

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 29, 2017

Yum China Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-37762
(Commission
File Number)

81-2421743
(I.R.S. Employer
Identification No.)

7100 Corporate Drive
Plano, Texas 75024
United States of America

(Address, including zip code, of principal executive offices)

(469) 980-2898
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

16/F Two Grand Gateway
3 Hongqiao Road
Shanghai 200030
People's Republic of China

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On October 5, 2017, Yum China Holdings, Inc. (the “*Company*”) issued a press release announcing its unaudited results for the quarter ended August 31, 2017. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On September 29, 2017, Mr. Micky Pant notified the Board of Directors (the “*Board*”) of the Company that he would be stepping down from the office of Chief Executive Officer of the Company, effective March 1, 2018, and the Board appointed Ms. Joey Wat, who currently serves as the Company’s President and Chief Operating Officer, to the position of Chief Executive Officer of the Company, effective March 1, 2018. Mr. Pant will continue to serve as a director, and effective March 1, 2018, will serve as Vice Chairman of the Board.

In connection with his transition from the office of Chief Executive Officer of the Company, the Company and Mr. Pant entered into a transition agreement pursuant to which, effective March 1, 2018, Mr. Pant agreed to continue to remain an employee of the Company, serving as Senior Advisor to the Company, for a term of two years. As Senior Advisor to the Company, Mr. Pant has agreed to, among other things, provide transition advice to Ms. Wat, assist in communications with investors and analysts and advise and support the Company’s leadership team members. In consideration for his services, Mr. Pant will be entitled to annual gross compensation of \$1,000,000, payable in cash or, at Mr. Pant’s option, in Company common stock and will remain eligible to participate in the Company’s employee benefit plans and receive continued vesting of his outstanding equity awards with the Company and Yum! Brands, Inc. (“*YUM*”) pursuant to the terms of his letter of understanding with the Company dated October 28, 2016. Mr. Pant will not be eligible to participate in the Company’s annual incentive program or receive annual equity grants under the Company’s long-term incentive program during his term as Senior Advisor. Under the terms of the transition agreement, Mr. Pant has agreed to be bound by certain restrictive covenants, including covenants relating to non-competition, non-solicitation and non-disclosure. The transition agreement between the Company and Mr. Pant is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Ms. Wat, age 46, has served as President and Chief Operating Officer of the Company since February 2017 and she was appointed as a member of the Board in July 2017. Ms. Wat joined Yum China in September 2014, first serving as President of KFC China and she was then promoted to Chief Executive Officer of KFC China in August 2015. Prior to that, Ms. Wat served in both management and strategy positions at AS Watson of Hutchison Group (“*Watson*”), an international health, beauty and lifestyle retailer, in the U.K. from 2004 to 2014, including as Managing Director of Watson U.K., which operates Superdrug and Savers, two retail chains specializing in the sale of pharmacy and health and beauty products. Before joining Watson, Ms. Wat spent seven years in management consulting, including with McKinsey & Company’s Hong Kong office from 2000 to 2003.

In connection with the appointment of Ms. Wat as Chief Executive Officer of the Company, effective March 1, 2018, the Compensation Committee of the Board approved an increase in Ms. Wat’s annual base salary from \$750,000 to \$1,100,000 and an increase in her annual performance-based bonus target from 100% to 130% of her annual base salary. Pursuant to the Company’s long-term incentive program, in 2018, Ms. Wat will also be eligible to receive stock appreciation rights and performance stock units, weighted 75% and 25%, respectively, with a face value of \$10,000,000. Ms. Wat remains eligible to receive expatriate benefits in connection with her employment with the Company. Tax equalization will no longer apply to Ms. Wat, except for previous grants and retirement contribution. In addition, if Ms. Wat’s employment is terminated by the Company without “cause” prior to March 1, 2021, then Ms. Wat will be entitled to a severance payment, payable in monthly installments, equal to two times her base salary and annual bonus target, subject to Ms. Wat’s execution of a post-termination agreement that includes restrictive covenants relating to non-solicitation, non-competition and non-disclosure. The letter of understanding between the Company and Ms. Wat setting forth the terms of her employment as Chief Executive Officer of the Company is filed as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

A copy of the press release announcing the CEO succession plan described in Item 5.02 is being furnished as Exhibit 99.2 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are attached to this report:

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	<u>Transition Agreement, dated as of September 29, 2017, by and between Yum China Holdings, Inc. and Micky Pant.</u>
10.2	<u>Letter of Understanding, dated as of September 29, 2017, by and between Yum China Holdings, Inc. and Joey Wat.</u>
99.1	<u>Press Release of Yum China Holdings, Inc. issued on October 5, 2017 announcing its unaudited results for the quarter ended August 31, 2017.</u>
99.2	<u>Press Release of Yum China Holdings, Inc. issued on October 5, 2017 announcing its CEO succession plan.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

YUM CHINA HOLDINGS, INC.

By: /s/ Shella Ng
Name: Shella Ng
Title: Chief Legal Officer and Corporate Secretary

Date: October 5, 2017

TRANSITION AGREEMENT

This Transition Agreement (the "Agreement") is entered into on this 29th day of September, 2017, by and between **Yum China Holdings, Inc.**, a Delaware corporation, and **Micky Pant** ("Executive"). Unless the context indicates otherwise, the term "Company," means and includes **Yum China Holdings, Inc.**, its successors, assigns, parents, subsidiaries, divisions and/or affiliates (whether incorporated or unincorporated), all of its related entities, and all of the past and present directors, officers, trustees, agents and employees of each.

WHEREAS, Executive currently serves as the Chief Executive Officer of the Company and a member of its Board of Directors (the "Board"); and

WHEREAS, the Company and Executive desire to set forth herein their mutual agreement with respect to all matters relating to Executive's retirement from the position of Chief Executive Officer of the Company and Executive's service as senior advisor to the Company.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the adequacy and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

1. Transition.

(a) Transition Period. Executive shall continue in his current position of Chief Executive Officer of the Company through February 28, 2018 (the "CEO Retirement Date"). On the CEO Retirement Date, Executive shall relinquish the duties of Chief Executive Officer of the Company other than his position as a director of the Company and shall assume the role as senior advisor to the Company. Unless earlier terminated pursuant to Section 3 below, the term of Executive's engagement as a senior advisor hereunder (the "Term") shall commence on the CEO Retirement Date and continue for two years. The Company and Executive agree that, while serving as senior advisor to the Company, Executive shall remain an employee of the Company.

(b) Transition Services. During the Term, Executive shall hold the position as senior advisor to the Company and shall perform duties commensurate with such role, including, but not be limited to, providing transition advice to Executive's successor upon request of Executive's successor, assisting in communications with investors and analysts and advising and supporting the Company's leadership team members, with such duties to primarily be provided in the state of Texas or China, as agreed to by the parties or as necessary to perform a specific duty. This Agreement shall also apply to Executive's transitional services hereunder rendered in China or for China subsidiaries and shall preempt or prevail over any provisions under any contracts if signed with China subsidiaries ("Local Contracts"). Executive shall refrain from taking any recourse or seeking any remedy under Chinese laws or the Local Contracts related to his employment with the Company or with respect to this Agreement and his failure to refrain from doing so in any manner shall constitute a material breach of this Agreement. Notwithstanding anything herein to the contrary, the Company and Executive agree that the services to be provided by Executive pursuant to this Agreement are expected to average

approximately 40 hours per month over the course of the Term and the parties acknowledge that such level of services are expected to exceed more than 20% of the average level of services performed by Executive for the Company and its affiliated "service recipients" (within the meaning of Treasury regulation §1.409A-1(h)(3)) over the immediately preceding 36-month period.

2. Compensation and Benefits.

(a) General. Subject to Executive's execution, non-revocation and compliance with this Agreement and Executive's continued employment from the date of this Agreement through the CEO Retirement Date, Executive shall continue to receive through the CEO Retirement Date the compensation and benefits at the levels he receives as of the date of this Agreement; provided, however, Executive shall not be eligible to receive a 2018 and 2019 employee equity grant or participate in the 2018 and 2019 annual incentive program. During the Term, Executive shall (i) receive an annual gross compensation of US\$1,000,000, to be paid in cash or granted in stock of Yum China Holdings, Inc. at the election of the Executive, and, if paid in cash, payable pro rata on each regular payday of the Company applicable to senior executives and, if paid in stock, payable quarterly in arrears (but in any event no later than the March 15th of the year following the year in which the compensation is earned), (ii) continue to be covered by the Company's medical and health plans under the same conditions and at the cost applicable to other senior executives of the Company to the extent permissible and failing any coverage by the current medical and health plan of the Company (and such failure is not due to the willful default of the Executive), the Company shall provide for or reimburse the Executive for the expenses of similar coverage during all or part of the Term, (iii) continue to participate in the Company's other benefit plans to the extent he satisfies the eligibility and participation requirements of such plans, (iv) be considered as actively employed for purposes of continued vesting in his equity awards with the Company and Yum Brands, Inc. under which vesting is determined in whole or in part by continued employment and which are outstanding immediately prior to the CEO Retirement Date, with such awards to be settled and governed in accordance with the terms of the underlying plans and the award agreements pursuant to which such awards were granted, except as otherwise provided under that certain Letter of Understanding between Executive and the Company, dated October 28, 2016 (the "LOU") and (v) be eligible for the reimbursement of properly incurred business expenses in accordance with the terms of the Company's reimbursement policies. Executive shall remain eligible to receive the post-termination benefits set forth in the LOU in accordance with its terms, including, but not limited to, (i) continued vesting following termination of employment due to retirement under outstanding equity awards of the Company (stock option, stock appreciation right, restricted stock unit, or performance unit) as if Executive were continuously actively employed up to and including the vesting date under any such award and (ii) reimbursement of repatriation expenses, provided that Executive shall be eligible to receive such reimbursements if Executive incurs repatriation expenses prior to the expiration of the Term.

Upon the termination of the Term, the Executive shall cease to be entitled to the benefits set forth in this Section 2(a), except as expressly contemplated in Executive's LOU.

