	[ ]	5.0%
Expected Directors and Executive Officers		
Micky Pant	[ ]	[ ]%
Expected directors and executive officers as a group	[ ]	[ ]%

(1) This information is presented as of December 31, 2015, and reflects ownership of YUM shares (based on a stock ownership report on Schedule 13G filed by such shareholders with the SEC and provided to YUM).

THE SEPARATION AND DISTRIBUTION

Overview

On October 20, 2015, YUM announced that it intended to separate into two publicly traded companies: one comprising YUM's world-class operations in China, which will do business as "   ", and one that will comprise YUM's remaining operations around the world, which will continue to do business as YUM and retain YUM's current logo. YUM announced that it intends to effect the separation through a pro rata distribution of common stock of a new entity, which is the Company, formed to hold the assets and liabilities associated with the China business.

On [·], 2016, the YUM board of directors approved the distribution of the issued and outstanding shares of Company common stock on the basis of [·] share[s] of Company common stock for each share of YUM common stock held as of 5:00 p.m., Eastern Time, on the record date of [·], 2016. The distribution of Company common stock as described in this Information Statement is subject to the satisfaction or waiver of certain conditions. We cannot provide any assurances YUM will complete the distribution. For a more detailed description of these conditions, see "Conditions to the Distribution," below.

Reasons for the Separation

YUM's board of directors and management believes that the creation of two independent public companies, with the Company operating the China business, and YUM operating its remaining businesses (including franchising) throughout the rest of the world, is in the best interests of YUM and its shareholders and approved the plan of separation. A wide variety of factors were considered by the YUM board of directors in evaluating the creation of two independent public companies. Among other things, the YUM board of directors considered the following expected benefits:

- *Enhanced strategic and management focus.* The separation will allow each company to focus on and more effectively pursue its own distinct operating priorities and strategies, and will enable the management of each company to concentrate efforts on the unique needs of each business and pursue distinct opportunities for long-term growth and profitability;

- *More efficient allocation of capital.* The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs and facilitating a more efficient allocation of capital;

- *Direct access to capital markets.* The separation will create an independent equity structure that will afford the Company direct access to capital markets and facilitate the ability of the Company to capitalize on its unique growth opportunities and effect future acquisitions utilizing its common stock;

- *Alignment of incentives with performance objectives.* The separation will facilitate incentive compensation arrangements for employees more directly tied to the performance of the relevant company's business, and may enhance employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives;

- *Investor choice.* The separation will allow investors to separately value YUM and the Company based on their unique investment identities, including the merits, performance and future prospects of their respective businesses. The separation will also provide investors with two distinct and targeted investment opportunities; and

- *Optimized Capital Structure.* As a result of the separation, YUM expects to be more highly franchised, more geographically diversified and less volatile in terms of profit and to have lower

ongoing capital expenditures. This business model is expected to enable YUM to take on additional leverage, optimize its capital structure and return cash to shareholders. The Company will have no material debt immediately following the separation.

Neither the Company nor YUM can assure you that, following the separation, any of the benefits described above or otherwise will be realized to the extent anticipated or at all.

Risks Associated with the Company and the Separation

The YUM board of directors also considered a number of potentially negative factors in evaluating the creation of two independent public companies, including, among others, risks relating to the loss of benefits arising from YUM and the Company operating within one company, and increased operating costs and one-time separation costs relating to the creation of a new public company, but concluded that the potential benefits from separation outweighed these factors. See "Risk Factors—Risks Related to the Separation."

Formation of a New Company Prior to the Company's Distribution

The Company was formed in Delaware on April 1, 2016, for the purpose of holding YUM's China business. As part of the plan to separate the China business from the remainder of its business, and as provided in the separation and distribution agreement, YUM plans to transfer the equity interests of certain entities that operate the China business as well as any related assets and liabilities of the China business to the Company prior to the distribution.

When and How You Will Receive Shares in the Distribution

With the assistance of [the distribution agent], YUM expects to distribute Company common stock at [·], Eastern Time, on the distribution date, to all holders of outstanding YUM common stock as of 5:00 p.m., Eastern Time, on [·], 2016, the record date for the distribution. [The distribution agent] will serve as the settlement and distribution agent in connection with the distribution and the transfer agent and registrar for Company common stock following the distribution.

If you own shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution, Company common stock that you are entitled to receive in the distribution will be issued electronically, as of the distribution date, to you in direct registration form or to your bank or brokerage firm on your behalf. If you are a registered holder, [the distribution agent] will then mail you a direct registration account statement that reflects your shares of Company common stock. If you hold your shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the shares. Direct registration form refers to a method of recording share ownership when no physical share certificates are issued to shareholders, as is the case in this distribution. If you sell YUM common stock in the "regular-way" market up to and including the distribution date, you will be selling your right to receive shares of Company common stock in the distribution.

Commencing on or shortly after the distribution date, if you hold physical stock certificates that represent your shares of YUM common stock and you are the registered holder of the shares represented by those certificates, the distribution agent will mail to you an account statement that indicates the number of shares of Company common stock that have been registered in book-entry form in your name.

Most YUM shareholders hold their shares of common stock through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in "street name" and ownership would be recorded on the bank or brokerage firm's books. If you hold your shares of YUM common stock through a bank or brokerage firm, your bank or brokerage firm will credit your account for the Company common stock that you are entitled to receive in the distribution. If you have any

questions concerning the mechanics of having shares held in "street name," please contact your bank or brokerage firm.

Transferability of Shares You Receive

Shares of Company common stock distributed to holders in connection with the distribution will be transferable without registration under the Securities Act, except for shares received by persons who may be deemed to be Company affiliates. Persons who may be deemed to be Company affiliates after the distribution generally include individuals or entities that control, are controlled by or are under common control with the Company, which may include certain Company executive officers, directors or principal shareholders. Securities held by Company affiliates will be subject to resale restrictions under the Securities Act. Company affiliates will be permitted to sell shares of Company common stock only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

Number of Shares of Company Common Stock You Will Receive

For each share of YUM common stock that you own as of 5:00 p.m., Eastern Time, on [·], 2016, the record date for the distribution, you will receive [·] share[s] of Company common stock on the distribution date. YUM will not distribute any fractional shares of Company common stock to its shareholders. Instead, if you would otherwise be entitled to receive a fractional share of Company common stock, [the distribution agent] will aggregate such fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds (net of discounts and commissions) of the sales pro rata (based on the fractional share such holder would otherwise be entitled to receive) to each holder who otherwise would have been entitled to receive a fractional share in the distribution. The distribution agent, in its sole discretion, without any influence by YUM or the Company, will determine when, how, and through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by the distribution agent will not be an affiliate of either YUM or the Company. [The distribution agent] is not an affiliate of either YUM or the Company. Neither the Company nor YUM will be able to guarantee any minimum sale price in connection with the sale of these shares. Recipients of cash in lieu of fractional shares, if any, will not be entitled to any interest on the amounts of payment made in lieu of fractional shares.

The aggregate net cash proceeds of any sales of fractional shares will be taxable for U.S. federal income tax purposes. See "Material U.S. Federal Income Tax Consequences" for an explanation of the material U.S. federal income tax consequences of the distribution. If you hold physical certificates for shares of YUM common stock and are the registered holder, you will receive a check from the distribution agent in an amount equal to your pro rata share of the aggregate net cash proceeds of the sales. The Company estimates that it will take approximately two weeks from the distribution date for the distribution agent to complete the distributions of the aggregate net cash proceeds. If you hold your shares of YUM common stock through a bank or brokerage firm, your bank or brokerage firm will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales and will electronically credit your account for your share of such proceeds.

Results of the Distribution

After the distribution, the Company will be an independent, publicly traded company. The actual number of shares to be distributed will be determined at 5:00 p.m., Eastern Time, on [·], 2016, the record date for the distribution, and will reflect any exercise of YUM options between the date the YUM board of directors declares the distribution and the record date for the distribution. The distribution will not affect the number of outstanding shares of YUM common stock or any rights of YUM shareholders. YUM will not distribute any fractional shares of Company common stock.

The Company will enter into a separation and distribution agreement and will enter into other related agreements with YUM before the distribution to effect the separation and provide a framework for the Company's relationship with YUM after the separation. These agreements will provide for the allocation between YUM and the Company of assets, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities). For a more detailed description of these agreements, see "Certain Relationships and Related Person Transactions."

Market for the Company's Common Stock

There is currently no public trading market for the Company's common stock. The Company intends to file an application to have its common stock authorized for listing on the [·] under the symbol "[·]." The Company has not and will not set the initial price of its common stock. The initial price will be established by the public markets.

The Company cannot predict the price at which its common stock will trade after the distribution. The combined trading prices, after the separation, of a share of Company common stock that a YUM shareholder will receive in the distribution and a share of YUM common stock held as of 5:00 p.m., Eastern Time, on the record date for the distribution may not equal the "regular-way" trading price of a share of YUM common stock immediately prior to the distribution. The price at which the Company common stock trades may fluctuate significantly, particularly until an orderly public market develops. Trading prices for Company common stock will be determined in the public markets and may be influenced by many factors. See "Risk Factors—Risks Related to Our Common Stock."

Trading between the Record Date and Distribution Date

Beginning on or shortly before the record date for the distribution and continuing up to and including through the distribution date, YUM expects that there will be two markets in YUM common stock: a "regular-way" market and an "ex-distribution" market. Shares of YUM common stock that trade on the "regular-way" market will trade with an entitlement to Company common stock distributed pursuant to the distribution. Shares of YUM common stock that trade on the "ex-distribution" market will trade without an entitlement to Company common stock distributed pursuant to the distribution. Therefore, if you sell shares of YUM common stock in the "regular-way" market up to and including through the distribution date, you will be selling your right to receive Company common stock in the distribution. If you own shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date and sell those shares on the "ex-distribution" market up to and including through the distribution date, you will receive the shares of Company common stock that you are entitled to receive pursuant to your ownership as of 5:00 p.m., Eastern Time, on the record date of the shares of YUM common stock.

Furthermore, beginning on or shortly before the record date for the distribution and continuing up to and including the distribution date, the Company expects that there will be a "when-issued" market in its common stock. "When-issued" trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The "when-issued" trading market will be a market for shares of Company common stock that will be distributed to holders of shares of YUM common stock on the distribution date. If you owned shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution, you would be entitled to shares of Company common stock distributed pursuant to the distribution. You may trade this entitlement to shares of Company common stock, without the shares of YUM common stock you own, on the "when-issued" market, but your transaction will not settle until after the distribution date. On the first trading day following the distribution date, "when-issued" trading with respect to Company common stock will end, and "regular-way" trading will begin.

Conditions to the Distribution

The distribution is subject to final approval by the board of directors of YUM, as well as to a number of conditions, including:

- the transfer of assets and liabilities to the Company in accordance with the separation and distribution agreement will have been completed, other than assets and liabilities intended to be transferred after the distribution;

- receipt of (A) one (1) or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions and (B) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, regarding the qualification of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code;

- the SEC will have declared effective the registration statement of which this Information Statement forms a part, no stop order suspending the effectiveness of the registration statement will be in effect and no proceedings for such purpose will be pending before or threatened by the SEC;

- this Information Statement shall have been made available to the YUM shareholders;

- all actions or filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities laws will have been taken and, where applicable, have become effective or been accepted by the applicable governmental entity;

- any approvals of any governmental entities required for the consummation of the separation and distribution will have been obtained;

- no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the distribution or any of the related transactions will be in effect;

- the shares of Company common stock to be distributed will have been approved for listing on the [·], subject to official notice of issuance;

- the receipt of an opinion from an independent advisory firm confirming the solvency and financial viability of each of the Company and YUM after the distribution that is in form and substance acceptable to YUM in its sole discretion; and

- no other event or development will have occurred or exist that, in the judgment of YUM's board of directors, in its sole discretion, makes it inadvisable to effect the separation, the distribution or the other related transactions.

