# 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): October 26, 2016

# 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.)

16/F Two Grand Gateway7100 Corporate Drive<br/>Plano, Texas 750243 Hongqiao Road<br/>Shanghai 200030United States of America<br/>(Address, including zip code, of principal executive offices)

(888) 298-6986

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

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)

0 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

0 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))

### Item 1.01 Entry Into a Material Definitive Agreement.

On October 31, 2016, Yum! Brands, Inc. ("*YUM*") completed the spin-off (the "*Spin-Off*") of its business in the People's Republic of China through a dividend of all of the issued and outstanding common stock, par value \$0.01 per share (the "*Common Stock*"), of Yum China Holdings, Inc. ("*Yum China*" or the "*Company*") to YUM's shareholders of record as of the close of business on October 19, 2016 (the "*Record Date*"). Each YUM shareholder of record on the Record Date received one share of Common Stock for each share of YUM common stock held on the Record Date (the "*Distribution*"). As of November 1, 2016, Yum China had approximately 382.9 million shares outstanding, including the approximately 19.1 million shares issued to the Investors described in Item 3.02 below.

Yum China filed a Registration Statement on Form 10 with the Securities and Exchange Commission (the "*SEC*") describing the Spin-Off, which Registration Statement was declared effective on October 7, 2016. Yum China is now an independent company, and the Common Stock is listed on the New York Stock Exchange under the symbol "YUMC." Yum China's Information Statement, dated October 7, 2016 (the "*Information Statement*"), which describes for stockholders the details of the Spin-Off and provides information as to the business and management of the Company, is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The Information Statement was first made available to YUM's shareholders on or about October 10, 2016.

### Agreements with Yum Brands, Inc.

On October 31, 2016, Yum China entered into a separation and distribution agreement (the "*Separation and Distribution Agreement*") with Yum Restaurants Consulting (Shanghai) Company Limited and YUM, pursuant to which YUM's existing business in the People's Republic of China was separated from the remainder of YUM's businesses (the "*Separation*").

In connection with the Spin-Off and the Separation and Distribution Agreement, on October 31, 2016, Yum China (or certain of its subsidiaries) entered into various additional agreements with YUM (or certain of its subsidiaries) to provide a framework for Yum China's relationship with YUM after the Spin-Off, including the following agreements:

- a Master License Agreement;
- a Tax Matters Agreement;
- an Employee Matters Agreement;
- a Transition Services Agreement;
- a Name License Agreement; and
- a Guaranty of Master License Agreement.

Summaries of these agreements (including the Separation and Distribution Agreement) can be found in the Information Statement under the section entitled "Certain Relationships and Related Person Transactions." Those summaries are incorporated by reference into this Item 1.01 as if restated in full herein. The summaries of those agreements set forth under this Item 1.01 are qualified in their entirety by reference to the complete terms and conditions of those agreements, which are attached hereto as Exhibits 2.1, 10.1, 10.2, 10.3, 10.4, 10.5 and 10.6, respectively.

### Rights Agreement

On October 27, 2016, a duly authorized committee of the Board of Directors (the "*Board*") of Yum China declared a dividend of one preferred share purchase right (a "*Right*") for each outstanding share of Common Stock and adopted a stockholder rights plan, as set forth in the Rights Agreement, dated as of October 27, 2016 (the "*Rights Agreement*"), by and between the Company and American Stock Transfer & Trust Company, LLC, as rights agent. The dividend was payable at 5:01 p.m., New York City time, on October 27, 2016 to the Company's sole stockholder of record as of such time.

The committee adopted the Rights Agreement to protect stockholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group that acquires 15% (or 19.9% in the case of the Investors described below) or more of the outstanding Common Stock without the approval of the Board. The Rights Agreement should not interfere with any merger or other business combination approved by the Board.

A summary of the terms of the Rights Agreement follows.

*The Rights.* The Board authorized the issuance of a Right with respect to each outstanding share of Common Stock on October 27, 2016. The Rights will initially trade with, and will be inseparable from, the Common Stock. The Rights are evidenced only by certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) that represent shares of Common Stock. New Rights will accompany any new shares of Common Stock that Yum China issues after the Record Date until the Rights Distribution Date described below or any earlier expiration of the Rights.

*Exercisability.* The Rights will not be exercisable until 10 days after the public announcement that a person or group has become an "*Acquiring Person*" by obtaining beneficial ownership of 15% (or 19.9% in the case of the Investors) or more of the outstanding Common Stock. Prior to exercise, the Right does not give its holder any dividend, voting or liquidation rights.

The date when the Rights become exercisable is referred to as the "*Rights Distribution Date*." Until that date, Common Stock certificates (or, in the case of uncertificated shares, notations in the book-entry account system) will also evidence the Rights, and any transfer of shares of Common Stock will constitute a transfer of Rights. After that date, the Rights will separate from the Common Stock and be evidenced by book-entry credits or by Rights certificates that Yum China will mail to all eligible holders of Common Stock. Any Rights held by an Acquiring Person are null and void and may not be exercised.

*Exercise Price.* Each Right will allow its holder to purchase from Yum China one one-hundredth of a share of Series A Junior Participating Preferred Stock ("*Preferred Share*") for \$113.00 (the "*Exercise Price*"), once the Rights become exercisable. This fraction of a Preferred Share will give the stockholder approximately the same dividend, voting and liquidation rights as would one share of Common Stock.