(b) No Other Compensation or Benefits. Other than the amounts specifically described in this Agreement, Executive agrees that Executive shall receive no other

compensation for services to the Company other than in his capacity as a director of the Company, until and unless expressly approved by the Board.

3. Term. The Term may be terminated by (a) the Company or Executive, for any reason or no reason at all, upon 90 days' prior written notice to the other party; (b) mutual agreement of the parties; or (c) either party upon material breach by the other party of any term of this Agreement. This Agreement will automatically terminate upon Executive's death.

4. Company Property; Expenses. During the Term, the Company will provide an office and secretarial support for Executive as needed. On the expiration of the Term, Executive shall return to the Company all documents and other property belonging to the Company, including items such as keys, phone, credit cards and computers or other devices that have not already been returned by Executive, with receipt acknowledged by the Company. Executive agrees not to make or retain any copies, electronic or otherwise, of the Company's confidential information, as defined below.

5. Cooperation in Investigations and Litigation. In the event the Company becomes involved in investigations, audits or inquiries, tax examinations or legal proceedings of any nature, related directly or indirectly to events that occurred during Executive's employment and about which Executive has or may have personal knowledge, Executive agrees that Executive shall be available upon reasonable notice from the Company, with or without subpoena, to answer discovery requests, give depositions or testify, with respect to matters of which Executive has or may have knowledge as a result of or in connection with Executive's employment relationship with the Company. Such cooperation and assistance shall be provided at such time and in such manner as the Company may reasonably request. In performing Executive's obligations under this Section 5 to testify or otherwise provide information, Executive agrees that Executive shall truthfully, forthrightly and completely provide the information requested. Executive shall be reimbursed as permitted by law for any reasonable expenses that Executive incurs in providing testimony or other assistance to the Company under this Section 5. Following the expiration of the Term, the Company shall pay the Executive for the Executive's time incurred to comply with this Section 5 at a reasonable per diem or per hour rate as to be mutually determined between the Executive and the Company. If Executive is (a) specifically made aware of any non-public proceedings or non-public matters related to the Company, (b) requested in writing by a third party to provide non-public information regarding the Company, or (c) called by a third party as a witness to testify in any matter related to the Company, Executive shall promptly notify the Company to give it a reasonable opportunity to respond, unless such notice is prohibited by law; provided, however, that nothing in this section is intended, or shall be construed, to limit Executive's ability to initiate communications directly with, or to respond to any inquiry from, or provide testimony before, the United States Securities and Exchange Commission, FINRA, any other self-regulatory organization or any other state or federal regulatory authority.

6. Non-Competition and Non-Solicitation.

(a) Non-Competition. For a period of two (2) years following the expiration or termination of the Term, or one (1) year following any termination by the Company pursuant to Section 3(a), Executive shall not, directly or indirectly, be employed by, consult with or

otherwise perform services for a Competitor (as defined below), or own any interest in, manage or participate in the management (as an officer, director, partner, member or otherwise) of a Competitor. Executive acknowledges that, due to the nature of the Company's business and his own role as CEO and senior advisor, this non-competition provision applies in any county, city or part thereof in the United States and/or any foreign country in which the Company does business. For purposes of this Agreement, (i) "Competitor" means a person or entity that is directly or indirectly Engaged in a Competing Business or is an affiliate of a person or entity that is directly or indirectly Engaged in a Competing Business, (ii) "Engaged" means to engage in, maintain, operate, assist, be occupied or associated with, have any financial or beneficial interest in, or otherwise participate in a specified business or activity, whether as an owner, stockholder, member, partner, lender, director, manager, officer or employee, licensor, advisor or consultant, or otherwise, and (iii) "Competing Business" means x) any business that offers for sale as a principal food product for consumption by consumers any food product (including, but not limited to, pizza, pasta, ready-to-eat chicken and Mexican-style food) that is substantially similar to any of the Company's brand products and any business that grants franchises, licenses or similar arrangements to others to operate such a business and y) the following businesses: McDonald's, Domino's Pizza, Papa John's Pizza, Chick-fil-A, Dicos, Little Caesars Pizza, Burger King, Chipotle, Subway, Olive Garden Italian Kitchen, Popeye's, Louisiana Kitchen, Wendy's and Starbucks.

(b) Non-Solicitation. For a period of one (1) year following the expiration or termination of the Term, Executive hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of the Company to perform services for any Competitor or attempt to induce any such employee to leave the employ of the Company. Executive acknowledges that, due to the nature of the Company's business and his own role as CEO and senior advisor, this non-solicitation provision applies in any county, city or part thereof in the United States and/or any foreign country in which the Company does business. For purposes of this Agreement, (i) "Competitor" means a person or entity that is directly or indirectly Engaged in a Competing Business or is an affiliate of a person or entity that is directly or indirectly Engaged in a Competing Business, (ii) "Engaged" means to engage in, maintain, operate, assist, be occupied or associated with, have any financial or beneficial interest in, or otherwise participate in a specified business or activity, whether as an owner, stockholder, member, partner, lender, director, manager, officer or employee, licensor, advisor or consultant, or otherwise, and (iii) "Competing Business" means x) any business that offers for sale as a principal food product for consumption by consumers any food product (including, but not limited to, pizza, pasta, ready-to-eat chicken and Mexican-style food) that is substantially similar to any of the Company's brand products and any business that grants franchises, licenses or similar arrangements to others to operate such a business and y) the following businesses: McDonald's, Domino's Pizza, Papa John's Pizza, Chick-fil-A, Dicos, Little Caesars Pizza, Burger King, Chipotle, Subway, Olive Garden Italian Kitchen, Popeye's, Louisiana Kitchen, Wendy's and Starbucks.

(c) Ancillary Agreements. Executive agrees that the foregoing restrictions are reasonable in scope, area and duration, are necessary for the protection of the Company's legitimate business interests and will not result in any undue hardship for Executive. Executive agrees that the restrictions will be construed independent of any other covenant or provision of this Agreement and the existence of any claims Executive may have against the Company,

whether or not arising from this Agreement, will not constitute a defense to the enforcement by the Company of such restrictions.

(d) Injunctive Relief. Executive acknowledges that a breach of the covenants contained in Section 6 will cause irreparable harm to the Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that in the event of a breach of any of the covenants in Section 6, in addition to any other remedy that may be available at law or in equity, the Company will be entitled to specific performance and injunctive relief.

7. Non-disparagement. Executive shall not disparage the Company, its agents or employees in any manner during or following Executive's employment with the Company. Company agrees that its executive officers and directors shall not make any disparaging comments about Executive and, upon Company having knowledge that an executive officer of the Company is making disparaging comments about Executive, the Company shall promptly instruct such executive officer to cease making such comments. Executive shall not publish, communicate, post or blog disparaging or confidential information about the Company and executive officers of the Company shall not publish, communicate, post or blog disparaging or confidential information about the Executive.

8. Indemnification. Nothing in this Agreement is intended to affect any obligation the Company may have under applicable law, its governing documents, or through an individual agreement to indemnify Executive. For the avoidance of doubt, notwithstanding the termination of the Term or any provision herein to the contrary, the Company shall honor its obligations under all indemnification agreements and its charter and bylaw provisions providing for indemnification or advance of expenses to the Executive.

9. Confidentiality. The relationship between Executive and the Company is and shall continue to be one in which the Company reposes special trust and confidence in Executive, and one in which Executive has and shall have a fiduciary relationship to the Company. The parties acknowledge that during Executive's employment with the Company, including, but not limited to, during the Term, the Company will disclose to Executive or provide Executive with access to trade secrets, proprietary or confidential information ("Confidential Information") of the Company or its affiliates; and/or place Executive in a position to develop business goodwill on behalf of the Company or its affiliates; and/or entrust Executive with business opportunities of the Company or its affiliates. As part of the consideration for the compensation and benefits to be paid to Executive hereunder; to protect the trade secrets and Confidential Information of the Company and its affiliates that have been and will in the future be disclosed or entrusted to Executive, the business goodwill of the Company and its affiliates that has been and will in the future be developed in Executive, or the business opportunities that have been and will in the future be disclosed or entrusted to Executive by the Company and its affiliates; and as an additional incentive for the Company to enter into this Agreement, the Company and Executive agree that Executive shall not, whether during the period of employment hereunder or thereafter, disclose to any person or entity, other than an executive of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of Executive's duties as an executive or director of the Company, any Confidential Information unless disclosure is required by law or by any court, arbitrator, mediator or

administrative or legislative body with jurisdiction to order Executive to disclose or make accessible any information. Executive further acknowledges that use of Confidential Information by persons who are not employees, directors, officers, advisors, or consultants of the Company would provide said persons an unfair competitive advantage that they would not have without the use of such proprietary or confidential information and that such advantage would cause the Company irreparable harm. Executive further acknowledges that because of this unfair competitive advantage, and the Company's legitimate business interests, which include its need to protect its goodwill and the proprietary and confidential Information, Executive has agreed to the restrictions in Section 6.

10. Release. Except as specifically set forth above, in consideration of the benefits set forth in Section 2, Executive waives all rights and claims Executive may have for any personal or monetary relief including salary, bonus, severance pay, equity, commissions or other employee benefits or compensation arising from Executive's employment with the Company, or the termination of Executive's employment with the Company, including, but not limited to, any claims and actions for or in tort, contract, discrimination, wrongful discharge, and/or arising under Title VII of the Civil Rights Act of 1964, the Older Workers Benefits Protection Act, the Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the Americans with Disabilities Act, the Worker Adjustment and Retraining Notification Act, and any other federal, state or local statutes, law or rules, or any types of damages, wages, costs or relief otherwise available to Executive. Nothing in this Agreement shall be construed as an admission of any liability by the Company. Executive agrees to execute an additional Supplemental Release in the form attached hereto as Exhibit A-1 upon the expiration of the Term.