YUM and the Company cannot assure you that any or all of these conditions will be met. YUM will have the sole and absolute discretion to determine (and change) the terms of, and whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the record date for the distribution and the distribution date and the distribution ratio. YUM will also have sole discretion to waive any of the conditions to the distribution. YUM does not intend to notify its shareholders of any modifications to the terms of the separation that, in the judgment of its board of directors, are not material. For example, the YUM board of directors might consider material such matters as significant changes to the distribution ratio, the assets to be contributed or the liabilities to be assumed in the separation. To the extent that the YUM board of directors determines that any modifications by YUM materially change the material terms of the distribution, YUM will notify YUM shareholders in a manner reasonably calculated to inform them about such modifications as may be required by law, by, for example, publishing a press release, filing a Current Report on Form 8-K, or circulating a supplement to this Information Statement.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of material U.S. federal income tax consequences of the distribution by YUM of the Company's outstanding common stock to "U.S. holders" (defined below) of YUM common stock. This summary is based on the Code, U.S. Treasury Regulations promulgated thereunder, rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as in effect on the date of this Information Statement, and all of which are subject to differing interpretation and change at any time, possibly with retroactive effect. This summary applies only to U.S. holders of shares of YUM common stock who hold such shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary is based upon the assumption that the distribution, together with certain related transactions, will be consummated in accordance with the separation and distribution agreement and other applicable agreements and as described in this Information Statement. This summary is for general information only and is not tax advice. It does not discuss all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their particular circumstances or to holders subject to special rules under the Code (including, but not limited to, insurance companies, tax-exempt organizations, financial institutions, broker-dealers, partners in partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes) that hold YUM common stock, pass-through entities (or investors therein), traders in securities who elect to apply a mark-to-market method of accounting, shareholders who hold YUM common stock as part of a "hedge," "straddle," "conversion," "synthetic security," "integrated investment" or "constructive sale transaction," individuals who receive YUM or Company common stock upon the exercise of employee stock options or otherwise as compensation, holders who are liable for the alternative minimum tax or any holders who actually or constructively own 5% or more of YUM common stock). This summary also does not address any tax consequences arising under the unearned Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax. The distribution may be taxable under such other tax laws and all holders should consult their own tax advisors with respect to the applicability and effect of any such tax laws.

If a partnership, including for this purpose any entity or arrangement that is treated as a partnership for U.S. federal income tax purposes, holds YUM common stock, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Holders of YUM common stock that are partnerships and partners in such partnerships should consult their own tax advisors about the U.S. federal income tax consequences of the distribution.

For purposes of this summary, a "U.S. holder" is any beneficial owner of YUM common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or a trust, (i) if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (ii) that has a valid election in place under applicable Treasury Regulations to be treated as a United States person.

It is a condition to the distribution that YUM receive (i) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, satisfactory to YUM's board of directors, regarding the qualification

of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code and (ii) one or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions. Any opinions of outside counsel or other advisors will be based, among other things, on various facts and assumptions, as well as certain representations, statements and undertakings of YUM and the Company (including those relating to the past and future conduct of YUM and the Company). If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if YUM or the Company breaches any of their respective covenants relating to the separation, the conclusions reached in the tax opinions may be incorrect. Accordingly, notwithstanding receipt of the opinions of counsel or other advisors, the IRS could determine that the distribution and certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the facts, assumptions, representations, statements or undertakings on which any opinion was based are false or have been violated. In addition, an opinion of outside counsel or other external tax advisor represents the judgment of such counsel or other advisor, which is not binding on the IRS or any court. Accordingly, notwithstanding receipt by YUM of the tax opinions referred to above, the IRS could assert that the distribution does not qualify for tax-free treatment for U.S. federal income tax purposes. If the IRS were successful in taking this position, YUM, the Company and YUM shareholders could be subject to significant U.S. federal income tax liability. See "—Material U.S. Federal Income Tax Consequences if the Distribution is Taxable" below.

Material U.S. Federal Income Tax Consequences if the Distribution Qualifies as a Transaction that is Generally Tax-Free Under Sections 355 and 361 of the Code

Assuming the distribution qualifies as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 361 of the Code, the U.S. federal income tax consequences of the distribution generally are as follows:

- subject to the discussion below regarding Section 355(e) of the Code, neither the Company nor YUM will recognize any gain or loss upon the distribution of Company common stock and no amount will be includable in the income of YUM or the Company as a result of the distribution other than taxable income or gain possibly arising out of internal reorganizations undertaken in connection with the separation and distribution and with respect to any items required to be taken into account under U.S. Treasury regulations relating to consolidated federal income tax returns;

- a YUM shareholder will not recognize any gain or loss and no amount will be includable in income as a result of the receipt of Company common stock pursuant to the distribution, except with respect to any cash received in lieu of fractional shares of Company common stock (as described below);

- a YUM shareholder's aggregate tax basis in such shareholder's shares of YUM common stock following the distribution and in Company common stock received in the distribution (including any fractional share interest in Company common stock for which cash is received) will equal such shareholder's tax basis in its YUM common stock immediately before the distribution, allocated between the YUM common stock and Company common stock (including any fractional share interest in Company common stock for which cash is received) in proportion to their relative fair market values on the distribution date;

- a YUM shareholder's holding period for Company common stock received in the distribution (including any fractional share interest in Company common stock for which cash is received) will include the holding period for that shareholder's YUM common stock; and

- a YUM shareholder who receives cash in lieu of a fractional share of Company common stock in the distribution will be treated as having sold such fractional share for cash, and will recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the YUM shareholder's adjusted tax basis in the fractional share. That gain or loss will be long-term capital gain or loss if the shareholder's holding period for its YUM common stock exceeds one year at the time of the distribution.

U.S. Treasury regulations provide that if a YUM shareholder holds different blocks of YUM common stock (generally YUM common stock purchased or acquired on different dates or at different prices), the aggregate basis for each block of YUM common stock will be allocated, to the greatest extent possible, between the shares of Company common stock received in the distribution in respect of such block of YUM common stock and such block of YUM common stock, in proportion to their respective fair market values on the distribution date. The holding period of the shares of Company common stock received in the distribution in respect of such block of YUM common stock will include the holding period of such block of YUM common stock. If a YUM shareholder is not able to identify which particular shares of Company common stock are received in the distribution with respect to a particular block of YUM common stock, for purposes of applying the rules described above, the stockholder may designate which shares of Company common stock are received in the distribution in respect of a particular block of YUM common stock, provided that such designation is consistent with the terms of the distribution. YUM shareholders are urged to consult their own tax advisors regarding the application of these rules to their particular circumstances.

Material U.S. Federal Income Tax Consequences if the Distribution is Taxable

As discussed above, notwithstanding receipt by YUM of opinions of counsel, the IRS could assert that the distribution does not qualify for tax-free treatment for U.S. federal income tax purposes. If the IRS were successful in taking this position, the consequences described above would not apply and YUM, the Company and YUM shareholders could be subject to significant U.S. federal income tax liability. In addition, certain events that may or may not be within the control of YUM or the Company could cause the distribution to not qualify for tax-free treatment for U.S. federal income tax purposes. Depending on the circumstances, the Company may be required to indemnify YUM for taxes (and certain related losses) resulting from the distribution not qualifying as tax-free for U.S. federal income tax purposes.

If the distribution fails to qualify as a tax-free transaction for U.S. federal income tax purposes, in general, YUM would recognize taxable gain as if it had sold the Company common stock in a taxable sale for its fair market value (unless YUM and the Company jointly make an election under Section 336(e) of the Code with respect to the distribution, in which case, in general, (i) YUM would recognize taxable gain as if the Company had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of the Company common stock and the assumption of all the Company's liabilities and (ii) the Company would obtain a related step up in the basis of its assets) and YUM shareholders who receive shares of Company common stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

Even if the distribution were to otherwise qualify as tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code, it may result in taxable gain to YUM under Section 355(e) of the Code if the distribution were later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in YUM or the Company. For this purpose, any acquisitions of YUM or the Company shares within the period beginning two years before the distribution and ending two years after the distribution are presumed to be part of such a plan, although YUM or the Company may be able to rebut that presumption.

In connection with the distribution, the Company and YUM will enter into a tax matters agreement pursuant to which the Company will agree to be responsible for certain tax liabilities and obligations following the distribution. For a description of the tax matters agreement, see "Certain Relationships and Related Person Transactions—Tax Matters Agreement."

Backup Withholding and Information Reporting.

Payments of cash to U.S. holders of YUM common stock in lieu of fractional shares of Company common stock may be subject to information reporting and backup withholding (currently, at a rate of 28%), unless such U.S. holder delivers a properly completed IRS Form W-9 certifying such U.S. holder's correct taxpayer identification number and certain other information, or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder's U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

THE FOREGOING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS.

MATERIAL CHINA TAX CONSEQUENCES

The following is a summary of material Chinese income tax consequences of the distribution by YUM of the Company's outstanding common stock held by YUM to holders of YUM common stock and the treatment to such holders of the ownership and disposition of such Company common stock. This summary is based on China Enterprise Income Tax Law ("EIT Law"), Implementation Regulations of China Enterprise Income Tax Law, Chinese Individual Income Tax Law, Implementation Regulations of Chinese Individual Income Tax Law, Bulletin on Several Issues in respect of Enterprise Income Tax on Income arising from Indirect Transfers of Property by Non-resident Enterprises ("Bulletin 7"), Bulletin on the Administrative Measures in respect of Individual Income Tax on Income arising from Equity Transfers, rulings and other administrative pronouncements issued by SAT, and judicial decisions, all as in effect on the date of this Information Statement, and all of which are subject to differing interpretation and change at any time, possibly with retroactive effect. This summary applies only to holders of Company common stock that are not residents of China. This summary does not address Chinese income tax consequences to any holder that receives our stock other than in the distribution, and does not address Company common stock received by employees of YUM and the Company as compensation. This summary is based upon the assumption that the distribution, together with certain related transactions, will be consummated in accordance with the separation and distribution agreement and other applicable agreements and as described in this Information Statement. This summary is for general information only and is not tax advice. This summary does not address any tax considerations under laws other than Chinese income tax laws. The distribution and the ownership and disposition of Company common stock may be taxable under such other tax laws and all holders should consult their own tax advisors with respect to the applicability and effect of any such tax laws.

The distribution may be treated as an indirect transfer of Chinese interests resulting in Chinese tax to YUM

Pursuant to Bulletin 7, an "indirect transfer" of Chinese interests by a non-resident enterprise may be recharacterized and treated as a direct transfer of Chinese taxable assets if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM has informed us that it believes that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, there are significant uncertainties regarding the circumstances in which the tax will apply, and there can be no assurances that the Chinese tax authorities will not seek to impose this tax on YUM. Pursuant to the tax matters agreement, the Company will indemnify YUM for a portion (tied to the relative market capitalization of YUM and the Company) of any taxes and related losses resulting from the application of Bulletin 7 to the distribution. Alternatively, if Bulletin 7 applies to the distribution as a result of a breach by the Company or Company group members of certain representations or covenants, or due to certain actions of the Company or Company group members following the distribution, the Company generally will indemnify YUM for all such taxes and related losses. Therefore, if YUM is subject to such Chinese tax with respect to the distribution, we may be required to make material payments to YUM under this indemnity.

Chinese tax consequences to shareholders of receipt of Company shares

YUM shareholders are not expected to recognize gain or loss for Chinese tax purposes on receipt of Company common shares in the distribution. YUM shareholders should not be subject to any Chinese withholding or reporting obligations on such receipt, provided that the distribution is not recharacterized and taxed under Bulletin 7, and that the Company is not regarded as a Chinese resident enterprise at the time of the distribution. However, if the distribution is recharacterized and taxed under Bulletin 7, YUM shareholders, as the transferees of Company shares, may in principle be

required to withhold their proportionate share of the Chinese enterprise income tax payable by YUM on the capital gains YUM is deemed to have realized on the indirect transfer of Chinese interests, although there are arguments against the imposition of such a withholding obligation. If a withholding obligation were deemed to apply, and the Chinese tax authorities sought to enforce such withholding obligation, failure on the part of YUM shareholders to withhold as required by Bulletin 7 could result in the imposition of penalties on such shareholders. Separately, if the Company is regarded as a Chinese resident enterprise at the time of the distribution, YUM shareholders may have a similar withholding obligation with respect to capital gains YUM is deemed to have realized on its transfer of interest in a Chinese resident enterprise.

Treatment of the Company as a Chinese resident enterprise

Under the EIT Law and its implementation rules, an enterprise established outside China with a "de facto management body" within China is considered a Chinese resident enterprise for Chinese enterprise income tax purposes. The Company and each Company subsidiary that is organized outside of China intend to conduct their management functions in a manner that does not cause them to be China resident enterprises, including by carrying on their day-to-day management activities and maintaining their key assets and records, such as resolutions of their board of directors and resolutions of shareholders, outside of China. As such, we do not believe that the Company or any of its non-Chinese subsidiaries should be considered a China resident enterprise for purposes of the EIT Law, and should not be subject to China enterprise income tax on that basis. However, given the uncertainty regarding the application of the EIT Law to the Company and its future operations, there can be no assurances that the Company or any of its non-Chinese subsidiaries will not be treated as a Chinese resident enterprise now or in the future.