*Beneficial Ownership.* Certain synthetic interests in securities created by derivative positions—whether or not such interests are considered to be ownership of the underlying Common Stock or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended—are treated as beneficial ownership of the number of shares of the Common Stock equivalent to the economic exposure created by the derivative position, to the extent actual shares of the Common Stock are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the rights plan are excepted from such imputed beneficial ownership.

Shares held by Affiliates and Associates of a person, and Notional Common Shares held by counterparties to a Derivatives Contract (as such terms are defined in the Rights Agreement) with a person, will be deemed to be beneficially owned by that person.

Consequences of a Person or Group Becoming an Acquiring Person.

- *Flip In.* If a person or group becomes an Acquiring Person, all holders of Rights except the Acquiring Person may, for the Exercise Price, purchase shares of the Common Stock with a market value of \$226.00, based on the market price of the Common Stock prior to such acquisition.
- *Exchange.* After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of the outstanding Common Stock, the Board may extinguish the Rights by exchanging one share of Common Stock or an equivalent security for each Right, other than Rights held by the Acquiring Person.

*Flip Over.* If the Company is later acquired in a merger or similar transaction after the Rights Distribution Date, all holders of Rights except the Acquiring Person may, for the Exercise Price, purchase shares of the acquiring corporation with a market value of \$226.00 based on the market price of the acquiring corporation's stock, prior to such merger.

## Preferred Share Provisions.

Each one one-hundredth of a Preferred Share, if issued:

- will not be redeemable.
- will entitle holders to quarterly dividend payments of \$0.01 per share, or an amount equal to the dividend paid on one share of Common Stock, whichever is greater.
- will entitle holders upon liquidation either to receive \$1.00 per share, or an amount equal to the payment made on one share of Common Stock, whichever is greater.
- will have the same voting power as one share of Common Stock.
- if shares of Common Stock are exchanged via merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of Common Stock.

The value of one one-hundredth interest in a Preferred Share should approximate the value of one share of Common Stock.

Expiration. The Rights will expire on October 27, 2017.

*Redemption.* The Board may redeem the Rights for \$0.01 per Right at any time before any person or group becomes an Acquiring Person. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of \$0.01 per Right. The redemption price will be adjusted in the event of any stock split of or stock dividends on the Common Stock.

Anti-Dilution Provisions. The Board may adjust the purchase price of the Preferred Shares, the number of Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split or a reclassification of the Preferred Shares or Common Stock. No adjustments to the Exercise Price of less than 1% will be made.

*Amendments.* The terms of the Rights Agreement may be amended by the Board without the consent of the holders of the Rights. However, the Board may not cause a person or group to become an Acquiring Person by lowering the 15% threshold below the percentage interest that such person or group already owns. After a person or group becomes an Acquiring Person, the Board may not amend the Rights Agreement in a way that adversely affects holders of the Rights.

The summary of the Rights Agreement set forth under this Item 1.01 is qualified in its entirety by reference to the complete terms and conditions of the Rights Agreement, which is attached hereto as Exhibit 4.1.

## Shareholders Agreement

On November 1, 2016, Yum China entered into a shareholders agreement with Pollos Investment L.P., an affiliate of Primavera Capital Group ("*Primavera*"), and API (Hong Kong) Investment Limited, an affiliate of Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. ("*Ant Financial*" and together with Primavera, the "*Investors*"), in connection with the investment agreements described in Item 3.02 below. A summary of this agreement can be found in the Information Statement under the section entitled "Certain Relationships and Related Person Transactions—The Investment by the Investors—The Shareholders Agreement." That summary is incorporated by reference into this Item 1.01 as if restated in full herein and is qualified in its entirety

by reference to the complete terms and conditions of the shareholders agreement, which is attached hereto as Exhibit 10.7.

### Item 3.02 Unregistered Sales of Equity Securities.

Pursuant to the investment agreements that Yum China and YUM entered into with each of Primavera and Ant Financial on September 1, 2016, Yum China issued 17,064,172.74 and 2,080,996.68 shares of Common Stock (together, the "*Shares*") to Primavera and Ant Financial, respectively, on November 1, 2016. The aggregate cash consideration received by Yum China from the Investors for the Shares, as well as for the right to receive warrants exercisable for additional shares of Common Stock (as described in the Information Statement), was \$460 million. The number of Shares issued for such consideration is subject to adjustment as described in the Information Statement under the section entitled "Certain Relationships and Related Person Transactions—The Investment by the Investors—The Investment Agreements." That summary is incorporated by reference into this Item 3.02 as if restated in full herein and is qualified in its entirety by reference to the complete terms and conditions of those agreements, which are attached hereto as Exhibits 10.8 and 10.9, respectively.

The sale of the Shares was exempt from registration under Section 4(a)(2) the Securities Act of 1933, as amended (the "*Securities Act*"). Each of the Investors represented to Yum China that such Investor was an accredited investor and was acquiring the Shares for its own account for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof, that such Investor had no present intention or plan to effect any distribution of the Shares, and that such Investor could bear the risks of the investment and afford a complete loss of its investment. The Investors received written disclosures that the Shares had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

### Item 3.03 Material Modification to Rights of Security Holders.

The information set forth under "Rights Agreement" in Item 1.01 and in Item 5.03 are incorporated into this Item 3.03 by reference.