Executive agrees that, except as set forth herein, Executive is giving up the right to pursue any employment-related administrative and legal claims against the Company. This provision does not release claims for: (a) compensation for illness or injury or medical expenses under any workers' compensation statute; (b) health or life insurance benefits under any law or policy or plan currently maintained by the Company that provides for health or life insurance continuation or conversion rights; or (c) any claim that cannot be waived or released by private agreement.

Nothing in this Agreement shall be construed to prohibit Executive from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, National Labor Relations Board or comparable state or local agency. Notwithstanding the foregoing paragraph, Executive agrees to waive any right to recover monetary damages in any charge, complaint or lawsuit against the Company filed by Executive or by anyone else on Executive's behalf.

In exchange for and in consideration of all of the benefits set forth in Section 2, Executive hereby fully and forever releases the Company (as well as the fiduciaries and administrators of any employee benefit plans (the "Plans") sponsored by the Company), from any and all actions or claims for personal or monetary relief by Executive, known or unknown, foreseen or unforeseen, that stem from or are related to the administration of the Plans and arising under ERISA, 29 U.S.C. §§ 1001-1461. Executive agrees that this release of claims specifically includes any and all claims that might be brought in an individual or derivative

capacity on behalf of the Plans under 29 U.S.C. §§ 1132(a)(2), as well as any claims for “other appropriate equitable relief” under 29 U.S.C. §§ 1132(a)(3). This release does not apply to any claims under 29 U.S.C. §§ 1132(a)(1)(B) for benefits accrued under any Plan but unpaid as of the date of this Agreement, which remain subject to and governed by the terms and conditions of the Plans.

Executive also agrees that: (a) Executive has been properly paid for all hours worked; (b) Executive has not suffered any on the job injury for which Executive has not already filed a claim; and (c) Executive has been properly provided any leaves of absence because of Executive’s health condition or a family member’s health condition.

Executive has twenty-one (21) days from the date Executive receives this Agreement to consider whether to sign this Agreement. In the event Executive signs this Agreement, Executive has an additional period of seven (7) days from the execution date in which to revoke this Agreement in writing. This Agreement does not become effective or enforceable until this revocation period has expired. No payments will be made to Executive or on Executive’s behalf under this Agreement until this revocation period has expired. Executive is advised to consult an attorney prior to executing this Agreement. Executive understands that Executive is not waiving any claims that arise in the future. Executive acknowledges that the consideration paid pursuant to this Agreement is more than Executive would have otherwise been legally entitled to receive and that such consideration is adequate consideration for the agreements and covenants contained herein.

Executive understands that nothing in this Agreement is intended to interfere with or deter (i) Executive’s right to challenge the above waiver of an ADEA claim or state law age discrimination claim as not knowing or voluntary, (ii) Executive’s right to file an ADEA charge or ADEA complaint or state law age discrimination complaint or charge with the Equal Employment Opportunity Commission or any state discrimination agency or commission as a result of the above release not being knowing or voluntary or (iii) Executive’s right to participate in any investigation or proceeding conducted by those agencies. Further, Executive understands that (x) nothing in this Agreement would require Executive to tender back the money received under this Agreement if Executive seeks to challenge the validity of the above ADEA or state law age discrimination waiver, (y) Executive does not agree to ratify any ADEA or state law age discrimination waiver that fails to comply with the Older Workers Benefit Protection Act (“OWBPA”) by retaining the money received under this Agreement and (z) nothing in this Agreement is intended to require the payment of damages, attorneys’ fees or costs to the Company should Executive challenge the waiver of an ADEA or state law age discrimination claim or file an ADEA or state law age discrimination claim, except as authorized by federal or state law.

11. Miscellaneous.

(a) Assignment. Neither the Company nor Executive may assign this Agreement, except that the Company’s obligations hereunder shall be binding legal obligations of any successor to all or substantially all of the Company’s business by purchase, merger, consolidation or otherwise.

(b) Executive Assignment. Executive represents and warrants that Executive has the sole right and exclusive authority to execute this Agreement and the Supplemental Release; that Executive has not sold, signed, transferred, conveyed or otherwise disposed of any claim or demand relating to any matter covered in this Agreement; that the provisions of this Agreement shall be binding upon Executive and Executive's heirs, executors, administrators and other legal representatives; that Executive has not relied upon any promise or representation that is not contained within this Agreement; and that the obligations imposed upon Executive in this Agreement shall not prevent Executive from earning a satisfactory livelihood. If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

(c) Entire Agreement. This Agreement and the Supplemental Release contain the entire understanding between the Company and Executive relating to the subject matter hereof and supersede any contrary provision in any other document, including any prior employment agreement, offer letter or memorandum of understanding between Executive and the Company, whether written or oral; provided, however, that Executive shall remain eligible to receive the post-termination benefits set forth in the LOU.

(d) Applicable Law. This Agreement shall be construed and interpreted pursuant to the internal laws of the State of Texas, without regard to principles of conflicts of laws. In the event of a breach or threatened breach of any of the covenants in Section 6, the Company will be entitled to immediate, temporary or preliminary injunctive relief in any court located in the State of Texas without proof of actual damages.

(e) Benefits Unfunded. All rights of Executive and his spouse or any other beneficiary under this Agreement shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of Executive for payment of any amounts due hereunder, and neither Executive nor his spouse or any other beneficiary shall have any interest in or rights against any specific assets of the Company, and Executive and his spouse or any other beneficiary shall have only the rights of a general unsecured creditor of the Company.

(f) Waiver. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

(g) Section 409A Compliance. This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and for this purpose each payment shall be considered a separate payment. Any payment hereunder that is treated as deferred compensation subject to Section 409A shall be

paid in compliance with Section 409A and shall not be deferred or accelerated in violation of Section 409A. In the event that the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and Executive shall cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement unless such 409A Penalties arise in connection with the Company's negligence or the Company's failure to comply with the terms hereof. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service (within the meaning of Section 409A of the Code), then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the date that is six months after Executive's separation from service, such payment shall not be made to Executive until the earlier of the date that is six months after Executive's separation from service or Executive's death and will be accumulated and paid on the first day of the seventh month following the date of separation from service. In addition, each payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, which is conditioned upon Executive's execution of a release and which is to be paid or provided during a designated period that begins in one taxable year and ends in a second taxable year, shall be paid or provided in the later of the two taxable years. Any reimbursement payable to Executive pursuant to this Agreement or otherwise shall be conditioned on the submission by Executive of all expense reports reasonably required by the Company under any applicable expense reimbursement policy, and shall be paid to Executive within 30 days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement or otherwise shall not be subject to liquidation or exchange for any other benefit.

(h) Amendment. No amendment or modification of the terms of this Agreement shall be binding upon either of the parties hereto unless reduced to writing and signed by each of the parties hereto.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

(j) Successors. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, representatives and successors.

(k) Notices. Notices required under this Agreement shall be in writing and sent by registered U.S. mail, return receipt requested, to the following addresses or to such other address as the party being notified may have previously furnished to the other by written notice:

If to the Company:

**7100 Corporate Drive
Plano, Texas 75024
United States of America**

If to Executive:

At the most recent address on file with the Company

(l) Headings. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this Agreement.

(m) Tax Withholding. All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes as the Company is required to withhold pursuant to any law or governmental rule or regulation. The Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

IN WITNESS WHEREOF, Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name on its behalf, all as of the date first above written.

Yum China Holdings, Inc.

By: /s/ Shella Ng
Shella Ng
Chief Legal Officer and Corporate Secretary

/s/ Micky Pant
Micky Pant

EXHIBIT A-1

SUPPLEMENTAL RELEASE OF CLAIMS

This Supplemental Release of Claims (this "Supplemental Release") is entered into on this ___ day of _____, 20___, by and between **Yum China Holdings, Inc.**, a Delaware corporation, and **Micky Pant** ("Executive"). Unless the context indicates otherwise, the term "Company" means and includes **Yum China Holdings, Inc.**, its successors, assigns, parents, subsidiaries, divisions and/or affiliates (whether incorporated or unincorporated), all of its related entities, and all of the past and present directors, officers, trustees, agents and employees of each.

WHEREAS, Executive and the Company are parties to that certain Transition Agreement dated as of September 29, 2017 (the "Agreement"); and

WHEREAS, the Company and Executive now wish to fully and finally resolve all matters between them.

NOW, THEREFORE, in consideration of the benefits set forth in Section 2 of the Agreement, the adequacy and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

1. Release. Except as specifically set forth above, in consideration of the benefits set forth in Section 2 of the Agreement, Executive waives all rights and claims Executive may have for any personal or monetary relief including, but not limited to, salary, bonus, severance pay, equity, commissions and other employee benefits or compensation arising from Executive's employment with the Company, or the termination of Executive's employment with the Company, including, but not limited to, any claims and actions for or in tort, contract, discrimination, wrongful discharge, and/or arising under Title VII of the Civil Rights Act of 1964, the Older Workers Benefits Protection Act, the Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the Americans with Disabilities Act, the Worker Adjustment and Retraining Notification Act, and any other federal, state or local statutes, law or rules, or any types of damages, wages, costs or relief otherwise available to Executive. Nothing in this Supplemental Release shall be construed as an admission of any liability by the Company.

Executive agrees that, except as set forth herein, Executive is giving up the right to pursue any employment-related administrative and legal claims against the Company. This provision does not release claims for: (a) compensation for illness or injury or medical expenses under any workers' compensation statute; (b) health or life insurance benefits under any law or policy or plan currently maintained by the Company that provides for health or life insurance continuation or conversion rights; or (c) any claim that cannot be waived or released by private agreement.

Nothing in this Supplemental Release shall be construed to prohibit Executive from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, National Labor Relations Board or comparable

state or local agency. Notwithstanding the foregoing paragraph, Executive agrees to waive any right to recover monetary damages in any charge, complaint or lawsuit against the Company filed by Executive or by anyone else on Executive's behalf.