Chinese tax consequences of distributions to Company shareholders

No Chinese withholding tax should apply to dividends paid by the Company to non-Chinese shareholders, provided the Company is not considered to be a Chinese resident enterprise.

If the Company is considered to be a Chinese resident enterprise, dividends paid by the Company to non-Chinese shareholders will generally be subject to a withholding tax at a rate of 10%, or an individual income tax at a rate of 20% if the shareholder is an individual, unless otherwise reduced or exempted in accordance with an applicable income tax treaty.

Chinese tax consequences to shareholders of dispositions of Company shares

As noted above, gains derived from an indirect transfer of Chinese interests by a non-resident enterprise may be subject to Chinese enterprise income tax at a rate of 10%. Under current law, this tax does not apply to gains recognized by individual shareholders. However, in practice there have been a few reported cases of individuals being taxed on the indirect transfer of Chinese interests and the law could be changed so as to apply to individual shareholders, possibly with retroactive effect. For Company shareholders that are not individuals, a transfer of Company shares may be treated as an indirect transfer of Chinese interests.

An exception to the Chinese enterprise income tax applies if the selling non-resident enterprise recognizes the relevant gain by purchasing and selling equity of the same listed enterprise in the open market (the "listed enterprise exception"). However, because Company shareholders will acquire Company stock through the distribution, it is unclear whether such Company shareholders will be treated as acquiring Company stock through an open market purchase. If Company shares are not treated as acquired in an open market purchase the listed enterprise exception will not be available. Similarly, if Company shares are disposed of in transactions other than open market sales, such sales would not qualify for the listed enterprise exception. If the listed enterprise exception does not apply,

non-individual shareholders may be subject to 10% Chinese enterprise income tax on any gains recognized, unless a treaty exception applies. For purposes of calculating the amount of any such tax, a holder's tax basis for Company shares in the distribution would generally be determined based on its investment cost in Company shares, assuming that the prior transaction in which that holder acquired those Company shares has been subject to 10% Chinese enterprise income tax. Alternatively, if the distribution is not subject to Chinese enterprise income tax, there is no formal guidance as to the computation of tax basis for holders of Company shares that receive such shares in the distribution. As a result, it is not clear that a Company shareholder would be permitted to allocate a portion of its basis in its YUM shares to Company stock, or to claim a tax basis that YUM would have been entitled to if the distribution were taxable, and Chinese tax authorities may take a position that the shareholder's basis in the Company shares is zero. Holders of Company stock that may be subject to Chinese tax on the disposition of such stock should consult their tax advisors as to the appropriate method of calculating their taxable gain in this scenario.

In addition to the listed enterprise exception, Company shareholders that are not individuals may be exempt from the Chinese enterprise income tax with respect to the sale of our stock if they are tax resident in a country or region that has a tax treaty or arrangement with China that provides for a capital gains tax exemption, and they qualify for that exemption. Under the U.S.-China double tax treaty, a shareholder that is a U.S. tax resident and that disposes of stock representing less than 25% of the Company's outstanding stock should be exempt from Chinese capital gains tax.

Company shareholders that are not individuals and are not eligible for the listed enterprise exception or a treaty exemption may also be subject to Chinese tax filing obligations in respect of any such transactions. In addition, the buyers of such shares may also be subject to Chinese tax filing obligation in respect of any such transactions and may be required to withhold the Chinese capital gains tax payable by the seller for such shares.

Finally, as discussed above, in certain circumstances the Company may be treated as a Chinese resident enterprise. If the Company is treated as a Chinese resident enterprise, a non-individual holder of Company stock will generally be subject to Chinese capital gains tax at a tax rate of 10%, while an individual holder of Company stock may be subject to Chinese capital gains tax at a tax rate of 20%, as well as Chinese tax filing obligations, unless otherwise reduced or exempted in accordance with an applicable income tax treaty. In addition, a purchaser of Company shares in such a scenario may be required to withhold the Chinese capital gains tax payable by the seller for such shares and comply with Chinese tax filing obligations.

THE FOREGOING DISCUSSION IS A SUMMARY OF MATERIAL CHINESE INCOME TAX CONSEQUENCES OF THE DISTRIBUTION AND THE DISPOSITION OF SHARES OF COMPANY COMMON STOCK UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION AND DISPOSITION OF SHARES OF COMPANY COMMON STOCK TO THEM, INCLUDING THE APPLICATION AND EFFECT OF CHINESE TAX LAWS.

DESCRIPTION OF CAPITAL STOCK

Our certificate of incorporation and bylaws will be amended and restated prior to the separation. The following is a summary of the material terms of our capital stock that will be contained in our amended and restated certificate of incorporation and amended and restated bylaws. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of the certificate of incorporation or of the bylaws to be in effect at the time of the distribution. The summary is qualified in its entirety by reference to such documents, which you must read (along with the applicable provisions of Delaware law) for complete information on the Company's capital stock as of the time of the distribution. Our certificate of incorporation and bylaws to be in effect at the time of the distribution are included as exhibits to the registration statement of which this Information Statement forms a part.

General

Our authorized capital stock consists of [·] shares of common stock, $0.01 par value per share, and [·] shares of preferred stock, $0.01 par value per share. Immediately following the distribution, based on the number of shares of YUM common stock outstanding as of [·], 2016, we expect that approximately [·] shares of our common stock will be issued and outstanding and that no shares of preferred stock will be issued and outstanding.

Common Stock

Each holder of Company common stock will be entitled to one vote for each share on all matters to be voted upon by the common shareholders, and there will be no cumulative voting rights. Subject to any preferential rights of any outstanding preferred stock, holders of our common stock will be entitled to receive ratably the dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for that purpose. If there is a liquidation, dissolution or winding up of the Company, holders of our common stock would be entitled to ratable distribution of its assets remaining after the payment in full of liabilities and any preferential rights of any then-outstanding preferred stock.

Holders of our common stock will have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. After the distribution, all outstanding shares of our common stock will be fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Under the terms of our amended and restated certificate of incorporation, our board of directors will be authorized, subject to limitations prescribed by the DGCL, to issue up to [·] shares of preferred stock in one or more series without further action by the holders of our common stock. Our board of directors will have the discretion, subject to limitations prescribed by the DGCL and by our amended and restated certificate of incorporation, to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

At the time of the distribution, no shares of our preferred stock will be outstanding, and, other than shares of our preferred stock that may become issuable pursuant to our rights agreement, we have no present plans to issue any shares of our preferred stock. See "—Shareholder Rights Plan" below.

Anti-Takeover Effects of Various Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws

Provisions of the DGCL, our amended and restated certificate of incorporation and amended and restated bylaws and our shareholder rights plan could make it more difficult to acquire control of the Company by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with our board of directors. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Shareholder Rights Plan. The Company's board of directors will enter into a rights agreement with a rights agent prior to the separation. Pursuant to the rights agreement, the Company will issue, and holders of Company common stock will receive, one preferred share purchase right for each outstanding share of Company common stock. Each right issued will be subject to the terms of the rights agreement. The Company's board of directors believes that the rights agreement will protect our shareholders from coercive or otherwise unfair takeover tactics. In general terms, the rights agreement works by imposing a significant penalty upon any person or group that acquires [·]% or more of the Company's outstanding common stock, without the approval of the Company's board of directors. The rights agreement will automatically terminate without further action of the Company board of directors on the first anniversary of the distribution date.

Delaware Anti-Takeover Statute. The Company will be subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested shareholder" for a period of three years following the time the person became an interested shareholder, unless: (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder; (ii) upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested shareholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of shareholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested shareholder. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested shareholder. Generally, an "interested shareholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested shareholder status did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our shareholders.

Classified Board. Upon completion of the separation, the Company's board of directors will initially be divided into three classes, with Class I comprised of [·] directors, Class II comprised of [·] directors and Class III comprised of [·] directors. The directors designated as Class I directors will have terms expiring at the first annual meeting of shareholders following the distribution,

which the Company expects to hold in 2017. The directors designated as Class II directors will have terms expiring at the following year's annual meeting of shareholders, which the Company expects to hold in 2018, and the directors designated as Class III directors will have terms expiring at the following year's annual meeting of shareholders, which the Company expects to hold in 2019. Commencing with the first annual meeting of shareholders following the distribution, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the 2019 annual meeting of shareholders. Beginning at the 2019 annual meeting, all of our directors will stand for election each year for annual terms, and our board will therefore no longer be divided into three classes.

At any meeting of shareholders for the election of directors at which a quorum is present, the election will be determined by a majority of the votes cast by the shareholders entitled to vote in the election, with directors not receiving a majority of the votes cast required to tender their resignations for consideration by the board of directors, except that in the case of a contested election, the election will be determined by a plurality of the votes cast by the shareholders entitled to vote in the election. Before the Company's board of directors is declassified, it would take at least two elections of directors for any individual or group to gain control of the Company's board of directors. Accordingly, while the classified board of directors is in effect, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of the Company.

Removal of Directors. Our amended and restated bylaws will provide that, for long as our board of directors is classified, shareholders may only remove our directors for cause. After the board of directors has been fully declassified, shareholders may remove our directors with or without cause.

Amendments to Bylaws. Our amended and restated bylaws will provide that such bylaws may be amended by our board of directors or by the affirmative vote of a majority of our shareholders entitled to vote.

Size of Board and Vacancies. Our amended and restated bylaws will provide that the number of directors on our board of directors will be not less than five nor more than 15, and that the exact number of directors will be fixed by resolution of a majority of our entire board of directors (assuming no vacancies). Any vacancies created on our board of directors resulting from any increase in the authorized number of directors or death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of the board of directors then in office, even if less than a quorum is present, or by a sole remaining director. Any director appointed to fill a vacancy on our board of directors will be appointed for a term expiring at the next election of the class for which such director has been appointed and until his or her successor has been elected and qualified.

Special Meetings. Our amended and restated bylaws will provide that only our board of directors (or the chairman of our board of directors, our chief executive officer or our secretary with the concurrence of a majority of our board of directors) may call special meetings of our shareholders.

Shareholder Action by Written Consent. Our amended and restated certificate of incorporation will expressly eliminate the right of our shareholders to act by written consent. Accordingly, shareholder action must take place at the annual or a special meeting of our shareholders.

Requirements for Advance Notification of Shareholder Nominations and Proposals. Our amended and restated bylaws will establish advance notice procedures with respect to shareholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our board of directors or a committee of our board of directors.

Proxy Access. In addition to advance notice procedures, our amended and restated bylaws will also include provisions permitting, subject to certain terms and conditions, shareholders owning at least 3% of our outstanding common shares for at least three consecutive years to use our annual meeting

proxy statement to nominate a number of director candidates not to exceed 20% of the number of directors in office, subject to reduction in certain circumstances.

No Cumulative Voting. The DGCL provides that shareholders are denied the right to cumulate votes in the election of directors unless the company's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will not provide for cumulative voting.

Undesignated Preferred Stock. The authority that our board of directors will possess to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of our company through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Our board of directors may be able to issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of our common stock.

Limitations on Liability, Indemnification of Officers and Directors and Insurance

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties as directors, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, for unlawful payments of dividends or unlawful stock repurchases or redemptions described by Section 174 of the DGCL or for any transaction from which the director derived an improper personal benefit. Our amended and restated certificate of incorporation will include such an exculpation provision. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that require the Company to indemnify, to the fullest extent allowable under the DGCL, directors or officers for monetary damages for actions taken as a director or officer of the Company, or for serving at the Company's request as a director or officer or another position at another corporation or enterprise, as the case may be. Our amended and restated certificate of incorporation will also provide that the Company must indemnify and advance reasonable expenses to its directors and officers. Our amended and restated certificate of incorporation will expressly authorize the Company to carry directors' and officers' insurance to protect the Company and our directors, officers and employees and agents from certain liabilities.