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

Effective October 31, 2016, the Board expanded its size from three directors to ten directors. Effective concurrently with the Distribution on October 31, 2016, each of Peter A. Bassi, Christian L. Campbell, Ed Yiu-Cheong Chan, Edouard Ettedgui, Louis T. Hsieh, Fred Hu, Ruby Lu, Muktesh "Micky" Pant and Zili Shao were appointed as a director of Yum China, except that Fred Hu was appointed effective November 2, 2016. Fred Hu was appointed as a director pursuant to the terms of the shareholders agreement described in Item 1.01. Upon his appointment to the Board, Fred Hu will serve as Chairman of the Board.

Jeffrey Stearman and Monica Plymale, who had been serving as members of the Board, ceased to be directors of Yum China effective concurrently with the Distribution on October 31, 2016. Jonathan S. Linen, who had been appointed to the Board effective October 12, 2016, remains on the Board and will continue to serve as a director of Yum China following the Distribution.

The members of the Board have each been assigned to a class with an initial term expiring as of Yum China's annual meeting of stockholders in the year indicated next to such director's name:

Name	Class—Year Initial Term Expires
Peter A. Bassi	Class I—2017
Christian L. Campbell	Class III—2019
Ed Yiu-Cheong Chan	Class I—2017
Edouard Ettedgui	Class I—2017
Louis T. Hsieh	Class II—2018
Fred Hu	Class III—2019
Jonathan S. Linen	Class II—2018
Ruby Lu	Class III—2019
Muktesh "Micky" Pant	Class II—2018
Zili Shao	Class III—2019

Effective as of the Distribution, or as of November 2, 2016 in the case of Fred Hu, the committees of the Board consist of the following members: Yum China's Audit Committee consists of Peter A. Bassi, Ed Yiu-Cheong Chan, Louis T. Hsieh and Ruby Lu; Yum China's Compensation Committee consists of Edouard Ettedgui, Jonathan S. Linen and Zili Shao; and Yum China's Nominating and Governance Committee consists of Fred Hu, Jonathan S. Linen, Zili Shao and Ruby Lu.

### Indemnification Agreements

In connection with the appointment of the Yum China directors, Yum China entered into an indemnification agreement with each director of the Board (the "*Indemnification Agreements*"). The Indemnification Agreements require Yum China to indemnify directors to the fullest extent permitted under applicable law against liability that may arise by reason of their service to Yum China and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The form of the Indemnification Agreements is attached hereto as Exhibit 10.10 and is incorporated into this Item 5.02 by reference.

### Non-Employee Director Compensation

The non-employee members of the Board will each be compensated with an annual retainer equal to \$225,000, payable in Common Stock or, if requested by a director, up to one-half in cash. In addition, the Chairman of the Board will receive an additional annual cash retainer of \$225,000. Each committee chairperson will also receive an annual stock retainer equal to \$20,000, \$15,000 or \$10,000 for the Audit Committee, Compensation Committee and Nominating and Governance Committee, respectively.

### Employment Agreement with Micky Pant

On October 31, 2016, the Company entered into a letter of understanding providing for the terms of Micky Pant's employment as Chief Executive Officer of the Company. The letter provides for a base salary of \$1,100,000 and a target bonus equal to 130% of base salary. In addition, the letter specifies that Mr. Pant will receive a founder's equity grant consisting of a stock appreciation right award with a value of \$1,500,000 and a four-year vesting schedule, and a restricted stock unit award with a value of \$1,500,000 and a three-year vesting schedule. Mr. Pant will receive various additional benefits including transportation, housing, group insurance and retirement, home leave and tax preparation services. Mr. Pant will also participate in a tax equalization program designed to ensure that his income tax liability approximates what he would incur if he were employed in the United States. Finally, the letter agreement includes a covenant whereby Mr. Pant agrees not to compete with the Company for a three-year period following the termination of his employment.

### Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Effective as of October 31, 2016, Yum China amended and restated its Certificate of Incorporation (the "Amended and Restated Certificate of Incorporation") and its bylaws (the "Amended and Restated Bylaws"). The Amended and Restated Certificate of Incorporation incorporates the terms of the Certificate of Designations filed by Yum China with the Secretary of State of the State of Delaware on October 27, 2016, which designated the rights, preferences and privileges of 10,000,000 shares of a series of Yum China's preferred stock, par value \$0.01 per share, designated as Series A Junior Participating Preferred Stock.

A description of certain material provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws can be found in the Information Statement under the section entitled "Description of Capital Stock," which is incorporated into this Item 5.03 by reference as if restated herein in full. The summary is qualified in its entirety by reference to the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws, which are attached hereto as Exhibits 3.1 and 3.2, respectively, and are incorporated in this Item 5.03 by reference.

### Item 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics

On October 26, 2016, a duly authorized committee of the Board approved a Code of Conduct, applicable to all employees of Yum China and its subsidiaries and to all directors of Yum China. A copy of the Code of Conduct is attached hereto as Exhibit 14.1 and is incorporated herein by reference.

### Item 8.01 Other Events

On November 1, 2016, Yum China issued a press release announcing the completion of the Separation and Distribution. A copy of the press release is attached hereto as Exhibit 99.2.

### Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*. The following exhibits are provided as part of this Form 8-K:

Exhibit No.	Exhibit
2.1*	Separation and Distribution Agreement, dated as of October 31, 2016, by and among Yum! Brands, Inc, Yum
	Restaurants Consulting (Shanghai) Company Limited and Yum China Holdings, Inc.
3.1	Amended and Restated Certificate of Incorporation of Yum China Holdings, Inc.