In exchange for and in consideration of all the benefits set forth in Section 2, Executive hereby fully and forever releases the Company (as well as the fiduciaries and administrators of any employee benefit plans (the "Plans") sponsored by the Company), from any and all actions or claims for personal or monetary relief by Executive, known or unknown, foreseen or unforeseen, that stem from or are related to the administration of the Plans and arising under ERISA, 29 U.S.C. §§ 1001-1461. Executive agrees that this release of claims specifically includes any and all claims that might be brought in an individual or derivative capacity on behalf of the Plans under 29 U.S.C. §§ 1132(a)(2), as well as any claims for "other appropriate equitable relief" under 29 U.S.C. §§ 1132(a)(3). This release does not apply to any claims under 29 U.S.C. §§ 1132(a)(1)(B) for benefits accrued under any Plan but unpaid as of the date of this Supplemental Release, which remain subject to and governed by the terms and conditions of the Plans.

Executive also agrees that: (a) Executive has been properly paid for all hours worked; (b) Executive has not suffered any on the job injury for which Executive has not already filed a claim; and (c) Executive has been properly provided any leaves of absence because of Executive's health condition or a family member's health condition.

Executive has twenty-one (21) days from the date Executive receives this Supplemental Release to consider whether to sign this Supplemental Release. In the event Executive signs this Supplemental Release, Executive has an additional period of seven (7) days from the execution date in which to revoke this Supplemental Release in writing. This Supplemental Release does not become effective or enforceable until this revocation period has expired. No payments will be made to Executive or on Executive's behalf under this Supplemental Release until this revocation period has expired. Executive is advised to consult an attorney prior to executing this Supplemental Release. Executive understands that Executive is not waiving any claims that arise in the future. Executive acknowledges that the consideration paid pursuant to this Supplemental Release is more than Executive would have otherwise been legally entitled to receive and that such consideration is adequate consideration for the agreements and covenants contained herein.

Executive understands that nothing in this Supplemental Release is intended to interfere with or deter (i) Executive's right to challenge the above waiver of an ADEA claim or state law age discrimination claim as not knowing or voluntary, (ii) Executive's right to file an ADEA charge or ADEA complaint or state law age discrimination complaint or charge with the Equal Employment Opportunity Commission or any state discrimination agency or commission as a result of the above release not being knowing or voluntary or (iii) Executive's right to participate in any investigation or proceeding conducted by those agencies. Further, Executive understands that (x) nothing in this Supplemental Release would require Executive to tender back the money received under this Supplemental Release if Executive seeks to challenge the validity of the above ADEA or state law age discrimination waiver, (y) Executive does not agree to ratify any ADEA or state law age discrimination waiver that fails to comply with the Older Workers Benefit Protection Act ("OWBPA") by retaining the money received under this

Supplemental Release and (z) nothing in this Supplemental Release is intended to require the payment of damages, attorneys' fees or costs to the Company should Executive challenge the waiver of an ADEA or state law age discrimination claim or file an ADEA or state law age discrimination claim, except as authorized by federal or state law.

2. Miscellaneous.

(a) Confidential Information; Return of Company Property. Executive hereby certifies that he has complied with Sections 4 and 9 of the Agreement.

(b) Assignment. Neither the Company nor Executive may assign this Supplemental Release, except that the Company's obligations hereunder shall be binding legal obligations of any successor to all or substantially all of the Company's business by purchase, merger, consolidation or otherwise.

(c) Executive Assignment. Executive represents and warrants that Executive has the sole right and exclusive authority to execute this Supplemental Release; that Executive has not sold, signed, transferred, conveyed or otherwise disposed of any claim or demand relating to any matter covered in this Supplemental Release; that the provisions of this Supplemental Release shall be binding upon Executive and Executive's heirs, executors, administrators and other legal representatives; that Executive has not relied upon any promise or representation that is not contained within this Supplemental Release; and that the obligations imposed upon Executive in this Supplemental Release shall not prevent Executive from earning a satisfactory livelihood. If any provision of this Supplemental Release shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other provision of this Supplemental Release and this Supplemental Release shall be carried out as if any such invalid or unenforceable provision were not contained herein.

(d) Entire Agreement. This Supplemental Release and the Agreement contain the entire understanding between the Company and Executive relating to the subject matter hereof and supersede any contrary provision in any other document, including any prior employment agreement, offer letter or memorandum of understanding between Executive and the Company, whether written or oral; provided, however, that Executive shall remain eligible to receive the post-termination benefits set forth in Executive's Letter of Understanding with the Company, dated October 28, 2016.

(e) Applicable Law. This Supplemental Release shall be construed and interpreted pursuant to the internal laws of the State of Texas, without regard to principles of conflicts of laws. In the event of a breach or threatened breach of any of the covenants in Section 6 of the Agreement, the Company will be entitled to immediate, temporary or preliminary injunctive relief in any court located in the state of Texas without proof of actual damages.

(f) Amendment. No amendment or modification of the terms of this Supplemental Release shall be binding upon either of the parties hereto unless reduced to writing and signed by each of the parties hereto.

(g) Counterparts. This Supplemental Release may be executed in counterparts, each of which shall be deemed an original.

(h) Successors. This Supplemental Release shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, representatives and successors.

(i) Notices. Notices required under this Supplemental Release shall be in writing and sent by registered U.S. mail, return receipt requested, to the following addresses or to such other address as the party being notified may have previously furnished to the other by written notice:

If to the Company:

**7100 Corporate Drive
Plano, Texas 75024
United States of America**

If to Executive:

At the most recent address on file with the Company

(j) Headings. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this Supplemental Release.

IN WITNESS WHEREOF, Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name on its behalf, all as of the date first above written.

Yum China Holdings, Inc.

By: _____

Title: _____

Micky Pant

September 29, 2017

STRICTLY PRIVATE & CONFIDENTIAL

LETTER OF UNDERSTANDING

Dear Joey,

Congratulations!

With the approval of the Board of Directors (the "Board") of Yum China Holdings, Inc. (the Company), we are pleased to inform you that you have been promoted to the position of Chief Executive Officer ("CEO") of the Company and its designated China subsidiary ("China Employer"), effective March 1, 2018 (the "Effective Date"). In your role as CEO, you will report to the Board. The position is based in Shanghai, PRC.

In the event that you are assigned to a different role and/or level in the future, the Company has the discretion to make appropriate adjustments to the terms outlined in this letter, reflective of the total compensation and benefits associated with such role and/or level.

As long as you remain as CEO, any compensation action for you is subject to the approval of the Compensation Committee of the Board.

The following compensation outlined below will apply to you as of the Effective Date:

1. Base Salary

Your base salary will be US\$1,100,000 per annum payable in arrears of 12 equal monthly payments. You are responsible for China Individual Income Tax ("IIT") and (if legally mandated) your share of contributions to all statutory social insurance funds, subject to China Employer's withholding right and obligation. The next merit review of your base salary will be in February 2019.

2. YumChina Leader's Bonus Program ("YLB")

Upon the Effective Date, you will be eligible to participate in our YLB scheme at a target bonus rate of 130% of your base salary. Prior to the Effective Date, your current target bonus rate of 100% will continue to apply, resulting in a prorated opportunity for the calendar year in which you assume the role as CEO based on your target bonus rate in effect prior to and following the Effective Date. For illustrative purposes, the 2017 YLB provides eligible participants the opportunity to earn an annual bonus amount, subject to IIT, based on both individual and company performance. The actual bonus payout, subject to IIT withholding, will be determined by how the business does as a whole (against quantitative criteria) and your own performance against business objectives, as approved by the Compensation Committee. As a formula for 2017, bonus payment = Target Bonus % X Individual Performance Rating X Team Factor.

Team factor is the Company's performance factor approved by the Compensation Committee. For 2017, both individual performance rating and team factor can extend beyond 100%, given above expectation performance, up to a maximum of 150% and 200% respectively, which provide a combined maximum bonus earning potential at 300% of the target amount. The

multiplier, maximum potential payout percentage, performance factors and computation method are subject to review and revision on an annual basis by the Compensation Committee.

3. **Long Term Incentive Program:**

You are eligible to participate in the Company's Long Term Incentive Program. With respect to your participation in the Long-term Incentive Program in 2018, you will be granted stock appreciation rights ("SARs") and performance stock units ("PSUs"), weighted 75% and 25%, respectively. Long-term incentive grants are awarded annually, based on your position level. Your 2018 long-term incentive target grant value will be US\$10,000,000 (face value). Grant size, allocation (i.e., mix of SAR and PSU awards) and value may change from year to year. You will be responsible for China IIT on the long-term incentive awards, except for grants awarded to you prior to this appointment. Outstanding grants that were awarded to you prior to the Effective Date will continue to be subject to hypothetical Hong Kong individual income tax.

Based on the Stock Ownership Guidelines ("SOG") approved by the Board, your ownership requirement or value of stock to be held is equivalent to six (6) times your annual base salary. You have five (5) years from July 1, 2018 to meet the SOG. Per the SOG schedule, you need to meet 25% in 2 years, 50% in 3 years, 75% in 4 years, and 100% by July 1, 2023.

4. **Benefits for Expatriates*** (governed by the Company HR Policy). As of the Effective Date, you will be eligible for the benefits set forth below. You will be responsible for any applicable IIT with respect to these benefits, subject to China Employer's withholding right and obligation.

a. **Transportation/Car Running Expenses:**

While you work in China, you will be provided with a car, with running expenses of up to RMB42,000 per calendar year, covered in accordance with Company policy. Should you decide to hire a driver, this will be at your personal discretion and expense. In lieu of the car benefit, you may choose to receive a transportation allowance of RMB144,000 per calendar year, payable in equal monthly installments of RMB12,000 per month.

b. **Housing:**

While you work in China, you will be provided with adequate housing at no cost to you. Per Company policy, the housing budget for someone at your level and family size is RMB69,000 per calendar month. In addition, the Company shall reimburse electricity, water, and gas charges within a limit no higher than 5% of the rental budget per calendar year. Only actual amounts incurred will be borne by the Company. The above budget may be adjusted from time to time based on market value.

c. **Vacation Leave and Home Passage Provision:**

You are eligible for a total of 20 workdays of paid vacation leave per calendar year, for the duration of your assignment in China. You will observe all local holidays. You will be provided with a travel budget of RMB215,600 per calendar year.