The limitation of liability and indemnification provisions that will be in our amended and restated certificate of incorporation and amended and restated bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit our company and our shareholders. However, these provisions will not limit or eliminate the Company's rights, or those of any shareholder, to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's fiduciary duties. The provisions will not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, the Company pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Exclusive Forum

Our amended and restated certificate of incorporation will provide that unless the board of directors otherwise determines, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Company to the Company or the Company's shareholders, creditors or other constituents, any action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the

DGCL or the Company's amended and restated certificate of incorporation or bylaws, or any action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine. However, if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, the action may be brought in another court sitting in the State of Delaware. Although the Company's amended and restated certificate of incorporation will include this exclusive forum provision, it is possible that a court could rule that this provision is inapplicable or unenforceable.

Authorized But Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will generally be available for future issuance without the approval of the Company's shareholders. The Company may use such additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

Listing

We intend to file an application to have our shares of common stock authorized for listing on the [·] under the symbol "[·]."

Sale of Unregistered Securities

On [·], 2016, the Company issued [·] shares of its common stock to YUM pursuant to Section 4(a)(2) of the Securities Act. The Company did not register the issuance of the issued shares under the Securities Act because such issuance did not constitute a public offering.

Transfer Agent and Registrar

After the distribution, the transfer agent and registrar for our common stock will be [·].

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock that YUM shareholders will receive in the distribution. This Information Statement forms a part of that registration statement and, as allowed by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to the Company and the distribution, reference is made to the registration statement and the exhibits to the registration statement. Statements contained in this Information Statement as to the contents of any contract or document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit to the registration statement, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each such statement is qualified in all respects by reference to the applicable document.

Following the distribution, we will file annual, quarterly and special reports, proxy statements and other information with the SEC. We intend to furnish our shareholders with annual reports containing combined financial statements audited by an independent registered public accounting firm. The registration statement is, and any of these future filings with the SEC will be, available to the public over the Internet on the SEC's website at www.sec.gov. You may read and copy any filed document at the SEC's public reference room in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

The Company maintains an Internet site at www.[·].com. The Company's website and the information contained therein or connected thereto shall not be deemed to be incorporated herein, and you should not rely on any such information.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Yum! Brands, Inc.:

We have audited the accompanying combined balance sheets of Yum! Brands, Inc.'s China businesses and operations ("Yum! China Holding, Inc." or the "Company") as of December 31, 2015 and 2014, and the related combined statements of income (loss), comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 and Note 2, the accompanying combined financial statements have been derived from the consolidated financial statements and underlying accounting records of Yum! Brands, Inc. ("YUM"). The combined financial statements also include expense allocations for certain corporate functions historically provided by YUM. These allocations may not be indicative of the actual expenses which would have been incurred had the Company operated as a separate entity apart from YUM.

/s/ KPMG Huazhen LLP

Shanghai, China
May 3, 2016

Combined Statements of Income (Loss)

Yum! China Holding, Inc.

Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in millions)

	2015	2014	2013
Revenues			
Company sales	$ 6,789	$ 6,821	$ 6,800
Franchise fees and income	120	113	105
Total revenues	6,909	6,934	6,905
Costs and Expenses, Net			
Company restaurants			
Food and paper	2,159	2,207	2,258
Payroll and employee benefits	1,386	1,407	1,360
Occupancy and other operating expenses	2,386	2,415	2,347
Company restaurant expenses	5,931	6,029	5,965
General and administrative expenses	395	389	356
Franchise expenses	70	64	60
Closures and impairment expenses, net	64	517	325
Refranchising gain, net	(13)	(17)	(5)
Other income, net	(26)	(51)	(25)
Total costs and expenses, net	6,421	6,931	6,676
Operating Profit	488	3	229
Interest income, net	8	14	5
Income Before Income Taxes	496	17	234
Income tax provision	(168)	(54)	(135)
Net Income (loss)—including noncontrolling interests	328	(37)	99
Net Income (loss)—noncontrolling interests	5	(30)	(27)
Net Income (loss)—Yum! China Holding, Inc.	$ 323	$ (7)	$ 126

See accompanying Notes to Combined Financial Statements.

Combined Statements of Comprehensive Income (Loss)

Yum! China Holding, Inc.

Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in millions)

	2015	2014	2013
Net income (loss)—including noncontrolling interests	$ 328	$ (37)	$ 99
Other comprehensive income (loss), net of tax:			
Foreign currency gains (losses) arising during the year	(93)	(52)	66
Comprehensive Income (loss)—including noncontrolling interests	235	(89)	165
Comprehensive Income (loss)—noncontrolling interests	(1)	(32)	(23)
Comprehensive Income (Loss)—Yum! China Holding, Inc.	$ 236	$ (57)	$ 188

See accompanying Notes to Combined Financial Statements.

Combined Statements of Cash Flows

Yum! China Holding, Inc.

Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in millions)

	2015	2014	2013
Cash Flows—Operating Activities			
Net Income (loss)—including noncontrolling interests	$ 328	$ (37)	$ 99
Depreciation and amortization	425	411	394
Closures and impairment expenses	64	517	325
Refranchising gain	(13)	(17)	(5)
Deferred income taxes	29	(104)	(49)
Equity income from investments in unconsolidated affiliates	(41)	(30)	(26)
Distributions of income received from unconsolidated affiliates	21	28	43
Excess tax benefits from share-based compensation	(3)	(2)	(3)
Share-based compensation expense	14	13	12
Changes in accounts receivable	(12)	6	(12)
Changes in inventories	61	(21)	22
Changes in prepaid expenses and other current assets	(1)	10	(5)
Changes in accounts payable and other current liabilities	31	39	(24)
Changes in income taxes payable	(14)	(44)	6
Other, net	21	6	5
Net Cash Provided by Operating Activities	910	775	782
Cash Flows—Investing Activities			
Capital spending	(512)	(525)	(568)
Proceeds from refranchising of restaurants	27	31	10
Other, net	(8)	(18)	(17)
Net Cash Used in Investing Activities	(493)	(512)	(575)
Cash Flows—Financing Activities			
Net transfers to Parent	(214)	(316)	(105)
Payment of capital lease obligations	(2)	(1)	(1)
Short-term borrowings, by original maturity			
More than three months—proceeds	—	2	56
More than three months—payments	—	(2)	(56)
Excess tax benefits from share-based compensation	3	2	3
Other, net	—	(4)	(33)
Net Cash Used in Financing Activities	(213)	(319)	(136)
Effect of Exchange Rates on Cash and Cash Equivalents	(17)	(6)	6
Net Increase (Decrease) in Cash and Cash Equivalents	187	(62)	77
Cash and Cash Equivalents—Beginning of Year	238	300	223
Cash and Cash Equivalents—End of Year	$ 425	$ 238	$ 300

See accompanying Notes to Combined Financial Statements.

Combined Balance Sheets

Yum! China Holding, Inc.

December 31, 2015 and December 31, 2014

(in millions)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 425	$ 238
Accounts receivable, net	76	60
Inventories	189	260
Prepaid expenses and other current assets	109	90
Total Current Assets	799	648
Property, plant and equipment, net	1,841	2,001
Goodwill	85	89
Intangible assets, net	107	127
Investments in unconsolidated affiliates	61	52
Other assets	192	199
Deferred income taxes	116	141
Total Assets	$ 3,201	$ 3,257
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	$ 926	$ 1,004
Income taxes payable	22	36
Total Current Liabilities	948	1,040
Capital lease obligations	34	34
Other liabilities and deferred credits	234	229
Total Liabilities	1,216	1,303
Redeemable Noncontrolling Interest	6	9
Equity		
Parent Company investment	1,791	1,671
Accumulated other comprehensive income (loss)	130	217
Total Equity—Yum! China Holding, Inc.	1,921	1,888
Noncontrolling interests	58	57
Total Equity	1,979	1,945
Total Liabilities, Redeemable Noncontrolling Interest and Equity	$ 3,201	$ 3,257

See accompanying Notes to Combined Financial Statements.

Combined Statements of Equity

Yum! China Holding, Inc.

Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in millions)

	Yum! China Holding, Inc.				
	Parent Company Investment	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interest
Balance at December 31, 2012	$ 2,012	$ 205	$ 99	$ 2,316	$ 59
Net Income (loss)	126		(5)	121	(22)
Foreign currency translation gains (losses)		62	2	64	2
Comprehensive Income (loss)				185	(20)
Dividends declared			(18)	(18)	—
Acquisitions of Little Sheep store-level noncontrolling interests			(15)	(15)	
Net transfers to Parent	(124)			(124)	
Balance at December 31, 2013	$ 2,014	$ 267	$ 63	$ 2,344	$ 39
Net Income (loss)	(7)		(1)	(8)	(29)
Foreign currency translation gains (losses)		(50)	(1)	(51)	(1)
Comprehensive Income (loss)				(59)	(30)
Dividends declared			(4)	(4)	—
Net transfers to Parent	(336)			(336)	
Balance at December 31, 2014	$ 1,671	$ 217	$ 57	$ 1,945	$ 9
Net Income (loss)	323		6	329	(1)
Foreign currency translation gains (losses)		(87)	(4)	(91)	(2)
Comprehensive Income (loss)				238	(3)
Acquisitions of Little Sheep store-level noncontrolling interests	1		(1)	—	
Net transfers to Parent	(204)			(204)	
Balance at December 31, 2015	1,791	130	58	1,979	6

See accompanying Notes to Combined Financial Statements.

Notes to Combined Financial Statements

(Tabular amounts in millions, except share data)

Note 1—Description of the Business

On October 20, 2015, Yum! Brands, Inc. ("YUM" or the "Parent") announced that it intended to separate into two independent publicly traded companies each with a separate strategic focus. YUM plans to distribute to its shareholders all outstanding shares of Yum! China Holding, Inc. (the "Company"), which will hold, directly or indirectly, the assets and liabilities associated with YUM's operations in China. The separation transaction will be completed by way of a pro rata distribution of Company shares by YUM to its shareholders as of the record date. These Combined Financial Statements reflect the results of operations, comprehensive income and cash flows of the Company for the three years ended December 31, 2015 and the Company's financial position as of December 31, 2015 and 2014. References to the Company throughout these Combined Financial Statements are made using the first person notations of "we," "us" or "our."

The Company operates and owns, franchises or has ownership in entities that own and operate restaurants under the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep concepts (collectively, the "Concepts"). The operating results of these Concepts in China have historically been included in the China Division segment of YUM's Consolidated Financial Statements. Upon separation from YUM, the Company will enter into a 50-year master license agreement with automatic renewals for additional consecutive renewal terms of 50 years each, subject to certain conditions and unless one of the parties gives notice of its intent to not renew, for the exclusive right to use and sublicense the use of intellectual property owned by YUM for the development and operation of the KFC, Pizza Hut Casual Dining and Pizza Hut Home Services brands and their related marks and other intellectual property rights for restaurant services in China. In addition, subject to certain agreed-upon milestones, the Company has an exclusive license under the master license agreement to operate and develop Taco Bell restaurants and use the related marks in China. In exchange we will pay a license fee to YUM equal to 3% of the net sales from the operations of those brands. We will continue to own the East Dawning and Little Sheep intellectual property and will pay no license fee related to these concepts.

Completion of the transaction will be subject to certain conditions, including, among others, receiving final approval from YUM's Board of Directors, receipt of various regulatory approvals, receipt of an opinion of counsel with respect to certain tax matters, the effectiveness of filings related to public listing in the United States of America and applicable securities laws, and other terms and conditions as may be determined by the YUM's Board of Directors. The transaction is expected to be completed by the end of 2016 and is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes.

The operations of each Concept represent an operating segment of the Company within these Combined Financial Statements. We have two reportable segments: KFC and Pizza Hut Casual Dining. Our remaining operating segments, including the operations of Pizza Hut Home Service, East Dawning and Little Sheep, are combined and referred to as All Other Segments, as those operating segments are individually insignificant.

KFC was the first quick-service restaurant brand to enter China in 1987. As of December 31, 2015, there are approximately 5,000 KFCs in China. We maintain a 58% and 70% controlling interest in the entities that own and operate the KFCs in Shanghai and Beijing, respectively. We have a 47% non-

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 1—Description of the Business (Continued)

controlling ownership in each of the entities that own and operate KFCs in Hangzhou, Suzhou and Wuxi.

KFC Unit Count	2015	2014	2013
Company-owned	3,821	3,732	3,569
Unconsolidated affiliates	796	757	716
Franchise	386	339	278
	5,003	4,828	4,563

The first Pizza Hut Casual Dining in China opened in 1990. As of December 31, 2015 there are nearly 1,600 Pizza Hut Casual Dining restaurants in China.