- 3.2 Amended and Restated Bylaws of Yum China Holdings, Inc.
- 4.1 Rights Agreement, dated as of October 27, 2016, by and between Yum China Holdings, Inc. and American Stock Transfer & Trust Company, LLC as rights agent (incorporated by reference to Exhibit 4.1 to Yum China Holdings, Inc.'s Registration Statement on Form 8-A filed on October 27, 2016).
- 10.1 Master License Agreement, dated as of October 31, 2016, by and between Yum! Restaurants Asia Pte. Ltd. and Yum Restaurants Consulting (Shanghai) Company Limited.
- 10.2 Tax Matters Agreement, dated as of October 31, 2016, by and among Yum! Brands, Inc., Yum China Holdings, Inc. and Yum Restaurants Consulting (Shanghai) Company Limited.
- 10.3 Employee Matters Agreement, dated as of October 31, 2016, by and between Yum! Brands, Inc. and Yum China Holdings, Inc.
- 10.4 Transition Services Agreement, dated as of October 31, 2016, by and between Yum! Brands, Inc. and Yum China Holdings, Inc.

Exhibit No.

### Exhibit

- 10.5 Name License Agreement dated as of October 31, 2016, by and between Yum! Brands, Inc. and Yum China Holdings, Inc.
- 10.6 Guaranty of Master License Agreement, dated as of October 31, 2016, by Yum China Holdings, Inc.
- 10.7 Shareholders Agreement, dated as of November 1, 2016, by and among Yum China Holdings, Inc., Pollos Investment L.P. and API (Hong Kong) Investment Limited.
- 10.8 Investment Agreement, dated as of September 1, 2016, by and among Yum! Brands, Inc., Yum China Holdings, Inc. and Pollos Investment L.P. (incorporated by reference to Exhibit 10.11 to Yum China Holdings, Inc.'s Registration Statement on Form 10, filed on September 16, 2016).
- 10.9 Investment Agreement, dated as of September 1, 2016, by and among Yum! Brands, Inc., Yum China Holdings, Inc. and API (Hong Kong) Investment Limited (incorporated by reference to Exhibit 10.12 to Yum China Holdings, Inc.'s Registration Statement on Form 10, filed on September 16, 2016).
- 10.10 Form of Yum China Holdings, Inc. Indemnification Agreement.
- 10.11 Letter of Understanding, dated as of October 28, 2016, by and between Yum China Holdings, Inc. and Micky Pant.
- 14.1 Yum China Holdings, Inc. Code of Conduct.
- 99.1 Information Statement of Yum China Holdings, Inc., dated October 7, 2016.
- 99.2 Press Release of Yum China Holdings, Inc., dated November 1, 2016.
- \* Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedules and/or exhibits will be furnished to the Securities and Exchange Commission upon request.

# SIGNATURE

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.

Date: November 1, 2016

By: /s/ MICKY PANT

Name:Micky PantTitle:Chief Executive Officer

### EXHIBIT INDEX

### Exhibit

- 2.1\* Separation and Distribution Agreement, dated as of October 31, 2016, by and among Yum! Brands, Inc, Yum Restaurants Consulting (Shanghai) Company Limited and Yum China Holdings, Inc.
- 3.1 Amended and Restated Certificate of Incorporation of Yum China Holdings, Inc.
- 3.2 Amended and Restated Bylaws of Yum China Holdings, Inc.
- 4.1 Rights Agreement, dated as of October 27, 2016, by and between Yum China Holdings, Inc. and American Stock Transfer & Trust Company, LLC as rights agent (incorporated by reference to Exhibit 4.1 to Yum China Holdings, Inc.'s Registration Statement on Form 8-A filed on October 27, 2016).
- 10.1 Master License Agreement, dated as of October 31, 2016, by and between Yum! Restaurants Asia Pte. Ltd. and Yum Restaurants Consulting (Shanghai) Company Limited.
- 10.2 Tax Matters Agreement, dated as of October 31, 2016, by and among Yum! Brands, Inc., Yum China Holdings, Inc. and Yum Restaurants Consulting (Shanghai) Company Limited.
- 10.3 Employee Matters Agreement, dated as of October 31, 2016, by and between Yum! Brands, Inc. and Yum China Holdings, Inc.
- 10.4 Transition Services Agreement, dated as of October 31, 2016, by and between Yum! Brands, Inc. and Yum China Holdings, Inc.
- 10.5 Name License Agreement dated as of October 31, 2016, by and between Yum! Brands, Inc. and Yum China Holdings, Inc.
- 10.6 Guaranty of Master License Agreement, dated as of October 31, 2016, by Yum China Holdings, Inc.
- 10.7 Shareholders Agreement, dated as of November 1, 2016, by and among Yum China Holdings, Inc., Pollos Investment L.P. and API (Hong Kong) Investment Limited.
- 10.8 Investment Agreement, dated as of September 1, 2016, by and among Yum! Brands, Inc., Yum China Holdings, Inc. and Pollos Investment L.P. (incorporated by reference to Exhibit 10.11 to Yum China Holdings, Inc.'s Registration Statement on Form 10, filed on September 16, 2016).
- 10.9 Investment Agreement, dated as of September 1, 2016, by and among Yum! Brands, Inc., Yum China Holdings, Inc. and API (Hong Kong) Investment Limited (incorporated by reference to Exhibit 10.12 to Yum China Holdings, Inc.'s Registration Statement on Form 10, filed on September 16, 2016).
- 10.10 Form of Yum China Holdings, Inc. Indemnification Agreement.
- 10.11 Letter of Understanding, dated as of October 28, 2016, by and between Yum China Holdings, Inc. and Micky Pant.
- 14.1 Yum China Holdings, Inc. Code of Conduct.
- 99.1 Information Statement of Yum China Holdings, Inc., dated October 7, 2016.
- 99.2 Press Release of Yum China Holdings, Inc., dated November 1, 2016.
- \* Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedules and/or exhibits will be furnished to the Securities and Exchange Commission upon request.