No payment will be made in lieu of vacation travel not being performed. All vacations and reimbursements will be administered in accordance with the Vacation Leave Policy. The vacation travel budget for any partial calendar year will be pro-rated based on the number of days you served as CEO during such year.

d. **Children Education**

You will be reimbursed for your children's education in accordance to the terms stated in the Company HR Policy. For primary/secondary school, you will be

reimbursed for the actual cost of tuition, books, laboratory fees, registration and transportation to and from school for eligible children.

e. Tax Equalization

As of the Effective Date, tax equalization will no longer apply to you (except for the long-term incentive grants previously awarded to you, the Company's previous contribution to your retirement benefit plans, the portion of your YLB bonus associated with your previous role with the Company, and your previously awarded mobility premium, which will expire in September 2019). You will be responsible for China IIT and tax of other countries if applicable.

**Expatriate provisions under Section 4, which includes housing, car running expenses, home passage and children international school tuition, will be scaled down by a third a year beginning in 2023.*

5. Provident Fund

You are eligible to participate in the Bai Sheng Restaurant (Hong Kong) Ltd. Provident Fund Plan registered in Hong Kong in accordance with the approved plan document. The Company's contribution ranges from 5% to 10% of your base salary depending on years of service. Starting from the Effective Date, the Company's contribution will be 10% of your base salary. Your contribution is on a voluntary basis.

In the event that the participation of China Social Insurance becomes mandatory for you, the provident fund plan benefit will be replaced by such statutory provision. You are responsible for China IIT on the Company's contribution.

6. Medical, Dental & Life Insurance Plan

You will be covered under the Company's Senior Executives group worldwide medical, dental and life insurance plan.

7. Code of Conduct

As an employee of the Company, you are expected to observe the Company's Code of Conduct. You are also expected to obey the laws and regulations and respect the lawful customs of the People's Republic of China and any other countries which you may visit in the areas of business duties. Naturally, we would expect that you would not engage in any employment or business activity that conflicts with the business interest of the Company.

8. Reassignment

You are subject to reassignment to any of the Company's foreign or domestic locations, and any such reassignments will be subject to the future needs of the Company.

9. Non-Disclosure

By signing this letter agreement, you agree that at all times (notwithstanding the termination of this letter agreement) not to use for your own advantage, or to disclose to any third party any information concerning the business or affairs of the Company and its affiliates, comprising trade secrets and business matters or information which you know or ought reasonably to have known to be confidential. You understand that nothing contained in this letter agreement limits your ability to report possible violations of law or regulation to, or file a charge or complaint with, the U.S. Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). You further understand that this letter agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any

Government Agency, including providing documents or other information, without notice to the Company. Nothing in this letter agreement shall limit your ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

10.

Termination

Any termination notice will be in writing and in accordance with Company policy. Current policy requires a three-month notice period or payment-in-lieu to be provided by either party in the event of termination of employment, except that a Company initiated termination of employment within three years following the Effective Date will be governed pursuant to this letter agreement.

In addition, if you are terminated by the Company without "cause" within the first three years from the Effective Date, and as consideration for your execution of the Post-Termination Agreement described below, you shall receive two (2) times the sum of base salary and annual YLB target bonus, payable in monthly installments over a period of two years after the date of termination.

It is fully understood and accepted by you that the termination benefits under this Section 10 are all inclusive (including, without limitation, any and all statutory severance pay and/or non-compete compensation available under the PRC laws), with consideration/compensation fully included in the foregoing termination benefits..

Your right to the foregoing termination benefits shall be subject to your entry into and the effectiveness of a Post-Termination Agreement in a form satisfactory to the Company (which shall be entered into no later than the date set forth in such Post-Termination Agreement). The Post-Termination Agreement shall include a release of claims in favor of the Company and a confidentiality covenant, a non-disparagement covenant, a covenant for the protection of intellectual property, a two-year non-competition restriction and a two-year non-solicitation (including as to current and prospective customers and employees) restriction, as more fully set forth in such Post-Termination Agreement.

For purposes of this letter agreement, "cause" shall mean: (i) the willful failure by you to perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness); (ii) your willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; (iii) your commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude; (iv) your conviction or plea of no contest to a felony (or equivalent crime in the PRC) or a crime of moral turpitude; or (v) any terminable events under the Company's Code of Conduct as referenced in Section 7 of this letter.

All other terms and conditions of employment will be governed by established policies and procedures, which are subject to change from time to time by the Company.

If at any time any provision of this letter agreement is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions shall not be impaired or affected.

If, for compliance with PRC employment and tax laws and regulations, a PRC labor contract needs to be signed between China Employer (as the employer) and you (as the employee) and includes terms and conditions which may be inconsistent with those herein, the terms and conditions of this letter agreement shall prevail and you specifically agree to refrain from exercising any rights, taking any actions or seeking any remedies based on such PRC labor contract or PRC laws or regulations. Your failure to comply with this special provision shall constitute a material breach of this letter agreement and result in waiver or forfeiture of all of your rights and benefits under this letter agreement that are more favorable to you than those available under the PRC labor contract or PRC laws and regulations.

Kindly acknowledge your acceptance of the above appointment terms by signing and returning the duplicate of this letter.

Yours sincerely,
For and on behalf of Yum China Holdings, Inc.

/s/ Shella Ng
Shella Ng
Chief Legal Officer and Corporate Secretary
Yum China Holdings, Inc.

I, Joey Wat, confirm that I have read, understood and agreed to the terms of the appointment outlined in this letter.

/s/ Joey Wat
Joey Wat

Date: October 4, 2017



**Yum China Reports 6% Same-Store Sales Growth and 10% System Sales Growth;
Operating Profit Up 11% YoY; Board Declares Initial Dividend and Expands Share Repurchase Authorization**

Shanghai, China (Oct. 5, 2017) – Yum China Holdings, Inc. (the “Company” or “Yum China”) (NYSE: YUMC) today reported unaudited results for the third quarter ended August 31, 2017.

Third Quarter Highlights

- Same-store sales grew 6%, including growth of 7% at KFC, flat at Pizza Hut.
- Total system sales grew 10%, including growth of 11% at KFC and 7% at Pizza Hut, excluding foreign currency translation (“F/X”).
- Opened 129 new restaurants during the quarter.
- Total restaurant margin increased 0.8 percentage points to 20.0%, primarily driven by same-store sales leverage.
- Operating profit increased 11%, and 13% excluding F/X, primarily driven by same-store sales growth. F/X negatively impacted reported operating profit by \$5 million.
- Basic EPS increased 4% to \$0.55 and diluted EPS was flat at \$0.53.
- Effective tax rate was 31.7%, compared to 29.8% in the prior-year quarter, primarily due to higher costs of repatriating current year earnings into the U.S.
- Net income increased 9% to \$211 million.
- Adjusted EBITDA increased 9% to \$425 million.

Dividend and Share Repurchase

- The Board of Directors has approved a regular quarterly cash dividend program, and declared an initial cash dividend of \$0.10 per share on Yum China’s common stock.
- The Board of Directors has increased Yum China’s existing share repurchase authorization from \$300 million to an aggregate of \$550 million.

Key Results

	Third Quarter				Year to Date			
	System Sales	Same-Store Sales	Net New Units	Operating Profit	System Sales	Same-Store Sales	Net New Units	Operating Profit
Yum China	+10	+6	+6	+11	+7	+4	+6	+23
KFC	+11	+7	+5	+20	+8	+4	+5	+20
Pizza Hut	+7	-	+8	-	+7	+1	+8	+37

Yum China Holdings, Inc. • Website <http://ir.yumchina.com>



YumChina

(in US\$ million, except for per share data and percentages)	Third Quarter					Year to Date				
			% Change					% Change		
	2017	2016	Reported	Ex F/X		2017	2016	Reported	Ex F/X	
Reported Operating Profit	\$ 317	\$ 286	+11	+13		\$ 714	\$ 582	+23	+27	
Operating Profit Before Special Items ¹	\$ 314	\$ 283	+11	+12		\$ 711	\$ 580	+23	+27	
Net income	\$ 211	\$ 192	+9	+11		\$ 493	\$ 414	+19	+23	
Adjusted EBITDA ¹	\$ 425	\$ 390	+9	+11		\$ 1,004	\$ 895	+12	+16	
Basic EPS	\$ 0.55	\$ 0.53	+4	+6		\$ 1.28	\$ 1.14	+12	+16	
Diluted EPS	\$ 0.53	\$ 0.53	-	+2		\$ 1.24	\$ 1.14	+9	+13	
Diluted EPS Before Special Items ¹	\$ 0.52	\$ 0.52	-	+2		\$ 1.23	\$ 1.11	+11	+15	

¹See Reconciliation of Reported Results to Non-GAAP Measures included in the accompanying tables of this release for further details.

Note: All comparisons are versus the same period a year ago. Consistent with prior years, Yum China's fiscal third quarter includes June, July and August results. Percentages may not recompute due to rounding.

System sales and same-store sales percentages exclude the impact of F/X.

CEO Comments

"We are pleased to report the third consecutive quarter of delivering positive same-store sales growth. With revenues exceeding \$2 billion in the quarter, restaurant margin, operating profit and net income have all improved. We opened 129 new restaurants in the third quarter and we are on track to achieve our development target of 550-600 new stores in the year," said Micky Pant, CEO of Yum China.

"In this quarter, our strategic initiatives on digital and delivery continued to show encouraging development, which we believe will enable our long-term growth. The connection with our over 120 million loyalty members is getting stronger. The growth in mobile payments and cashless settlement methods for sales continued to outperform previous quarters. With over 5,100 restaurants across China offering delivery service, delivery contributed over 14% of company sales in the third quarter.