Pizza Hut Casual Dining Unit Count	2015	2014	2013
Company-owned	1,556	1,310	1,058
Franchise	16	3	2
	1,572	1,313	1,060

Note 2—Summary of Significant Accounting Policies

Our preparation of the accompanying Combined Financial Statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Preparation and Principles of Consolidation. These accompanying Combined Financial Statements have been prepared on a stand-alone basis and are derived from YUM's Consolidated Financial Statements and underlying accounting records. Transactions between the Company and the Parent that were not cash settled were considered to be effectively settled at the time the transactions are recorded.

The Combined Financial Statements include all revenues, costs, assets and liabilities directly attributable to the Company either through specific identification or allocation. The Combined Statements of Income include allocations for certain of YUM's Corporate functions which provide a direct benefit to the Company. These costs have been allocated based on Company system sales relative to YUM's global system sales. System sales includes the sales results of all restaurants regardless of ownership. All allocated costs have been deemed to have been paid to the Parent in the period in which the costs were recorded. The Company considers the cost allocation methodology and results to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for the periods presented. See Note 3 for further discussion.

We consolidate entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. We also consider for consolidation an entity, in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

("VIE"), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it.

Our most significant variable interests are in entities that operate restaurants under franchise arrangements. We do not generally have an equity interest in our franchisee businesses with the exception of certain entities discussed below. Additionally, we do not typically provide significant financial support such as loans or guarantees to our franchisees. We have variable interests in certain entities that operate restaurants under franchise agreements through real estate lease arrangements with them to which we are a party. At December 31, 2015, the Company had future lease payments due from franchisees, on a nominal basis, of approximately $100 million. As our franchise arrangements provide our franchisee entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might otherwise be considered a VIE.

We consolidate the entities that operate KFCs in Shanghai and Beijing where we have controlling interests of 58% and 70%, respectively. We report Net income (loss) attributable to noncontrolling interests, which includes the minority shareholders of the entities separately on the face of our Combined Statements of Income. The portion of equity not attributable to the Company for these entities is reported within equity, separately from the Company's equity on the Combined Balance Sheets.

We have a noncontrolling 47% interest in each of the entities that operate the KFCs in Hangzhou, Suzhou and Wuxi. We account for these entities by the equity method. These entities are not VIEs and our lack of majority voting rights precludes us from controlling these affiliates. Thus, we do not consolidate these affiliates, instead accounting for them under the equity method. We also have a 25% noncontrolling interest in a meat processing entity affiliated with our Little Sheep business which is also accounted for by the equity method. Our share of the net income or loss of these unconsolidated affiliates is included in Other income, net.

The shareholder that owns the remaining 7% ownership interest in Little Sheep holds an option that, if exercised, requires us to redeem its noncontrolling interest. This redeemable non-controlling interest is classified outside permanent equity and recorded in the Combined Balance Sheets as the greater of the initial carrying amount adjusted for the non-controlling interest's share of net income (loss), or its redemption value.

Fiscal Calendar. Our fiscal year ends on December 31. The Company operates on a fiscal monthly calendar, with two months in the first quarter, three months in the second and third quarters and four months in the fourth quarter.

Foreign Currency. Our functional currency for the operating entities in China is the Chinese Renminbi ("RMB"), the currency of the primary economic environment in which they operate. Income and expense accounts for our operations are then translated into U.S. dollars at the average exchange rates prevailing during the period. Assets and liabilities are then translated into U.S. dollars at exchange rates in effect at the balance sheet date. As of December 31, 2015, net cumulative translation adjustment gains of $130 million are recorded in Accumulated other comprehensive income (loss) in the Combined Balance Sheet. Gains and losses arising from the impact of foreign currency exchange

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

rate fluctuations on transactions in foreign currency, to the extent they arise, are included in Other income, net in our Combined Statements of Income.

Franchise Operations. We execute agreements which set out the terms of our arrangement with franchisees. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and their payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The internal costs we incur to provide support services to our franchisees are charged to General and Administrative ("G&A") expenses as incurred. Certain direct costs of our franchise operations are charged to Franchise expenses. These costs include provisions for estimated uncollectible fees, rent or depreciation expense associated with restaurants we sublease to franchisees, and certain other direct incremental franchise support costs. The 3% license fee we pay to YUM for the right to sublicense the KFC and Pizza Hut intellectual property is also recorded in Franchise expenses.

Revenue Recognition. Revenues from Company-owned restaurants are recognized when payment is tendered at the time of sale. The Company presents sales net of sales-related taxes. The license fee we pay to YUM as a percentage of these Company sales is included in Occupancy and other operating expenses. We recognize income from gift cards when the gift card is redeemed by the customer. We recognize breakage revenue, which is the amount of gift card proceeds that is not expected to be redeemed, when the likelihood of redemption becomes remote.

Income from our franchisees includes initial fees, continuing fees, renewal fees and rental income from restaurants we sublease to them. We recognize initial fees received from a franchisee as revenue when we have performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a store. We recognize continuing fees, which are based upon a percentage of franchisee sales, as those sales occur and rental income is recognized as it is earned. We recognize renewal fees when a renewal agreement with a franchisee becomes effective. We present initial fees collected upon the sale of a Company-owned restaurant to a franchisee in Refranchising gain, net.

Direct Marketing Costs. We charge direct marketing costs to expense ratably in relation to revenues over the year in which incurred and, in the case of advertising production costs, in the year the advertisement is first shown. Deferred direct marketing costs, which are classified as prepaid expenses, consist of media and related advertising production costs which will generally be used for the first time in the next fiscal year and have historically not been significant. Our direct marketing expenses were $327 million, $328 million and $346 million in 2015, 2014 and 2013, respectively. We report direct marketing costs in Occupancy and other operating expenses.

Our franchise agreements require our franchisees to fund advertising and marketing expenditures, typically in an amount that is a percentage of sales. Local marketing expenditures are managed by each operator. The Company, as an agent, collects and disburses non-local funds on behalf of the entire system. We record cash received and accounts payable from the administration of such non-local funds in our Combined Balance Sheets. Any unused non-local funds are returned to the system.

Research and Development Expenses. Research and development expenses, which are expensed as incurred and are reported in G&A expenses. Research and development expenses were $5 million, in each of 2015, 2014 and 2013.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

Share-Based Compensation. Certain of the Company's employees participate in YUM's share-based compensation plans. We recognize all share-based payments to employees, including grants of employee stock options and stock appreciation rights ("SARs"), in the Combined Financial Statements as compensation cost over the service period based on their fair value on the date of grant. This compensation cost is recognized over the service period on a straight-line basis for awards that actually vest. We present this compensation cost consistent with the other compensation costs for the employee recipient in G&A expenses. Share-based compensation expense includes an allocation of amounts incurred by YUM for services provided on our behalf. See Note 13 for further discussion of YUM's share-based compensation plans.

Impairment or Disposal of Property, Plant and Equipment. Property, plant and equipment ("PP&E") is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The assets are not recoverable if their carrying value is less than the undiscounted cash flows we expect to generate from such assets. If the assets are not deemed to be recoverable, impairment is measured based on the excess of their carrying value over their fair value.

For purposes of impairment testing for our restaurants, we have concluded that an individual restaurant is the lowest level of independent cash flows unless our intent is to refranchise restaurants as a group. We review our long-lived assets of such individual restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We use two consecutive years of operating losses after a restaurant has been open for three years as our primary indicator of potential impairment for our semi-annual impairment testing of these restaurant assets. We evaluate the recoverability of these restaurant assets by comparing the estimated undiscounted future cash flows, which are based on our entity-specific assumptions to the carrying value of such assets. Our impairment indicator and recoverability tests do not include a deduction for license fees paid to YUM. For restaurant assets that are not deemed to be recoverable, we write-down an impaired restaurant to its estimated fair value, which becomes its new cost basis. Fair value is an estimate of the price a franchisee would pay for the restaurant and its related assets and is determined by discounting the estimated future after-tax cash flows of the restaurant, which include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement. The discount rate used in the fair value calculation is our estimate of the required rate-of-return that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

When we believe it is more likely than not a restaurant or groups of restaurants will be refranchised for a price less than their carrying value, but do not believe the restaurant(s) have met the criteria to be classified as held for sale, we review the restaurants for impairment. We evaluate the recoverability of these restaurant assets by comparing estimated sales proceeds plus holding period cash flows, if any, to the carrying value of the restaurant or group of restaurants. For restaurant assets that are not deemed to be recoverable, we recognize impairment for any excess of carrying value over the fair value of the restaurants, which is based on the expected net sales proceeds. To the extent ongoing

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

agreements to be entered into with the franchisee simultaneous with the refranchising are expected to contain terms, such as royalty rates, not at prevailing market rates, we consider the off-market terms in our impairment evaluation. We recognize any such impairment charges in Refranchising gain. Refranchising gain includes the gains or losses from the sales of our restaurants to new and existing franchisees, including any impairment charges discussed above, and the related initial franchise fees. We recognize gains on restaurant refranchisings when the sale transaction closes, the franchisee has a minimum amount of the purchase price in at-risk equity and we are satisfied that the franchisee can meet its financial obligations.

When we decide to close a restaurant, it is reviewed for impairment and depreciable lives are adjusted based on the expected disposal date. Other costs incurred when closing a restaurant such as costs of disposing of the assets as well as other facility-related expenses from previously closed stores are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, if any. Any costs recorded upon store closure as well as any subsequent adjustments to liabilities for remaining lease obligations as a result of lease termination or changes in estimates of sublease income are recorded in Closures and impairment expenses. In the event we are forced to close a store and receive compensation for such closure, that compensation is recorded in Closures and impairment expenses. To the extent we sell assets associated with a closed store, any gain or loss upon that sale is also recorded in Closures and impairment expenses.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, sublease income and refranchising proceeds. Accordingly, actual results could vary significantly from our estimates.

Impairment of Investments in Unconsolidated Affiliates. We record impairment charges related to an investment in an unconsolidated affiliate whenever events or circumstances indicate that a decrease in the fair value of an investment has occurred which is other than temporary. In addition, we evaluate our investments in unconsolidated affiliates for impairment when they have experienced two consecutive years of operating losses.

Income Taxes. The Company's results have historically been included in the consolidated U.S. federal income tax return and U.S. state income tax filings of YUM. The Company has computed its provision for income taxes on a separate return basis in these Combined Financial Statements. The separate return method applies the accounting guidance for income taxes to the stand-alone financial statements as if the Company was a separate taxpayer and a stand-alone enterprise for the periods presented. The calculation of income taxes for the Company on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations.

We record deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences or carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Additionally, in determining the need for recording a valuation allowance against the carrying amount of deferred tax assets, we consider the amount of

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

taxable income and periods over which it must be earned, actual levels of past taxable income and known trends and events or transactions that are expected to affect future levels of taxable income. Where we determine that it is more likely than not that all or a portion of an asset will not be realized, we record a valuation allowance.

We recognize the benefit of positions taken or expected to be taken in our tax returns when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. We evaluate these amounts on a quarterly basis to ensure that they have been appropriately adjusted for audit settlements and other events we believe may impact the outcome. Changes in judgment that result in subsequent recognition, derecognition or a change in measurement of a tax position taken in a prior annual period (including any related interest and penalties) are recognized as a discrete item in the interim period in which the change occurs. We recognize accrued interest and penalties related to unrecognized tax benefits as components of our Income tax provision.

We do not record a U.S. deferred tax liability for the excess of the book basis over the tax basis of our investments in foreign subsidiaries to the extent that the basis difference results from earnings that meet the indefinite reversal criteria. This criteria is met if the foreign subsidiary has invested, or will invest, the undistributed earnings indefinitely. The decision as to the amount of undistributed earnings that we intend to maintain in non-U.S. subsidiaries considers items including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity plans and expected cash requirements in the United States.

In November, 2015 the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17) to simplify the presentation of deferred taxes on the balance sheet. ASU 2015-17 requires organizations that present a classified balance sheet to classify all deferred taxes as noncurrent assets or noncurrent liabilities. We have elected to early adopt this guidance as of December 31, 2015.

See Note 14 for a further discussion of our income taxes.

Fair Value Measurements. Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities we record or disclose at fair value, we determine fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, we determine fair value based upon the quoted market price of similar assets or the present value of expected future cash flows considering the risks involved, including counterparty performance risk if appropriate, and using discount rates appropriate for the duration. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

Level 1 Inputs based upon quoted prices in active markets for identical assets.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 Inputs that are unobservable for the asset.