# QuickLinks

Item 1.01 Entry Into a Material Definitive Agreement.

Item 3.02 Unregistered Sales of Equity Securities.

Item 3.03 Material Modification to Rights of Security Holders.

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

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year. Item 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics

Item 8.01 Other Events

Item 9.01 Financial Statements and Exhibits.

**SIGNATURE** EXHIBIT INDEX

# SEPARATION AND DISTRIBUTION AGREEMENT

# BY AND BETWEEN

# YUM! BRANDS, INC.,

# YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

AND

# YUM CHINA HOLDINGS, INC.

# DATED AS OF OCTOBER 31, 2016

# TABLE OF CONTENTS

		Page
ARTICLE I I	DEFINITIONS	2
ARTICLE II	THE SEPARATION	13
2.1	Transfer of Assets and Assumption of Liabilities	13
2.2	SpinCo Assets; YUM Assets	15
2.3	SpinCo Liabilities; YUM Liabilities	17
2.4	Approvals and Notifications	19
2.5	Novation of Liabilities	22
2.6	Release of Guarantees	23
2.7	Termination of Agreements	24
2.8	Treatment of Shared Contracts	25
2.9	Bank Accounts; Cash Balances	26
2.10	Ancillary Agreements	27
2.11	Disclaimer of Representations and Warranties	27
2.12	Financial Information Certifications	28
2.13	Transition Committee	28
ARTICLE III	THE DISTRIBUTION	29
3.1	Sole and Absolute Discretion; Cooperation	29
3.2	Actions Prior to the Distribution	29
3.3	Conditions to the Distribution	30
3.4	The Distribution	32
ARTICLE IV	MUTUAL RELEASES, INDEMNIFICATION AND LITIGATION	33
4.1	Release of Pre-Distribution Claims	33
4.2	Indemnification by the SpinCo Parties	35
4.3	Indemnification by YUM	36
4.4	Indemnification Obligations Net of Insurance Proceeds and Other Amounts	37
4.5	Procedures for Indemnification of Third-Party Claims	38
4.6	Additional Matters	40
4.7	Right of Contribution	41
4.8	Covenant Not to Sue	41
4.9	Remedies Cumulative	42
4.10	Survival of Indemnities	42
4.11	Coordination with Ancillary Agreements	42
4.12	Management of Certain Actions	42
4.13	Settlement of Actions	44
ARTICLE V	CERTAIN OTHER MATTERS	44
5.1	Insurance Matters	44
5.2	Late Payments	46
5.3	Treatment of Payments for Tax Purposes	47
5.4	Non-Solicitation	47

#### 5.6 Post-Effective Time Conduct

# Al

ARTICLE VI	EXCHANGE OF INFORMATION; CONFIDENTIALITY	48
6.1	Agreement for Exchange of Information	48
6.2	Ownership of Information	49
6.3	Compensation for Providing Information	49
6.4	Record Retention	49
6.5	Limitations of Liability	49
6.6	Other Agreements Providing for Exchange of Information	49
6.7	Production of Witnesses; Records; Cooperation	50
6.8	Privileged Matters	51
6.9	Confidentiality	53
6.10	Protective Arrangements	54
ARTICLE VI	I DISPUTE RESOLUTION	55
7.1	Good-Faith Negotiation	55
7.2	Mandatory Mediation	55
7.3	Confidential Arbitration	56
7.4	Confidentiality	57
7.5	Conduct and Tolling During Dispute Resolution Process	58
7.6	Limitations Period	58
7.7	Enforcement Costs	58
7.8	Litigation and Unilateral Commencement of Arbitration	58
ARTICLE VI	II FURTHER ASSURANCES AND ADDITIONAL COVENANTS	58
8.1	Further Assurances	58
ARTICLE IX	TERMINATION	59
9.1	Termination	59
9.2	Effect of Termination	59
ARTICLE X	MISCELLANEOUS	59
10.1	Counterparts; Entire Agreement; Corporate Power; Facsimile Signatures	59
10.2	Governing Law	60
10.3	Binding Effect; Assignability	60
10.4	No Third-Party Beneficiaries	60
10.5	Notices	61
10.6	Severability	62
10.7	Force Majeure	62
10.8	No Set-Off	62
10.9	Expenses	63
10.10	Headings	63
10.11	Survival of Covenants	63
10.12	Waivers of Default; Remedies Cumulative	63
10.13	Specific Performance	63
10.14	Amendments	63

47

ii

10.15	Interpretation		63
10.16	Limitations of Liability		64
10.17	Performance		64
10.18	Mutual Drafting		64
		iii	

# SCHEDULES

Schedule 1.1	SpinCo Discontinued or Divested Businesses
Schedule 1.2	SpinCo Contracts
Schedule 1.3(a)	SpinCo Registrable IP
Schedule 1.3(c)	SpinCo Other IP
Schedule 1.4(a)	SpinCo Real Property (Owned)
Schedule 1.4(b)	SpinCo Real Property Leases
Schedule 1.5	SpinCo Software
Schedule 1.6	SpinCo Technology
Schedule 1.7	YUM Software