Given the strength of our business and our confidence in generating strong cash flows long term, our Board of Directors has approved a regular quarterly cash dividend program and authorized additional share repurchases. These demonstrate our strong commitment to increase shareholder returns through disciplined capital allocation while simultaneously driving strong operating performance.

With our strong operating results in this third quarter and our commitment to return capital to shareholders, we believe we are well positioned to continue to increase shareholder value over the long run."

New-Unit Development and Asset Upgrade

- Opened 129 new restaurants during the third quarter, and 352 year to date.
- Remodeled 200 restaurants during the third quarter, and 429 year to date, led by KFC.

	New Units		Restaurant Count		
	Third Quarter	Year to Date	As of Third Quarter End		
			2017	2016	
Yum China	129	352	7,747	7,330	
KFC	81	215	5,347	5,087	
Pizza Hut	38	102	2,143	1,993	
Little Sheep, East Dawning, Taco Bell	10	35	257	250	



Total Restaurant Count

	Restaurant Count	
	As of Third Quarter End	
	2017	2016
Restaurants		
Company-owned	7,747	7,330
Unconsolidated Affiliates	6,149	5,847
Franchisees	872	812
	726	671

Restaurant Margin

- For the third quarter, restaurant margin for Yum China increased 0.8 percentage points to 20.0%, primarily driven by same-store sales leverage and labor efficiency, partially offset by wage inflation and promotion costs.
- Year to date, restaurant margin for Yum China increased 2.3 percentage points to 19.3%, primarily due to the impact of retail tax structure reform, and also driven by same-store sales leverage, partially offset by wage inflation and commodity inflation.

	Third Quarter			Year to Date		
	2017	2016	% ppts change	2017	2016	% ppts change
Yum China	20.0%	19.2%	0.8	19.3%	17.0%	2.3
KFC	21.1%	19.7%	1.4	20.1%	18.2%	1.9
Pizza Hut	17.8%	18.7%	(0.9)	17.6%	14.9%	2.7

Digital and Delivery

- Driven by our digital initiatives, we continued to strengthen our loyalty membership programs. By the end of the third quarter, total members in our loyalty programs surpassed 120 million, including 97 million members for KFC and 30 million for Pizza Hut.
- Mobile payments exceeded 45% of company sales in the third quarter of 2017. Over \$1.2 billion in company sales were settled by cashless payment methods during the quarter.
- Over 5,100 restaurants across China offered delivery services as of the end of the third quarter. Delivery contributed over 14% of company sales in the third quarter.

Share Repurchase Update

- For the year to date ended August 31, 2017, we repurchased approximately 3.4 million shares for \$128 million at an average price of \$38.18 per share.
- In October 2017, the Board of Directors increased Yum China's existing share repurchase authorization from \$300 million to an aggregate of \$550 million.

Dividend

- The Board of Directors has approved a regular quarterly cash dividend program, and declared an initial cash dividend of \$0.10 per share on Yum China's common stock, payable as of the close of business on December 21, 2017 to stockholders of record as of the close of business on November 30, 2017. Future dividends will be subject to review and approval by the Board of Directors.

Conference Call

Yum China Holdings, Inc. will host a conference call to review the Company's financial performance and strategies at 8:00 p.m. U.S. Eastern Time on Thursday, October 5, 2017 (8:00 a.m. Beijing/Hong Kong Time on Friday, October 6, 2017). A copy of the presentation will be available on the Yum China Holdings, Inc. website, <http://ir.yumchina.com>.

U.S.:	+1-845-675-0437
Hong Kong:	+852-3018-6771
Mainland China:	400-6208-038 or 800-8190-121
International:	+65-6713-5090
Passcode:	Yum China

A live webcast of the call may also be accessed at <https://edge.media-server.com/m6/p/62ngn9wc>.

A replay of the conference call may be accessed by phone at the following numbers two hours after the call ends until 9:00 a.m. U.S. Eastern Time on Friday, October 13, 2017 (9:00 p.m. Beijing/Hong Kong Time on Friday, October 13, 2017):

U.S.:	+1-855-452-5696
International:	+61-2-8199-0299
Passcode:	82128278

The webcast and the playback can be accessed via the internet by visiting the Yum China Holdings, Inc. website, <http://ir.yumchina.com>

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as "expect," "expectation," "believe," "anticipate," "may," "could," "intend," "belief," "plan," "estimate," "target," "predict," "likely," "will," "should," "forecast," "outlook" or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements include, without limitation, statements regarding the future business plans and performance of Yum China, future dividends, anticipated effects of population and macroeconomic trends, the capital structure of Yum China and beliefs regarding the long-term drivers of Yum China's business. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks and uncertainties that are difficult to predict and 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 assumptions will be achieved. The forward-looking statements included in this press release are only made as of the date of this press release, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. Numerous factors could cause our actual results to differ materially from those expressed or implied by forward-looking statements, including, without limitation: whether we are able to achieve development goals at the times and in the amounts currently anticipated, if at all, the success of our marketing campaigns and product innovation, our ability to maintain food safety and quality control systems, our ability to control costs and expenses, including tax costs, as well as changes in political, economic and regulatory conditions in China. In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Forward-Looking Statements" in our Annual Report on Form 10-K) for additional detail about factors that could affect our financial and other results.

About Yum China Holdings, Inc.

Yum China Holdings, Inc. is a licensee of Yum! Brands in mainland China. It has exclusive rights in mainland China to KFC, China's leading quick-service restaurant brand, Pizza Hut, the leading casual dining restaurant brand in China, and Taco Bell, which opened its first restaurant in China at the end of 2016. Yum China also owns the Little Sheep and East Dawning concepts outright. Yum China is well positioned for growth thanks to its strong competitive position, integration of its brands into Chinese popular culture and consumers' daily lives, expanding geographic footprint in China and existing operational expertise. It has a strong capital position, no external debt and expects to continue growing its system sales and profit by adding new restaurants and through growing same-store sales. Yum China had more than 7,700 restaurants and more than 420,000 employees in over 1,100 cities at the end of August 2017. A new generation of younger consumers who are digitally sophisticated and brand driven are fueling growth in consumption in China. The ongoing growth of the middle class and urban population in China is expected to create the world's largest market for restaurant brands, with Yum China poised to be the market leader.

Analysts are invited to contact:

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Elaine Lai, Director – Finance, Investor Relations, at +86 21 2407 8278

Members of the media are invited to contact:

Forest Liu, Director, Public Affairs, at +86 21 2407 7505

Yum China Holdings, Inc.
Condensed Consolidated and Combined Summary of Results
(amounts in US\$ million, except for number of shares and per share amounts)
(unaudited)

	Quarter ended		% Change B/(W)	Year to date ended		% Change B/(W)
	8/31/2017	8/31/2016		8/31/2017	8/31/2016	
Revenues						
Company sales	\$ 1,998	\$ 1,848	8	\$ 4,818	\$ 4,684	3
Franchise fees and income	40	35	14	98	90	9
Total revenues	<u>2,038</u>	<u>1,883</u>	8	<u>4,916</u>	<u>4,774</u>	3
Costs and Expenses, Net						
Company restaurants						
Food and paper	575	514	(12)	1,373	1,361	(1)
Payroll and employee benefits	403	376	(7)	1,018	963	(6)
Occupancy and other operating expenses	622	602	(3)	1,501	1,562	4
Company restaurant expenses	1,600	1,492	(7)	3,892	3,886	—
General and administrative expenses	120	101	(18)	294	271	(8)
Franchise expenses	20	20	(2)	48	51	6
Closures and impairment expenses, net	3	5	43	20	36	46
Refinancing gain, net	—	(4)	(87)	(2)	(8)	(74)
Other income, net	(22)	(17)	25	(50)	(44)	14
Total costs and expenses, net	<u>1,721</u>	<u>1,597</u>	(8)	<u>4,202</u>	<u>4,192</u>	—
Operating Profit	317	286	11	714	582	23
Interest income, net	6	3	NM	13	7	77
Income Before Income Taxes	323	289	12	727	589	23
Income tax provision	(102)	(87)	(19)	(213)	(165)	(29)
Net income – including noncontrolling interests	221	202	9	514	424	21
Net income – noncontrolling interests	10	10	6	21	10	NM
Net Income – Yum China Holdings, Inc.	<u>\$ 211</u>	<u>\$ 192</u>	9	<u>\$ 493</u>	<u>\$ 414</u>	19
Effective tax rate	<u>31.7%</u>	<u>29.8%</u>	(1.9) ppts.	<u>29.3%</u>	<u>28.0%</u>	(1.3) ppts.
Basic Earnings Per Common Share	<u>\$ 0.55</u>	<u>\$ 0.53</u>	4	<u>\$ 1.28</u>	<u>\$ 1.14</u>	12
Weighted average shares outstanding	<u>385,836,842</u>	<u>363,758,219</u>	NM	<u>387,028,586</u>	<u>363,758,219</u>	NM
Diluted Earnings Per Common Share	<u>\$ 0.53</u>	<u>\$ 0.53</u>	—	<u>\$ 1.24</u>	<u>\$ 1.14</u>	9
Weighted average shares outstanding	<u>398,497,353</u>	<u>363,758,219</u>	NM	<u>397,385,512</u>	<u>363,758,219</u>	NM
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	28.8	27.8	(1.0) ppts.	28.5	29.1	0.6 ppts.
Payroll and employee benefits	20.1	20.4	0.3 ppts.	21.1	20.6	(0.5) ppts.
Occupancy and other operating expenses	31.1	32.6	1.5 ppts.	31.1	33.3	2.2 ppts.
Restaurant margin	<u>20.0%</u>	<u>19.2%</u>	0.8 ppts.	<u>19.3%</u>	<u>17.0%</u>	2.3 ppts.
Operating margin	<u>15.9%</u>	<u>15.5%</u>	0.4 ppts.	<u>14.8%</u>	<u>12.4%</u>	2.4 ppts.

Percentages may not recompute due to rounding.