Cash and Cash Equivalents. Cash equivalents represent funds we have temporarily invested (with original maturities not exceeding three months), including short-term, highly liquid debt securities. Cash

and overdraft balances that meet the criteria for right to offset are presented net on our Combined Balance Sheets.

Receivables. Trade receivables consisting of royalties from franchisees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts receivable on our Combined Balance Sheets. Our provision for uncollectible franchise receivable balances is based upon pre-defined aging criteria or upon the occurrence of other events that indicate that we may not collect the balance due. Additionally, we monitor the financial condition of our franchisees and record provisions for estimated losses on receivables when we believe it probable that our franchisees will be unable to make their required payments. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Trade receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. Receivables due from unconsolidated affiliates were $19 million and $15 million as of December 31, 2015 and 2014, respectively.

Inventories. We value our inventories at the lower of cost (computed on the first-in, first-out method) or market.

Property, Plant and Equipment. We state PP&E at cost less accumulated depreciation and amortization. We calculate depreciation and amortization on a straight-line basis over the estimated useful lives of the assets as follows: 20 years for buildings, the lesser of 8 years and remaining lease term for leasehold improvements, 5 to 10 years for restaurant machinery and equipment and 3 to 5 years for capitalized software costs. We suspend depreciation and amortization on assets related to restaurants that are held for sale.

Leases and Leasehold Improvements. The Company leases land, buildings or both for its restaurants. The length of our lease terms which generally do not have renewal options are an important factor in determining the appropriate accounting for leases including the initial classification of the lease as capital or operating and the timing of recognition of rent expense over the duration of the lease. We include renewal option periods in determining the term of our leases when failure to renew the lease would impose a penalty on the Company in such an amount that a renewal appears to be reasonably assured at the inception of the lease. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might be impaired if we choose not to continue the use of the leased property. Leasehold improvements are amortized over the shorter of their estimated useful lives or the lease term. We generally do not receive leasehold improvement incentives upon opening a store that is subject to a lease.

We expense rent associated with leased land or buildings while a restaurant is being constructed whether rent is paid or we are subject to a rent holiday. Additionally, certain of the Company's operating leases contain predetermined fixed escalations of the minimum rent during the lease term. For leases with fixed escalating payments and/or rent holidays, we record rent expense on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (*e.g.*, when Company sales occur).

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

From time to time, we purchase the rights to use government-owned land for a fixed period of time. These land use rights are recorded in Other Assets in our Combined Balance Sheets as we are purchasing the right and are a legal party to the underlying land grant, and are amortized to rent expense on a straight-line basis over the term of the land use right.

Internal Development Costs and Abandoned Site Costs. We capitalize direct costs associated with the site acquisition and construction of a Company unit on that site, including direct internal payroll and payroll-related costs. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized. If we subsequently make a determination that it is probable a site for which internal development costs have been capitalized will not be acquired or developed, any previously capitalized internal development costs are expensed and included in G&A expenses.

Goodwill and Intangible Assets. From time to time, the Company acquires restaurants from our existing franchisees or acquires another business. Goodwill from these acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. Goodwill is not amortized and has been assigned to reporting units for purposes of impairment testing. Our reporting units are our individual operating segments.

We evaluate goodwill for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairment might exist. We have selected the beginning of our fourth quarter as the date on which to perform our ongoing annual impairment test for goodwill. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a willing buyer would pay for a reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value.

If we record goodwill upon acquisition of a restaurant(s) from a franchisee and such restaurant(s) is then sold within two years of acquisition, the goodwill associated with the acquired restaurant(s) is written off in its entirety. If the restaurant is refranchised two years or more subsequent to its acquisition, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising and the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. Appropriate adjustments are made if a franchise agreement includes terms that

Note 2—Summary of Significant Accounting Policies (Continued)

are determined to not be at prevailing market rates. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. As a result, the percentage of a reporting unit's goodwill that will be written off in a refranchising transaction will be less than the percentage of the reporting unit's Company-owned restaurants that are refranchised in that transaction.

We evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, we amortize the intangible asset prospectively over its estimated remaining useful life. Intangible assets that are deemed to have a definite life are generally amortized on a straight-line basis to their residual value.

We evaluate our indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairments might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. We may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of an indefinite-lived intangible asset exceeds its carrying value, then the asset's fair value is compared to its carrying value. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset.

Our definite-lived intangible assets that are not allocated to an individual restaurant are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed not recoverable on an undiscounted basis is written down to its estimated fair value, which is our estimate of the price a willing buyer would pay for the intangible asset based on discounted expected future after-tax cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the definite-lived intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

Asset Retirement Obligations. We recognize an asset and a liability for the fair value of a required asset retirement obligation ("ARO") when such an obligation is incurred. The Company's AROs are primarily associated with leasehold improvements which, at the end of the lease, the Company is contractually obligated to remove in order to comply with the lease agreement. As such, we amortize the asset on a straight-line basis over the lease term and accrete the liability to its nominal value using the effective interest method over the lease term.

Retirement Plans. Certain of the Company's employees participate in noncontributory defined benefit plans and post-retirement medical plans sponsored by YUM. For these plans, the Company considers them to be part of multi-employer plans. We have allocated expenses related to our employees' participation in these plans in our Combined Statements of Income. However, our Combined Balance Sheets do not reflect any assets or liabilities related to these plans. We consider the expense allocation methodology and results to be reasonable for all periods presented. See Note 3 for additional information.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 2—Summary of Significant Accounting Policies (Continued)

Net Earnings Per Share. We do not present historical net earnings per share as common stock was not part of the Company's capital structure for the periods presented.

Parent Company Investment. Parent Company Investment in the Combined Balance Sheets represents YUM's historical investment in the Company, the Company's accumulated net earnings after taxes, and the net effect of transactions with and allocations from YUM. The Combined Statements of Equity include net cash transfers to and from YUM and the Company. All intercompany transactions that are not cash settled through Parent Company Investment in the accompanying Combined Balance Sheets are considered to be settled at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in financing activities in the accompanying Combined Statements of Cash Flows.

Note 3—Transactions with Parent

Allocation of Corporate Expenses

YUM has historically performed centralized corporate functions on our behalf. Accordingly, certain YUM costs have been allocated to the Company and reflected as expenses in these Combined Financial Statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the historical Parent expenses attributable to the Company. The expenses reflected in the Combined Financial Statements may not be indicative of the actual expenses that would have been incurred during the periods presented if we had operated as a separate, stand-alone entity.

Corporate expense allocations primarily relate to centralized corporate functions, including finance, accounting, treasury, tax, legal, internal audit and risk management functions. In addition, corporate expense allocations include, among other costs, IT maintenance, professional fees for legal services and expenses related to litigation, investigations, or similar matters. Corporate allocations of $12 million, $11 million, and $12 million were allocated to the Company during fiscal years 2015, 2014 and 2013, respectively, and have been included in G&A expenses in the Combined Statements of Income. All of the corporate allocations of costs are deemed to have been incurred and settled through Parent Company Investment in the period where the costs were recorded. Following the separation, we will perform these functions using our own resources or purchased services.

License Fee

The Combined Statements of Income include a fee that was historically paid to YUM comprised of initial fees and continuing fees equal to 3% of net sales from our Company-owned and franchise operations. License fees due to YUM for our Company-owned stores are included within restaurant margin in Occupancy and other operating expenses in the Combined Statements of Income. License

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 3—Transactions with Parent (Continued)

fees due to YUM on franchise sales are included in Franchise expenses. Total license fees paid to YUM in 2015, 2014 and 2013 are reflected in the table below:

	2015	2014	2013
Initial fees—Company	$ 18	$ 17	$ 17
Initial fees—Franchise	3	2	2
Continuing fees—Company	201	200	198
Continuing fees—Franchise	47	46	45
Total	$ 269	$ 265	$ 262

Cash Management and Treasury

The Company funds its operations through cash generated from the operation of its Company-owned stores, franchise operations and dividend payments from our unconsolidated affiliates. Excess cash has historically been repatriated to YUM through intercompany loans or dividends. Transfers of cash both to and from YUM are included within Parent Company Investment on the Combined Statements of Equity. YUM has issued debt for general corporate purposes but in no case has any such debt been guaranteed or assumed by the Company or otherwise secured by the assets of the Company. As YUM debt and related interest is not directly attributable to the Company, no such amounts have been allocated to these Combined Financial Statements.

Note 4—Items Affecting Comparability of Net Income and Cash Flows

Little Sheep Impairment

On February 1, 2012 we acquired an additional 66% interest in Little Sheep for $540 million, net of cash acquired of $44 million, increasing our ownership to 93%. The primary assets recorded as a result of the acquisition and resulting consolidation of Little Sheep were the Little Sheep trademark and goodwill of approximately $400 million and $375 million, respectively.

Sustained declines in sales and profits in 2013 resulted in a determination that the Little Sheep trademark, goodwill and certain restaurant level PP&E were impaired during the quarter ended September 7, 2013. As a result, we recorded impairment charges to the trademark, goodwill and PP&E of $69 million, $222 million and $4 million, respectively, during the quarter ended August 31, 2013.

The Little Sheep business continued to underperform during 2014 with actual average-unit sales volumes and profit levels significantly below those assumed in our 2013 estimation of the Little Sheep trademark and reporting unit fair values. As a result, a significant number of Company-operated restaurants were closed or refranchised during 2014 with future plans calling for further focus on franchise-ownership for the Concept. We tested the Little Sheep trademark and goodwill for impairment in the fourth quarter of 2014 pursuant to our accounting policy. As a result of comparing the trademark's 2014 fair value estimate of $58 million to its carrying value of $342 million, we recorded a $284 million impairment charge. Additionally, after determining the 2014 fair value estimate of the Little Sheep reporting unit was less than its carrying value we wrote off Little Sheep's remaining goodwill balance of $160 million. The Company also evaluated other Little Sheep long-lived assets for impairment and recorded $14 million of restaurant-level PP&E impairment and a $5 million

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 4—Items Affecting Comparability of Net Income and Cash Flows (Continued)

impairment of our equity method investment in a meat processing business that supplies lamb to Little Sheep.

The losses related to Little Sheep that have occurred concurrent with our trademark and goodwill impairments in 2014 and 2013, none of which have been allocated to any segment for performance reporting purposes, are summarized below:

	2014	2013	Income Statement Classification
Impairment of Goodwill	$ 160	$ 222	Closures and impairment (income) expense
Impairment of Trademark	284	69	Closures and impairment (income) expense
Impairment of PP&E	14	4	Closures and impairment (income) expense
Impairment of Investment in Little Sheep Meat	5	—	Closures and impairment (income) expense
Tax Benefit	(76)	(18)	Income tax provision
Loss Attributable to Non-Controlling Interest	(26)	(19)	Net Income (loss) noncontrolling interests
Net loss	$ 361	$ 258	

Refranchising Gain, net

The Refranchising gain, net by reportable segment and All Other Segments is presented below. We do not allocate such gains and losses to our segments for performance reporting purposes.

	Refranchising gain, net		
	2015	2014	2013
KFC	$ 8	$ 17	$ 5
Pizza Hut Casual Dining	3	—	—
All Other Segments	2	—	—
Total Company	$ 13	$ 17	$ 5

Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment and All Other Segments are presented below. These tables exclude $463 million and $295 million of Little Sheep impairment losses in 2014 and 2013, respectively which were not allocated to any segment for performance reporting purposes.

	2015			
	Total Company	KFC	Pizza Hut Casual Dining	All Other Segments
Store closure (income) costs(a)	$ (6)	$ (7)	$ (2)	$ 3
Store impairment charges	70	57	10	3
Closure and impairment (income) expenses	$ 64	$ 50	$ 8	$ 6

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 4—Items Affecting Comparability of Net Income and Cash Flows (Continued)

	2014			
	Total Company	KFC	Pizza Hut Casual Dining	All Other Segments
Store closure (income) costs(a)	$ —	$ (2)	$ (1)	$ 3
Store impairment charges	54	43	3	8
Closure and impairment (income) expenses	$ 54	$ 41	$ 2	$ 11

	2013			
	Total Company	KFC	Pizza Hut Casual Dining	All Other Segments
Store closure (income) costs(a)	$ (1)	$ (4)	$ (1)	$ 4
Store impairment charges	31	27	2	2
Closure and impairment (income) expenses	$ 30	$ 23	$ 1	$ 6

(a) Store closure (income) costs include lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves, other facility-related expenses from previously closed stores and proceeds from forced store closures. Remaining lease obligations for closed stores were not material at December 31, 2015 or December 31, 2014.