Schedule 1.8	YUM Technology
Schedule 1.9	Transferred Entities
Schedule 1.10	SpinCo Specified Actions
Schedule 1.11	YUM Specified Actions
Schedule 2.1(a)	Plan of Reorganization
Schedule 2.2(a)(xi)	SpinCo Assets
Schedule 2.2(b)(iii)	YUM Intellectual Property
Schedule 2.2(b)(vi)	YUM Assets (Other)
Schedule 2.3(a)(vi)	SpinCo Liabilities (Other)
Schedule 2.3(b)(iv)	YUM Liabilities (Other)
Schedule 2.5(a)	Novation of SpinCo Liabilities
Schedule 2.7(b)(ii)	Intercompany Agreements
Schedule 4.3(f)	Specified YUM Information
Schedule 4.12(c)	Mixed Actions
Schedule 10.9	Allocation of Certain Costs and Expenses
	EXHIBITS
Exhibit A	Form of Amended and Restated Certificate of Incorporation of Yum China Holdings,
Exhibit B	Form of Amended and Restated Bylaws of Yum China Holdings, Inc.

iv

Inc.

# SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT (this "<u>Agreement</u>"), dated as of October 31, 2016, is by and among Yum! Brands, Inc., a North Carolina corporation ("<u>YUM</u>"), Yum Restaurants Consulting (Shanghai) Company Limited ("<u>YCCL</u>"), a company organized under the Laws of the People's Republic of China, and Yum China Holdings, Inc., a Delaware corporation ("<u>SpinCo</u>", and, together with YCCL, the "<u>SpinCo Parties</u>"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in <u>Article I</u>.

## RECITALS

WHEREAS, the board of directors of YUM (the "<u>YUM Board</u>") has determined that it is in the best interests of YUM and its shareholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the YUM Board has determined that it is appropriate and desirable to separate the SpinCo Business from the YUM Business (the "Separation") and, following the Separation, make a distribution, on a pro rata basis and in accordance with a distribution ratio to be determined by the YUM Board, to holders of YUM Shares on the Record Date of all the outstanding SpinCo Shares owned by YUM (the "Distribution");

WHEREAS, SpinCo has been incorporated solely for these purposes and has not engaged in activities except in preparation for the Separation and the Distribution;

WHEREAS, YCCL is an indirect wholly-owned subsidiary of SpinCo and the principal management company for the SpinCo Business;

WHEREAS, for U.S. federal income tax purposes, the Distribution is intended to qualify as a transaction that is generally tax-free under Sections 355 and 361 of the Code to YUM, its shareholders (except with respect to cash received in lieu of fractional shares) and SpinCo;

WHEREAS, SpinCo and YUM have prepared, and SpinCo has filed with the SEC, the Form 10, which includes the Information Statement, and which sets forth disclosure concerning SpinCo, the Separation and the Distribution;

WHEREAS, each of YUM and the SpinCo Parties has determined that it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation and the Distribution and certain other agreements that will govern certain matters relating to the Separation and the Distribution and the relationship of YUM, SpinCo and the members of their respective Groups following the Distribution; and

WHEREAS, the Parties acknowledge that this Agreement and the Ancillary Agreements represent the integrated agreement of YUM and the SpinCo Parties relating to the Separation and Distribution, are being entered into together, and would not have been entered into independently.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

### ARTICLE I DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings:

"<u>Action</u>" shall mean any demand, action, claim, counterclaim, dispute, suit, countersuit, arbitration, hearing, inquiry, subpoena, proceeding, examination or investigation of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial, appellate or otherwise) by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"<u>Affiliate</u>" shall mean, when used with respect to a specified Person, a Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, "<u>control</u>" (including with correlative meanings, "<u>controlled by</u>" and "<u>under common control with</u>"), when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by Contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, prior to, at and after the Effective Time, for purposes of this Agreement, (a) no member of the SpinCo Group shall be deemed to be an Affiliate of any member of the YUM Group, and (b) no member of the YUM Group shall be deemed to be an Affiliate of any member of the SpinCo Group.

"Agent" shall mean the trust company or bank duly appointed to act as distribution agent, transfer agent and registrar for the SpinCo Shares in connection with the Distribution.

"Agreement" shall have the meaning set forth in the Preamble.

"<u>Ancillary Agreements</u>" shall mean all agreements (other than this Agreement) entered into by the Parties or members of their respective Groups (but as to which no Third Party is a party) in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement, including the Master License Agreement, the Tax Matters Agreement, the Employee Matters Agreement, the Transition Services Agreement, the Name License Agreement, the Guaranty and the Transfer Documents.

"<u>Approvals or Notifications</u>" shall mean any consents, waivers, approvals, permits or authorizations to be obtained from, notices, registrations or reports to be submitted to, or other filings to be made with, any Third Party, including any Governmental Authority.

"Arbitration Request" shall have the meaning set forth in Section 7.3(a).

2

"<u>Assets</u>" shall mean, with respect to any Person, the assets, properties, claims and rights (including goodwill) of such Person, wherever located (including in the possession of vendors or other Third Parties or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including rights and benefits pursuant to any Contract, license, permit, indenture, note, bond, mortgage, agreement, concession, franchise, instrument, understanding or other arrangement.

"Certification" shall have the meaning set forth in Section 2.12.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"China" shall mean the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

"China Division" shall mean YUM's (and its Subsidiaries') businesses and operations in China.

"<u>Contract</u>" shall mean any agreement, understanding, contract, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment or undertaking (whether written or oral and whether express or implied) that is legally binding.