Yum China Holdings, Inc.
KFC Operating Results
(amounts in US\$ million)
(unaudited)

	Quarter ended		% Change B(W)	Year to date ended		% Change B(W)
	8/31/2017	8/31/2016		8/31/2017	8/31/2016	
Revenues						
Company sales	\$ 1,385	\$ 1,263	10	\$ 3,342	\$ 3,238	3
Franchise fees and income	38	34	13	93	87	7
Total revenues	1,423	1,297	10	3,435	3,325	3
Costs and Expenses, Net						
Company restaurants						
Food and paper	408	365	(11)	989	970	(2)
Payroll and employee benefits	263	243	(8)	666	625	(7)
Occupancy and other operating expenses	422	405	(4)	1,016	1,054	4
Company restaurant expenses	1,093	1,013	(8)	2,671	2,649	(1)
General and administrative expenses	42	39	(7)	106	101	(6)
Franchise expenses	19	19	(1)	46	50	7
Closures and impairment expenses, net	1	4	40	10	25	58
Other income, net	(18)	(16)	14	(45)	(38)	18
Total costs and expenses, net	1,137	1,059	(7)	2,788	2,787	—
Operating Profit	\$ 286	\$ 238	20	\$ 647	\$ 538	20
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	29.5	29.0	(0.5) ppts.	29.6	30.0	0.4 ppts.
Payroll and employee benefits	19.0	19.2	0.2 ppts.	19.9	19.3	(0.6) ppts.
Occupancy and other operating expenses	30.4	32.1	1.7 ppts.	30.4	32.5	2.1 ppts.
Restaurant margin	21.1%	19.7%	1.4 ppts.	20.1%	18.2%	1.9 ppts.
Operating margin	20.7%	18.8%	1.8 ppts.	19.3%	16.6%	2.7 ppts.

Percentages may not recompute due to rounding.

Yum China Holdings, Inc.
Pizza Hut Operating Results
(amounts in US\$ million)
(unaudited)

	Quarter ended		% Change B(W)	Year to date ended		% Change B(W)
	8/31/2017	8/31/2016		8/31/2017	8/31/2016	
Revenues						
Company sales	\$ 603	\$ 573	5	\$ 1,449	\$ 1,405	3
Franchise fees and income	1	1	37	2	2	31
Total revenues	604	574	5	1,451	1,407	3
Costs and Expenses, Net						
Company restaurants						
Food and paper	164	144	(15)	376	376	—
Payroll and employee benefits	134	129	(3)	341	326	(4)
Occupancy and other operating expenses	197	192	(2)	476	493	3
Company restaurant expenses	495	465	(6)	1,193	1,195	—
General and administrative expenses	27	25	(4)	70	68	(1)
Franchise expenses	1	1	(6)	2	1	(10)
Closures and impairment expenses, net	1	1	54	9	11	23
Total costs and expenses, net	524	492	(6)	1,274	1,275	—
Operating Profit	\$ 80	\$ 82	—	\$ 177	\$ 132	37
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	27.3	25.1	(2.2) ppts.	26.0	26.8	0.8 ppts.
Payroll and employee benefits	22.2	22.6	0.4 ppts.	23.5	23.2	(0.3) ppts.
Occupancy and other operating expenses	32.7	33.6	0.9 ppts.	32.9	35.1	2.2 ppts.
Restaurant margin	17.8%	18.7%	(0.9) ppts.	17.6%	14.9%	2.7 ppts.
Operating margin	13.3%	13.9%	(0.7) ppts.	12.3%	9.3%	3.0 ppts.

Percentages may not recompute due to rounding.

Yum China Holdings, Inc.
Condensed Consolidated Balance Sheets
(amounts in US\$ million, except for number of shares)

	8/31/2017 (Unaudited)	12/31/2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,477	\$ 885
Short-term investments	91	79
Accounts receivable, net	81	74
Inventories, net	246	268
Prepaid expenses and other current assets	159	120
Total Current Assets	2,054	1,426
Property, plant and equipment, net	1,652	1,647
Goodwill	107	79
Intangible assets, net	104	88
Investments in unconsolidated affiliates	74	71
Other assets	301	254
Deferred income taxes	168	162
Total Assets	4,460	3,727
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	1,120	971
Income taxes payable	92	33
Total Current Liabilities	1,212	1,004
Capital lease obligations	28	28
Other liabilities and deferred credits	274	252
Total Liabilities	1,514	1,284
Redeemable Noncontrolling Interest	5	—
Equity		
Common stock, \$0.01 par value; 1,000,000,000 shares authorized; 388,196,025.42 shares and 383,344,835.42 shares issued at August 31, 2017 and December 31, 2016, respectively; 384,055,643 shares and 383,344,835.42 shares outstanding at August 31, 2017 and December 31, 2016, respectively	4	4
Treasury stock	(148)	(20)
Additional paid-in capital	2,373	2,352
Retained earnings	533	40
Accumulated other comprehensive income	109	1
Total Equity – Yum China Holdings, Inc.	2,871	2,377
Noncontrolling interests	70	66
Total Equity	2,941	2,443
Total Liabilities, Redeemable Noncontrolling Interest and Equity	\$ 4,460	\$ 3,727

Yum China Holdings, Inc.
Condensed Consolidated and Combined Statements of Cash Flows
(amounts in US\$ million)
(unaudited)

	Year to date ended	
	8/31/2017	8/31/2016
Cash Flows - Operating Activities		
Net income - including noncontrolling interests	\$ 514	\$ 424
Depreciation and amortization	265	272
Closures and impairment expenses	20	36
Refranchising gain	(2)	(8)
Deferred income taxes	(3)	(26)
Equity income from investments in unconsolidated affiliates	(51)	(44)
Distributions of income received from unconsolidated affiliates	36	18
Share-based compensation expense	16	9
Changes in accounts receivable	(2)	(37)
Changes in inventories	35	(35)
Changes in prepaid expenses and other current assets	(7)	34
Changes in accounts payable and other current liabilities	132	149
Changes in income taxes payable	57	54
Other, net	(23)	(22)
Net Cash Provided by Operating Activities	987	824
Cash Flows - Investing Activities		
Capital spending	(262)	(268)
Purchase of short-term investments	(318)	(53)
Maturities of short-term investments	312	53
Proceeds from refranchising of restaurants	3	19
Proceeds from disposal of aircraft	—	19
Acquisition of business, net of cash acquired	(25)	—
Other, net	(4)	(2)
Net Cash Used in Investing Activities	(294)	(232)
Cash Flows - Financing Activities		
Net transfers to Parent	—	(243)
Payment of capital lease obligations	(2)	(3)
Repurchase of shares of common stock	(128)	—
Employee stock option proceeds	5	—
Other, net	(17)	(3)
Net Cash Used in Financing Activities	(142)	(249)
Effect of Exchange Rates on Cash and Cash Equivalents	41	(18)
Net Increase in Cash and Cash Equivalents	592	325
Cash and Cash Equivalents – Beginning of Period	885	425
Cash and Cash Equivalents – End of Period	\$ 1,477	\$ 750

Reconciliation of Reported Results to Non-GAAP Measures
(amounts in US\$ million)
(unaudited)

In this press release:

- The Company provides certain percentage changes excluding the impact of F/X. These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the F/X impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth reflects 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 Condensed Consolidated and Combined Summary of Results; 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 percentage is defined as Restaurant profit divided by Company sales.

In addition to the results provided in accordance with US Generally Accepted Accounting Principles ("GAAP") in this press release, the Company provides non-GAAP measures which present Operating Profit before Special Items, Diluted Earnings Per Common Share before Special Items, Effective tax rate before Special Items and Adjusted EBITDA, which we define as net income including noncontrolling interests adjusted for income tax, interest income, depreciation, amortization and other items, including store impairment charges. Special Items consist of reversal of loss associated with sale of the aircraft, income from the reversal of contingent consideration previously recorded for a business combination and impact of the redemption of the Little Sheep noncontrolling interest which are described in (a), (b), (c) and (d) in the accompanying notes. The Company excludes impact from Special Items for the purpose of evaluating performance internally. Special Items are not included in any of our segment results. These non-GAAP measures are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of these non-GAAP measures provides additional information to investors to facilitate the comparison of past and present results, excluding those items that we do not believe are indicative of our ongoing operations due to their nature. These non-GAAP measures should not be considered in isolation or as a substitute for GAAP financial results, but should be read in conjunction with the unaudited Condensed Consolidated and Combined Summary of Results and other information presented herein. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures follows.

Reconciliation of Reported Results to Non-GAAP Measures (continued)
(amounts in US\$ million)
(unaudited)

	Quarter ended		Year to date ended	
	8/31/2017	8/31/2016	8/31/2017	8/31/2016
Detail of Special Items				
Reversal of loss associated with sale of aircraft ^(a)	\$ —	\$ 3	\$ —	\$ 2
Income from the reversal of contingent consideration ^(b)	3	—	3	—
Special Items Income - Operating Profit	3	3	3	2
Tax Expense on Special Items ^(c)	—	(1)	—	(1)
Special Items Income, net of tax				
- including noncontrolling interests	3	2	3	1
Special Items Income, net of tax of nil				
- noncontrolling interests ^(d)	—	—	—	(8)
Special Items Income, net of tax of nil				
- Yum China Holdings, Inc.	\$ 3	\$ 2	\$ 3	\$ 9
Weighted average diluted shares outstanding	398,497,353	363,758,219	397,385,512	363,758,219
Special Items Diluted Earnings Per Common Share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Reconciliation of Reported Operating Profit to Operating Profit Before Special Items				
Reported Operating Profit	\$ 317	\$ 286	\$ 714	\$ 582
Special Items Income - Operating Profit	3	3	3	2
Operating Profit before Special Items	\$ 314	\$ 283	\$ 711	\$ 580
Reconciliation of Reported EPS to EPS Before Special Items				
Reported Diluted Earnings Per Common Share	\$ 0.53	\$ 0.53	\$ 1.24	\$ 1.14
Special Items Diluted Earnings Per Common Share	0.01	0.01	0.01	0.03
Diluted Earnings Per Common Share before Special Items	\$ 0.52	\$ 0.52	\$ 1.23	\$ 1.11
Reconciliation of Reported Effective Tax Rate to Effective Tax Rate Before Special Items				
Reported effective tax rate	31.7%	29.8%	29.3%	28.0%
Impact on tax rate as a result of Special Items ^(c)	(0.3)%	(0.1)%	(0.1)%	(—)%
Effective tax rate before Special Items	32.0%	29.9%	29.4%	28.0%

(a) During the quarter ended August 31, 2016, we completed the sale of a corporate aircraft and recorded the reversal of a portion of the loss previously recognized within Special Items in 2015 to reflect the final proceeds of the sale.