Note 5—Franchise Fees and Income

	2015	2014	2013
Initial fees, including renewal fees	$ 9	$ 7	$ 5
Initial franchise fees included in Refranchising gain, net	(3)	(3)	(1)
	6	4	4
Continuing fees and rental income	114	109	101
Franchise fees and income	$ 120	$ 113	$ 105

Note 6—Other Income, net

	2015	2014	2013
Equity income from investments in unconsolidated affiliates	$ (41)	$ (30)	$ (26)
China poultry supply insurance recovery(a)	(5)	(25)	—
Loss associated with planned sale of aircraft(b)	15	—	—
Foreign exchange net loss and other	5	4	1
Other income, net	$ (26)	$ (51)	$ (25)

(a) Recoveries related to lost profits associated with a 2012 poultry supply incident.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 6—Other Income, net (Continued)

(b) During 2015, we made the decision to dispose of a corporate aircraft. The loss associated with this planned sale reflects the shortfall of the expected proceeds, less any selling costs, over the carrying value of the aircraft.

Note 7—Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	As of December 31, 2015	As of December 31, 2014
Assets held for sale(a)	$ 18	$ —
Prepaid rent	53	45
Other prepaid expenses and current assets	38	45
Prepaid expenses and other current assets	$ 109	$ 90

(a) Reflects the carrying value of a corporate aircraft (See Note 6).

Property, Plant and Equipment	As of December 31, 2015	As of December 31, 2014
Buildings and improvements	$ 2,231	$ 2,237
Capital leases, primarily buildings	35	38
Machinery and equipment	1,171	1,253
Property, plant and equipment, gross	3,437	3,528
Accumulated depreciation and amortization	(1,596)	(1,527)
Property, plant and equipment, net	$ 1,841	$ 2,001

Depreciation and amortization expense related to property, plant and equipment was $408 million, $392 million and $377 million in 2015, 2014 and 2013, respectively.

Accounts Payable and Other Current Liabilities	As of December 31, 2015	As of December 31, 2014
Accounts payable	$ 454	$ 501
Accrued capital expenditures	128	187
Accrued compensation and benefits	180	186
Accrued taxes, other than income taxes	42	42
Other current liabilities	122	88
Accounts payable and other current liabilities	$ 926	$ 1,004

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 7—Supplemental Balance Sheet Information (Continued)

Other Liabilities and Deferred Credits	As of December 31, 2015	As of December 31, 2014
Deferred escalating minimum rent	$ 162	$ 163
Other noncurrent liabilities and deferred credits	72	66
Other liabilities and deferred credits	$ 234	$ 229

Note 8—Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Total Company	KFC	Pizza Hut Casual Dining	All Other Segments(a)
Balance as of December 31, 2013				
Goodwill, gross	$ 478	$ 80	$ 11	387
Accumulated impairment losses	(222)	—	—	(222)
Goodwill, net	256	80	11	165
Impairment Losses	(160)	—	—	(160)
Disposals and other, net(b)	(7)	(2)	—	(5)
Balance as of December 31, 2014				
Goodwill, gross	471	78	11	382
Accumulated impairment losses	(382)	—	—	(382)
Goodwill, net	89	78	11	—
Disposals and other, net(b)	(4)	(3)	(1)	—
Balance as of December 31, 2015				
Goodwill, gross	467	75	10	382
Accumulated impairment losses	(382)	—	—	(382)
Goodwill, net	$ 85	$ 75	$ 10	$ —

(a) Goodwill and Accumulated impairment losses associated with Little Sheep. (See Note 4)

(b) Disposals and other, net includes the impact of foreign currency translation on existing balances and goodwill write-offs associated with refranchising.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 8—Goodwill and Intangible Assets (Continued)

Intangible assets, net as of December 31, 2015 and 2014 are as follows:

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets				
Reacquired franchise rights	$ 100	$ (66)	$ 105	$ (59)
Other	30	(13)	35	(14)
	$ 130	$ (79)	$ 140	$ (73)
Indefinite-lived intangible assets				
Little Sheep trademark	$ 56		$ 60	

Amortization expense for all definite-lived intangible assets was $13 million in 2015, $14 million in 2014 and $14 million in 2013. Amortization expense for definite-lived intangible assets will approximate $13 million in 2016, $13 million in 2017, $13 million in 2018, $5 million in 2019 and $2 million in 2020.

Note 9—Credit Facilities

Our bank credit agreements comprise two RMB300 million (approximately $92 million in total) revolving credit facilities (each a "Credit Facility"). Our three-year Credit Facility matured on April 30, 2016 but remains available to us and may be renewed until the bank completes its annual credit review process. It contains a cross-default provision whereby our failure to make any payment on a principal amount from the other Credit Facility will constitute a default on the agreement. Our one-year Credit Facility matures on February 16, 2017. Each Credit Facility bears interest based on the prevailing rate stipulated by the People's Bank of China and contains financial covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Interest on any outstanding borrowings is due at least monthly. As of December 31, 2015, no amounts were outstanding under either credit facility and the full amount of borrowings were available to us under each credit facility.

Note 10—Leases

At December 31, 2015 we operated 5,768 restaurants, leasing the underlying land and/or building, with our commitments expiring within 20 years from the inception of the lease. In addition, the Company subleases 160 properties to franchisees. Most leases require us to pay related executory costs, which include property taxes, maintenance and insurance.

We also lease office space for headquarters and support functions, as well as certain office and restaurant equipment. We do not consider any of these individual leases material to our operations.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 10—Leases (Continued)

Future minimum commitments and amounts to be received as lessor or sublessor under non-cancelable leases are set forth below:

	Commitments		Lease Receivables	
	Capital	Operating	Direct Financing	Operating
2016	$ 3	$ 490	$ —	$ 16
2017	3	461	—	16
2018	3	427	—	15
2019	4	393	—	14
2020	4	359	—	12
Thereafter	37	1,419	—	25
	$ 54	$ 3,549	$ —	$ 98

At December 31, 2015 and December 31, 2014, the present value of minimum payments under capital leases was $35 million and $36 million, respectively. The current portion of capital lease obligations was $1 million and $2 million in 2015 and 2014, respectively, and is classified in Accounts payable and other current liabilities.

The details of rental expense and income are set forth below:

	2015	2014	2013
Rental expense			
Minimum	$ 516	$ 523	$ 530
Contingent	260	265	258
	$ 776	$ 788	$ 788
Rental income	$ 24	$ 20	$ 17

Note 11—Fair Value Disclosures

As of December 31, 2015 the carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values because of the short-term nature of these instruments.

The following table presents expense recognized from all non-recurring fair value measurements during the years ended December 31, 2015 and 2014. All fair value measurements used in these impairment evaluations were based on unobservable inputs (Level 3). These amounts exclude fair value

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 11—Fair Value Disclosures (Continued)

measurements made for restaurants that were subsequently closed or refranchised prior to those respective year-end dates.

	2015	2014
Little Sheep impairment(a)	$ —	$ 463
Restaurant-level impairment(b)	51	35
Total	$ 51	$ 498

(a) Except for the Little Sheep trademark, which had a carrying value of $56 million at December 31, 2015, the remaining carrying value of assets measured at fair value due to the 2014 Little Sheep impairments is insignificant. See Note 4 for further discussion. Our 2014 fair value estimate of the Little Sheep trademark was determined using a relief-from-royalty valuation approach that included future revenues as a significant input and a discount rate of 13% as our estimate of the required rate-of-return that a third party buyer would expect to receive when purchasing the trademark. The primary drivers of the trademark's fair value were franchise revenue growth and revenues associated with a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflected annual same store sales growth of 4% and approximately 35 new franchise units per year, partially offset by approximately 25 franchise closures per year. The retail seasoning business was forecasted to generate sales growth consistent with historical results. Our 2015 fair value estimate exceeded its carrying value using similar assumptions and methods as those used in 2014.

(b) Restaurant-level impairment charges are recorded in Closures and impairment (income) expenses and resulted primarily from our semi-annual impairment evaluation of long-lived assets of individual restaurants that were being operated at the time of impairment and had not been offered for refranchising. The fair value measurements used in these impairment evaluations were based on discounted cash flow estimates using unobservable inputs. The remaining net book value of assets measured at fair value during the years ended December 31, 2015 and December 31, 2014 is insignificant.

Note 12—Retirement Plans

Certain of the Company's employees participate in retirement plans administered and sponsored by YUM. For these plans, the Company has considered participating employees to be part of multi-employer plans. We have allocated expenses related to this participation in our Combined Statements of Income. However, as we are not the plan sponsor for these benefit plans, our Combined Balance Sheets do not reflect any assets or liabilities related to these plans. We consider the expense allocation methodology and results to be reasonable for all periods presented.

As stipulated by Chinese state regulations, the Company participates in a government-sponsored defined contribution retirement plan. Substantially all employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. We are required to make contributions to the local social security bureau between 10% and 22% of the previous year's average basic salary amount of the geographical area where the employees are under our employment. Contributions are recorded in the Combined

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 12—Retirement Plans (Continued)

Statements of Income as they become payable. We have no obligation for the payment of pension benefits beyond the annual contributions as set out above. The Company contributed $150 million, $147 million and $141 million to the plan for 2015, 2014 and 2013, respectively.

Note 13—Share-Based Compensation

Overview

Certain of the Company's employees participate in YUM's Long-term Incentive Plan (the "Plan") which provides employees with certain share-based awards as described below. Accordingly, certain costs related to the Plan have been allocated to the Company and are reflected in the Combined Statements of Income in G&A expenses. Under the Plan, the exercise price of stock options and SARs granted must be equal to or greater than the average market price or the ending market price of the YUM's stock on the date of grant.

Potential awards to employees under the Plan include stock options, SARs, stock units, restricted stock units (RSUs), performance RSUs, performance share units (PSUs) and performance units. YUM has only issued stock options, SARs, RSUs and PSUs under the Plan. While awards can have varying provisions and exercise periods, outstanding awards vest in periods ranging from three to five years. Stock options and SARs expire ten years after grant.

Award Valuation

YUM estimated the fair value of each stock option and SAR award granted to the Company's employees as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2015	2014	2013
Risk-free interest rate	1.3%	1.6%	0.8%
Expected term (years)	6.5	6.3	6.3
Expected volatility	27.0%	29.9%	30.0%
Expected dividend yield	2.2%	2.1%	2.1%

Grants made to executives under the Plan typically have a graded vesting schedule of 25% per year over four years and expire ten years after grant. YUM uses a single weighted-average term for awards that have a graded vesting schedule. Based on analysis of the historical exercise and post-vesting termination behavior, YUM determined that executives exercised the awards on average after 6.5 years.

When determining expected volatility, YUM considers both historical volatility of its stock as well as implied volatility associated with its publicly traded options. The expected dividend yield is based on the annual dividend yield at the time of grant.

The fair values of RSU awards are based on the closing price of YUM stock on the date of grant. The fair values of PSU awards granted prior to 2013 are based on the closing price of YUM stock on the date of grant. Beginning in 2013, YUM granted PSU awards with market-based conditions which have been valued based on the outcome of a Monte Carlo simulation.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 13—Share-Based Compensation (Continued)

Award Activity

Stock Options and SARs

	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding at the beginning of the year	4,165	$ 49.26		
Granted	753	74.27		
Exercised	(754)	36.90		
Forfeited or expired	(120)	69.20		
Transfers, net(a)	980	47.16		
Outstanding at the end of the year	5,024(b)	$ 53.98	5.70	$ 97
Exercisable at the end of the year	3,076	$ 44.86	4.30	$ 87

(a) Reflects awards previously granted to YUM employees who transferred into or out of the Company from or to another YUM Division during the year.

(b) Outstanding awards include 1,461 options and 3,563 SARs with weighted average exercise prices of $47.61 and $56.59, respectively.

The weighted-average grant-date fair value of stock options and SARs granted during 2015, 2014 and 2013 was $16.11, $17.45 and $14.56, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 31, 2015, December 31, 2014 and December 31, 2013, was $33 million, $16 million and $24 million, respectively.

As of December 31, 2015, there was $19 million of unrecognized compensation cost related to stock options and SARs, which will be reduced by any forfeitures that occur, related to unvested awards that is expected to be recognized over a remaining weighted-average period of approximately 1.7 years. The total fair value at grant date of awards that vested during 2015, 2014 and 2013 was $6 million, $7 million and $10 million, respectively.