"CPR" shall have the meaning set forth in Section 7.2.

"Delayed SpinCo Asset" shall have the meaning set forth in Section 2.4(c).

"Delayed SpinCo Liability" shall have the meaning set forth in Section 2.4(c).

"Delayed YUM Asset" shall have the meaning set forth in Section 2.4(h).

"Delayed YUM Liability" shall have the meaning set forth in Section 2.4(h).

"Disclosure Document" shall mean any registration statement (including the Form 10) filed with the SEC by or on behalf of YUM, SpinCo or any other member of their respective Groups, and any information statement (including the Information Statement), prospectus, offering memorandum, offering circular, periodic report or similar disclosure document, whether or not filed with the SEC or any other Governmental Authority, in each case which describes the Separation or the Distribution or the SpinCo Group or primarily relates to the transactions contemplated hereby.

"Dispute" shall have the meaning set forth in Section 7.1.

"Distribution" shall have the meaning set forth in the Recitals.

"Distribution Date" shall mean the date of the consummation of the Distribution, which shall be determined by the YUM Board in its sole and absolute discretion.

"Effective Time" shall mean 11:59 p.m., New York City time, on the Distribution Date.

"Employee Matters Agreement" shall mean the Employee Matters Agreement to be entered into by and between YUM and SpinCo in connection with the Separation, the Distribution and the other transactions contemplated by this Agreement.

"<u>Exchange Act</u>" shall mean the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"Force Majeure" shall mean, with respect to a Party, an event beyond the reasonable control of such Party (or any Person acting on its behalf), which event (a) does not arise or result from the fault or negligence of such Party (or any Person acting on its behalf) and (b) by its nature would not reasonably have been foreseen by such Party (or such Person), or, if it would reasonably have been foreseen, was unavoidable, and includes acts of God, acts of civil or military authority, embargoes, epidemics, pandemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any significant and prolonged failure in electrical or air conditioning equipment. Notwithstanding the foregoing, (1) the receipt by a Party of an unsolicited takeover offer or other acquisition proposal and such Party's response thereto and (2) any change after the date of this Agreement in any Law applicable to YUM, SpinCo, or any member of their respective Groups, in either case even if unforeseen or unavoidable, shall not be deemed an event of Force Majeure.

"Form 10" shall mean the registration statement on Form 10 filed by SpinCo with the SEC to effect the registration of SpinCo Shares pursuant to Section 12(b) of the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time prior to the Distribution.

"Governmental Approvals" shall mean any Approvals or Notifications to be made to, or obtained from, any Governmental Authority.

"<u>Governmental Authority</u>" shall mean any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, provincial, local, domestic, foreign, supranational or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, a government and any executive official thereof.

"<u>Group</u>" shall mean either the SpinCo Group or the YUM Group, as the context requires. Reference to a Party's respective Group means (a) the YUM Group, in the case of YUM and (b) the SpinCo Group, in the case of either SpinCo Party.

"Guaranty" shall mean the guaranty given by SpinCo in respect of the obligations of YCCL under the Master License Agreement.

"Indemnifying Party" shall have the meaning set forth in Section 4.4(a).

"Indemnitee" shall have the meaning set forth in Section 4.4(a).

"Indemnity Payment" shall have the meaning set forth in Section 4.4(a).

"Information" shall mean information, whether in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, Contracts, instruments, surveys, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data; provided that "Information" shall not include Intellectual Property, Software or Technology.

"Information Statement" shall mean the information statement to be made available to the holders of YUM Shares in connection with the Distribution, as such information statement may be amended or supplemented from time to time prior to the Distribution.

"Initial Notice" shall have the meaning set forth in Section 7.1.

"Insurance Proceeds" shall mean those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured;

in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof; <u>provided</u>, that, with respect to a captive insurance arrangement, Insurance Proceeds shall only include amounts received by the captive insurer in respect of any reinsurance arrangement.

"Intellectual Property" shall mean all of the following whether arising under the Laws of the United States or of any foreign or multinational jurisdiction: (a) patents, patent applications (including patents issued thereon) and statutory invention registrations, including reissues, divisions, continuations in part, substitutions, renewals, extensions and reexaminations of any of the foregoing, and all rights in any of the foregoing provided by international treaties or conventions, (b) trademarks, service marks, trade names, service names, trade dress, logos and other source or business identifiers, including all goodwill associated with any of the foregoing, and any and all common law rights in and to any of the foregoing, registrations and applications for registration of any of the foregoing, all rights in and to any of the foregoing provided by international treaties or conventions, and all reissues, extensions and renewals of any of the foregoing, (c) Internet domain names, accounts with Facebook, LinkedIn, Twitter and similar social media platforms, registrations and related rights, (d) copyrightable works, copyrights, moral rights, mask work rights, database rights and design rights, in each case, other than Software, whether or not registered, and all registrations and applications for registration of any of the foregoing, and all registrations for registration of any of the foregoing, and all rights in and to any of the foregoing provided by international treaties or conventions, (e) confidential and proprietary information, including trade secrets, invention disclosures, processes and know-how, in each case, other than Software, (f)

<sup>4</sup> 

"IRS" shall mean the U.S. Internal Revenue Service.