(b) During the quarter ended August 31, 2017, we recognized income from the reversal of contingent consideration previously recorded for a business combination as the likelihood of making payment becomes remote.

(c) The tax expense was determined based upon the nature, as well as the jurisdiction, of each Special Item at the applicable tax rate.

(d) During the quarter ended May 31, 2016, the Little Sheep founding shareholders sold their remaining 7% Little Sheep ownership interest to the Company pursuant to their redemption rights. The difference between the purchase price of less than \$1 million, which was determined using a non-fair value based formula pursuant to the agreement governing the redemption rights, and the carrying value of their redeemable noncontrolling interests was recorded as an \$8 million loss attributable to noncontrolling interests.

Reconciliation of Net Income to Adjusted EBITDA
(amounts in US\$ million)
(unaudited)

Net income, along with the reconciliation to Adjusted EBITDA, is presented below.

	Quarter ended		Year to date ended	
	8/31/2017	8/31/2016	8/31/2017	8/31/2016
Reconciliation of Net Income to Adjusted EBITDA				
Net income – noncontrolling interests	\$ 10	\$ 10	\$ 21	\$ 10
Net Income – Yum China Holdings, Inc.	211	192	493	414
Income tax provision	102	87	213	165
Interest income, net	(6)	(3)	(13)	(7)
Operating Profit	317	286	714	582
Depreciation and amortization	105	101	265	272
Store impairment charges	6	6	28	43
Special Items Income – Operating Profit	(3)	(3)	(3)	(2)
Adjusted EBITDA	<u>\$ 425</u>	<u>\$ 390</u>	<u>\$ 1,004</u>	<u>\$ 895</u>

Yum China Holdings, Inc.
Segment Results
(amounts in US\$ million)
(unaudited)

	KFC	Pizza Hut	Others	Corporate and Unallocated	Total
Quarter Ended 8/31/2017					
Total revenues	\$ 1,423	\$ 604	\$ 11	\$ —	\$ 2,038
Company restaurant expenses	1,093	495	12	—	1,600
General and administrative expenses	42	27	6	45	120
Franchise expenses	19	1	—	—	20
Closures and impairment expenses, net	1	1	1	—	3
Other income, net	(18)	—	—	(4)	(22)
	<u>1,137</u>	<u>524</u>	<u>19</u>	<u>41</u>	<u>1,721</u>
Operating Profit (Loss)	<u>\$ 286</u>	<u>\$ 80</u>	<u>\$ (8)</u>	<u>\$ (41)</u>	<u>\$ 317</u>

	KFC	Pizza Hut	Others	Corporate and Unallocated	Total
Quarter Ended 8/31/2016					
Total revenues	\$ 1,297	\$ 574	\$ 12	\$ —	\$ 1,883
Company restaurant expenses	1,013	465	15	(1)	1,492
General and administrative expenses	39	25	2	35	101
Franchise expenses	19	1	—	—	20
Closures and impairment expenses, net	4	1	—	—	5
Refranchising gain, net	—	—	—	(4)	(4)
Other income, net	(16)	—	—	(1)	(17)
	<u>1,059</u>	<u>492</u>	<u>17</u>	<u>29</u>	<u>1,597</u>
Operating Profit (Loss)	<u>\$ 238</u>	<u>\$ 82</u>	<u>\$ (5)</u>	<u>\$ (29)</u>	<u>\$ 286</u>

The above tables reconcile segment information with our Condensed Consolidated and Combined Summary of Results. Corporate and unallocated expenses comprise items that are not allocated to segments for performance reporting purposes.

The Corporate and Unallocated column in the above tables includes, among other amounts, all amounts that we have deemed Special Items. See Reconciliation of Reported Results to Non-GAAP Measures.

Yum China Holdings, Inc.
Segment Results
(amounts in US\$ million)
(unaudited)

Year to date ended 8/31/2017	KFC	Pizza Hut	Others	Corporate and Unallocated	Total
Total revenues	\$ 3,435	\$ 1,451	\$ 30	\$ —	\$ 4,916
Company restaurant expenses	2,671	1,193	28	—	3,892
General and administrative expenses	106	70	10	108	294
Franchise expenses	46	2	—	—	48
Closures and impairment expenses, net	10	9	1	—	20
Refranchising gain, net	—	—	—	(2)	(2)
Other income, net	(45)	—	(1)	(4)	(50)
	<u>2,788</u>	<u>1,274</u>	<u>38</u>	<u>102</u>	<u>4,202</u>
Operating Profit (Loss)	\$ 647	\$ 177	\$ (8)	\$ (102)	\$ 714

Year to date ended 8/31/2016	KFC	Pizza Hut	Others	Corporate and Unallocated	Total
Total revenues	\$ 3,325	\$ 1,407	\$ 42	\$ —	\$ 4,774
Company restaurant expenses	2,649	1,195	43	(1)	3,886
General and administrative expenses	101	68	6	96	271
Franchise expenses	50	1	—	—	51
Closures and impairment expenses, net	25	11	—	—	36
Refranchising gain, net	—	—	—	(8)	(8)
Other income, net	(38)	—	(1)	(5)	(44)
	<u>2,787</u>	<u>1,275</u>	<u>48</u>	<u>82</u>	<u>4,192</u>
Operating Profit (Loss)	\$ 538	\$ 132	\$ (6)	\$ (82)	\$ 582

The above tables reconcile segment information with our Condensed Consolidated and Combined Summary of Results. Corporate and unallocated expenses comprise items that are not allocated to segments for performance reporting purposes.

The Corporate and Unallocated column in the above tables includes, among other amounts, all amounts that we have deemed Special Items. See Reconciliation of Reported Results to Non-GAAP Measures.

Yum China Announces CEO Succession Plan

Micky Pant will transition from CEO to Vice Chairman of the Board and Senior Advisor to Yum China; Joey Wat will become Yum China's CEO

Shanghai, China (October 5, 2017) – Yum China Holdings, Inc. (the “Company” or “Yum China”) (NYSE: YUMC) today announced that its Chief Executive Officer, Micky Pant, will transition to the roles of Vice Chairman of the Board and Senior Advisor to the Company. Joey Wat, who currently serves as President and Chief Operating Officer of the Company, will succeed Mr. Pant as Chief Executive Officer of Yum China. The succession plan will take effect on March 1, 2018.

Mr. Pant has served as CEO and a member of the Board of Directors of Yum China since its spin-off from Yum! Brands, Inc. (“YUM”) and, prior to that, served as CEO of Yum! Restaurants China, a division of YUM. “We are exceptionally grateful to Micky for leading the Company through its spin-off and building a solid foundation as an independent company,” said Dr. Fred Hu, Chairman of the Board. “We thank Micky for his many significant contributions and are pleased that he will be Vice Chairman of the Board and will also continue to serve the Company as its Senior Advisor in order to ensure a seamless transition to Joey.”

“Joey is an extraordinarily talented executive and the ideal leader to become our next CEO,” said Dr. Hu. “Joey has a strong track record of achieving results, and with her unique ability to translate vision and strategy into future world-class operations, I have no doubt that the Yum China business will continue to grow under her strong leadership. Leveraging the unprecedented growth opportunity that China presents, the Board and the Yum China team are confident that she is the best person to take the Company to its next level,” said Mr. Pant.

Ms. Wat has served as the President and Chief Operating Officer of Yum China since February 2017 and she was appointed as a member of the Yum China Board in July 2017. Ms. Wat joined Yum China in September 2014, first serving as President of KFC China and she was then promoted to Chief Executive Officer of KFC China in August 2015. Prior to that, Ms. Wat served in both management and strategy positions at AS Watson of Hutchison Group (“Watson”) in the U.K. from 2004 to 2014, including as Managing Director of Watson U.K., which operates Superdrug and Savers. Before joining Watson, Ms. Wat spent seven years in management consulting, including with McKinsey & Company’s Hong Kong office from 2000 to 2003.

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as “expect,” “expectation,” “believe,” “anticipate,” “may,” “could,” “intend,” “belief,” “plan,” “estimate,” “target,” “predict,” “likely,” “will,” “should,” “forecast,” “outlook” or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks and uncertainties that are difficult to predict and 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 assumptions will be achieved. The forward-looking statements included in this press release are only made as of the date of this press release, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Forward-Looking Statements" in our Annual Report on Form 10-K) for additional detail about factors that could affect our financial and other results.

About Yum China Holdings, Inc.

Yum China Holdings, Inc. is a licensee of Yum! Brands in mainland China. It has exclusive rights in mainland China to KFC, China's leading quick-service restaurant brand, Pizza Hut, the leading casual dining restaurant brand in China, and Taco Bell, which opened its first restaurant in China at the end of 2016. Yum China also owns the Little Sheep and East Dawning concepts outright. Yum China is well positioned for growth thanks to its strong competitive position, integration of its brands into Chinese popular culture and consumers' daily lives, expanding geographic footprint in China and existing operational expertise. It has a strong capital position, no external debt and expects to continue growing its system sales and profit by adding new restaurants and through growing same-store sales. Yum China had more than 7,700 restaurants and more than 420,000 employees in over 1,100 cities at the end of August 2017. A new generation of younger consumers who are digitally sophisticated and brand driven are fueling growth in consumption in China. The ongoing growth of the middle class and urban population in China is expected to create the world's largest market for restaurant brands, with Yum China poised to be the market leader.

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