RSUs and PSUs

As of December 31, 2015, there was $0.8 million of unrecognized compensation cost related to unvested RSUs and PSUs.

Impact on Net Income

Share-based compensation expense was $14 million, $13 million and $12 million for 2015, 2014 and 2013, respectively. Deferred tax benefits recognized totaled $3 million, $3 million and $2 million for 2015, 2014 and 2013, respectively.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 14—Income Taxes

The Company's results have historically been included in the consolidated U.S. federal tax return and U.S. state income tax filings of YUM. Our foreign income tax returns, primarily those filed by our China subsidiaries, are filed on an individual entity basis. The Company has calculated its provision using the separate return method in these Combined Financial Statements. Under this method, the Company is assumed to have filed hypothetical tax returns on a stand-alone basis separate from YUM in the relevant tax jurisdictions. Any additional accrued tax liability attributable to the Company arising from the separate return method has been shown as settled against the net Parent company investment account in these Combined Financial Statements. The Company has recorded deferred taxes on its temporary differences, including hypothetical carryforwards and tax credits created by the separate tax return filings. The established current and deferred tax balances may not be indicative of the Company's actual balances prior or subsequent to the separation of operations from YUM.

U.S. and foreign income before taxes are set forth below:

	2015	2014	2013
U.S.	$ (7)	$ 15	$ (12)
China	502	—	251
Other Foreign	1	2	(5)
	$ 496	$ 17	$ 234

The details of our income tax provision (benefit) are set forth below:

		2015	2014	2013
Current:	Federal	$ 7	$ 9	$ 6
	Foreign	132	149	178
		$ 139	$ 158	$ 184
Deferred:	Federal	$ (7)	$ (9)	$ (3)
	Foreign	36	(95)	(46)
		29	(104)	(49)
		$ 168	$ 54	$ 135

The reconciliation of income taxes calculated at the U.S. federal statutory rate to our effective tax rate is set forth below:

	2015		2014		2013	
U.S. federal statutory rate	$ 173	35.0%	$ 6	35.0%	$ 82	35.0%
Statutory rate differential attributable to foreign operations	(15)	(3.1)	5	32.2	(12)	(5.2)
Adjustments to reserves and prior years	3	0.6	(3)	(20.9)	(2)	(0.8)
Change in valuation allowances	12	2.4	13	79.8	17	7.4
Other, net	(5)	(1.0)	33	196.2	50	21.1
Effective income tax rate	$ 168	33.9%	$ 54	322.3%	$ 135	57.5%

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 14—Income Taxes (Continued)

Statutory rate differential attributable to foreign operations. This item includes local taxes, withholding taxes, and shareholder-level taxes, net of foreign tax credits. There is a favorable impact attributable to our income being earned in China where it is subject to a 25% tax rate, which is lower than the U.S. federal statutory rate of 35%.

In 2015, 2014 and 2013, this benefit was negatively impacted by the actual and deemed repatriation of current year foreign earnings to the U.S. as we recognized additional tax expense, resulting from the related effective tax rate being lower than the U.S. federal statutory rate.

Adjustments to reserves and prior years. This item includes: (1) changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position; and (2) the effects of reconciling income tax amounts recorded in our Combined Statements of Income to amounts reflected on our tax returns, including any adjustments to the Combined Balance Sheets. The impact of certain effects or changes may offset items reflected in the '*Statutory rate differential attributable to foreign operations*' line.

In 2014 and 2013, this item was impacted by the favorable resolution of uncertain tax positions.

Change in valuation allowances. This item relates to changes for deferred tax assets generated or utilized during the current year and changes in our judgment regarding the likelihood of using deferred tax assets that existed at the beginning of the year. The impact of certain changes may offset items reflected in the *'Statutory rate differential attributable to foreign operations'* line.

In 2015 and 2014, $12 million and $13 million, respectively, of net tax expense was driven by valuation allowances recorded against deferred tax assets generated during the current year.

In 2013, $17 million of net tax expense was driven by $13 million for valuation allowances recorded against deferred tax assets generated during the current year, as well as $4 million tax expense resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

Other. This item primarily includes the impact of permanent differences related to current year earnings as well as tax credits and deductions.

In 2014 and 2013, this item was negatively impacted by the $160 million and $222 million, respectively, of non-cash impairments of Little Sheep goodwill, which resulted in no related tax benefit. See Note 4.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 14—Income Taxes (Continued)

The details of deferred tax assets (liabilities) as of December 31, 2015 and 2014 are set forth below:

	2015	2014
Operating losses and tax credit carryforwards	$ 66	$ 54
Employee benefits	2	33
Share-based compensation	11	9
Deferred escalating minimum rent	43	42
Various liabilities	14	13
Deferred income and other	37	36
Gross deferred tax assets	173	187
Deferred tax asset valuation allowances	(45)	(34)
Net deferred tax assets	$ 128	$ 153
Intangible assets	$ (23)	$ (30)
Property, plant and equipment	(4)	(2)
Other	(9)	(3)
Gross deferred tax liabilities	$ (36)	$ (35)
Net deferred tax assets (liabilities)	$ 92	$ 118
Reported in Combined Balance Sheets as:		
Deferred income taxes	$ 116	$ 141
Other liabilities and deferred credits	(24)	(23)
	$ 92	$ 118

We have investments in our foreign subsidiaries where the carrying values for financial reporting exceed the tax basis. We have not provided deferred tax on the portion of the excess that we believe is indefinitely reinvested, as we have the ability and intent to indefinitely postpone the basis differences from reversing with a tax consequence. The China separation from YUM is intended to qualify as a tax-free reorganization for U.S. income tax purposes resulting in the excess of financial reporting over tax basis in our investment in the China business continuing to be indefinitely reinvested. This amount may become taxable upon an actual or deemed repatriation of assets from the subsidiaries or a sale or liquidation of the subsidiaries. We estimate that our total temporary difference upon which we have not provided deferred tax is approximately $1.6 billion at December 31, 2015. However, it is not practicable to determine the deferred tax liability on this amount due to uncertainty with regard to the timing or manner of repatriation and the related impact on local taxes, withholding taxes and foreign tax credits.

At December 31, 2015, the Company has operating loss carryforwards of $163 million, primarily related to our Little Sheep business, all of which will expire by 2020. These losses are being carried forward in jurisdictions where we are permitted to use tax losses from prior periods to reduce future taxable income. At December 31, 2015 the Company also has U.S. tax credit carryforwards of $25 million, all of which will expire by 2025.

Cash payments for tax liabilities on income tax returns filed in China were $143 million, $186 million and $174 million in 2015, 2014 and 2013, respectively.

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 14—Income Taxes (Continued)

We recognize the benefit of positions taken or expected to be taken in tax returns in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	2015	2014
Beginning of Year	$ 13	$ 20
Additions on tax positions	4	4
Reductions due to statute expiration	(2)	(11)
End of Year	$ 15	$ 13

During 2015 and 2014, we increased our unrecognized tax benefits by $4 million related to uncertainty with regard to the deductibility of certain business expenses incurred during the year. The Company believes it is reasonably possible its unrecognized tax benefits may decrease by approximately $3 million in the next twelve months, all of which, if recognized upon audit settlement or statute expiration, would affect the 2016 effective tax rate.

The Company's results are subject to examination in the U.S. federal jurisdiction as well as various U.S. state jurisdictions as part of the YUM income tax filings, and separately in foreign jurisdictions. Any liability arising from these examinations is expected to be settled between the Company and YUM in accordance with the Tax Matters Agreement.

YUM has settled audits with the IRS through fiscal year 2010. The Company's operations in foreign jurisdictions remain subject to examination for tax years as far back as 2010, some of which years are currently under audit by local tax authorities. The accrued interest and penalties related to income taxes are set forth below:

	As of December 31,	
	2015	2014
Accrued interest and penalties	$ 3	$ 3

During 2015, 2014 and 2013, a net expense of $1 million, and net benefit of $4 million and $3 million, respectively, for interest and penalties was recognized in our Combined Statements of Income as components of its income tax provision.

Note 15—Reportable Operating Segments

We have two reportable segments: KFC and Pizza Hut Casual Dining. We also have three non-reportable operating segments, Pizza Hut Home Service, East Dawning and Little Sheep, which are

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 15—Reportable Operating Segments (Continued)

combined and referred to as All Other Segments, as these operating segments are individually insignificant.

	Revenues		
	2015	2014	2013
KFC	4,768	4,893	4,995
Pizza Hut Casual Dining	1,825	1,696	1,522
All Other Segments	316	345	388
Total	$ 6,909	$ 6,934	$ 6,905

	Operating Profit; Interest Income, Net; and Income Before Income Taxes		
	2015	2014	2013
KFC(a)	499	435	456
Pizza Hut Casual Dining	145	176	235
All Other Segments	(14)	(44)	(54)
Unallocated and corporate expenses(b)	(144)	(143)	(123)
Unallocated Closures and impairment expense(b)(c)	—	(463)	(295)
Unallocated Other income(b)	(11)	25	5
Unallocated Refranchising gain(b)	13	17	5
Operating Profit	488	3	229
Interest income, net(b)	8	14	5
Income Before Income Taxes	$ 496	$ 17	$ 234

	Depreciation and Amortization		
	2015	2014	2013
KFC	283	286	283
Pizza Hut Casual Dining	109	92	73
All Other Segments	20	20	30
Corporate	13	13	8
	$ 425	$ 411	$ 394

	Capital Spending		
	2015	2014	2013
KFC	259	269	303
Pizza Hut Casual Dining	176	187	167
All Other Segments	16	23	26
Corporate	61	46	72
	$ 512	$ 525	$ 568

Notes to Combined Financial Statements (Continued)

(Tabular amounts in millions, except share data)

Note 15—Reportable Operating Segments (Continued)

	Identifiable Assets	
	2015	2014
KFC(d)	1,577	1,773
Pizza Hut Casual Dining	718	694
All Other Segments	181	181
Corporate(e)	725	609
	$ 3,201	$ 3,257

	Long-Lived Assets(f)	
	2015	2014
KFC	1,248	1,424
Pizza Hut Casual Dining	616	584
All Other Segments	146	149
Corporate	23	60
	$ 2,033	$ 2,217

(a) Includes equity income from investments in unconsolidated affiliates of $41 million, $30 million and $26 million in 2015, 2014 and 2013, respectively.

(b) Amounts have not been allocated to any segment for performance reporting purposes.

(c) Represents 2014 and 2013 impairment losses related to Little Sheep. See Note 4.

(d) Includes investments in 3 unconsolidated affiliates totaling $61 million and $51 million for 2015 and 2014, respectively.

(e) Primarily includes cash and inventories that are centrally managed.

(f) Includes property, plant and equipment, net, goodwill, and intangible assets, net.

Note 16—Contingencies

China Tax on Indirect Transfers of Assets

In February 2015, the Chinese State Administration of Taxation ("SAT") issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a Chinese resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM has informed us that it believes that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, given how recently Bulletin 7 was promulgated, there are significant uncertainties regarding what constitutes a reasonable commercial purpose, how the

Note 16—Contingencies (Continued)

safe harbor provisions for group restructurings are to be interpreted and how the taxing authorities will ultimately view the planned distribution. As a result, YUM's position could be challenged by Chinese tax authorities resulting in a 10% tax assessed on the difference between the fair market value and the tax basis of the separated China business. As YUM's tax basis in the China business is minimal, the amount of such a tax could be significant.

Any tax liability arising from the application of Bulletin 7 to the planned distribution is expected to be settled in accordance with the Tax Matters Agreement between the Company and YUM. Such a settlement could be significant and have a material adverse effect on our results of operations and our financial condition.

Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. At December 31, 2015 there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of approximately $1 billion for the year ended December 31, 2015 and assets and debt of approximately $350 million and $50 million, respectively, at December 31, 2015.

Legal Proceedings

The Company is subject to various lawsuits covering a variety of allegations from time to time. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Combined Financial Statements, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows. Matters faced by the Company from time to time include, but are not limited to, claims from landlords, employees, customers and others related to operational, contractual or employment issues.

Note 17—Subsequent Events

The Company evaluates subsequent events in accordance with ASC Topic 855, Subsequent Events. Subsequent events were evaluated through May 3, 2016, the date the Combined Financial Statements were available to be issued.