"Law" shall mean any national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

"Liabilities" shall mean all debts, guarantees, assurances, commitments, liabilities, responsibilities, Losses, remediation, deficiencies, damages, fines, penalties, settlements, sanctions, costs, expenses, interest and obligations of any nature or kind, whether fixed, absolute or contingent, matured or unmatured, accrued or not accrued, asserted or unasserted, liquidated or unliquidated, foreseen or unforeseen, known or unknown, reserved or unreserved, or determined or determinable, including those arising under any Law, claim (including any Third-Party Claim), demand, Action, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority or arbitration tribunal, and those arising under any Contract, or any fines, damages or equitable relief that is imposed, in each case, including all costs and expenses relating thereto.

"Linked" shall have the meaning set forth in Section 2.9(a).

"Losses" shall mean actual losses (including any diminution in value), costs, damages, penalties and expenses (including legal and accounting fees and expenses and costs of investigation and litigation), whether or not involving a Third-Party Claim.

"<u>Master License Agreement</u>" shall mean the Master License Agreement to be entered into by and between YCCL and Yum! Restaurants Asia Pte. Ltd. in connection with the Separation, the Distribution and the other transactions contemplated by this Agreement.

"Mediation Request" shall have the meaning set forth in Section 7.2.

"Mixed Actions" shall have the meaning set forth in Section 4.12(c).

"MLA IP" shall mean all Intellectual Property, Software and Technology at any time licensed to YCCL by Yum! Restaurants Asia Pte. Ltd. pursuant to the Master License Agreement.

"<u>Name License Agreement</u>" shall mean the Name License Agreement to be entered into by and between YUM and SpinCo in connection with the Separation, the Distribution and the other transactions contemplated by this Agreement.

"<u>NYSE</u>" shall mean the New York Stock Exchange.

"<u>Other IP</u>" shall mean all Intellectual Property, other than Registrable IP, that is owned by YUM, SpinCo or any other member of their respective Groups as of the Effective Time.

6

"Party" or "Parties" shall mean a party or the parties to this Agreement.

"Permits" shall mean permits, approvals, authorizations, consents, licenses or certificates issued by any Governmental Authority.

"<u>Person</u>" shall mean an individual, a general or limited partnership, a company, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

"Plan of Reorganization" shall have the meaning set forth in Section 2.1(a).

"<u>Prime Rate</u>" shall mean the rate that Bloomberg displays as "Prime Rate by Country United States" at <u>http://www.bloomberg.com/quote/PRIME:IND</u> or on a Bloomberg terminal at PRIMBB Index or, in the absence of Bloomberg displaying such rate, such other rate as YUM may reasonably determine as the equivalent rate.

"<u>Privileged Information</u>" shall mean any information, in written, oral, electronic or other tangible or intangible forms, including any communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials protected by the work product doctrine, as to which a Party or any other member of its Group would be entitled to assert or have asserted a privilege or other protection, including the attorney-client and work product privileges.

"Prohibited Jurisdiction" shall have the meaning set forth in Section 3.4(d).

"Protected Party" shall have the meaning set forth in Section 5.4.

"<u>Real Property</u>" shall mean land, and any and all buildings, structures, improvements and fixtures located thereon, together with all easements, rights and interests arising out of the ownership thereof.

"Real Property Leases" shall mean all leases to Real Property.

"Record Date" shall mean the close of business on the date to be determined by the YUM Board as the record date for determining holders of YUM Shares entitled to receive SpinCo Shares pursuant to the Distribution.

"Record Holders" shall mean the holders of record of YUM Shares as of the Record Date.

"<u>Registrable IP</u>" shall mean all patents, statutory invention registrations, registered trademarks, registered service marks, registered Internet domain names and copyright registrations, and all applications for any of the foregoing.

"<u>Representatives</u>" shall mean, with respect to any Person, any of such Person's directors, officers, employees, agents, consultants, advisors, accountants, attorneys or other representatives.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Security Interest" shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

"Separation" shall have the meaning set forth in the Recitals.

"Shared Contract" shall have the meaning set forth in Section 2.8(a).

"<u>Software</u>" shall mean any and all (a) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (b) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (c) descriptions, flow charts and other work products used to design, plan, organize and develop any of the foregoing, (d) screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons and (e) documentation, including user manuals and other training documentation, relating to any of the foregoing.

"Soliciting Party" shall have the meaning set forth in Section 5.4.

"SpinCo" shall have the meaning set forth in the Preamble.

"SpinCo Accounts" shall have the meaning set forth in Section 2.9(a).

"SpinCo Assets" shall have the meaning set forth in Section 2.2(a).

"SpinCo Balance Sheet" shall mean the pro forma consolidated balance sheet of the SpinCo Business, including any notes and subledgers thereto, as of May 31, 2016, as presented in the Information Statement made available to the Record Holders.

"SpinCo Business" shall mean (a) the businesses, operations and activities of or relating to the China Division conducted at any time prior to the Effective Time by YUM, SpinCo or any of their respective current or former Subsidiaries, (b) the businesses, operations and activities of any member of the SpinCo Group conducted at or after the Effective Time, and (c) any terminated, divested or discontinued businesses, operations and activities that, at the time of termination, divestiture or discontinuation, primarily related to the business, operations or activities described in clause (a) or (b) as then conducted, including those set forth on Schedule 1.1.

"SpinCo Bylaws" shall mean the Amended and Restated Bylaws of SpinCo, substantially in the form of Exhibit B.

"SpinCo Certificate of Incorporation" shall mean the Amended and Restated Certificate of Incorporation of SpinCo, substantially in the form of Exhibit A.

"SpinCo Contracts" shall mean the following Contracts to which YUM, SpinCo or any other member of their respective Groups is a party or by which it or any other member of its

8

Group or any of their respective Assets is bound, whether or not in writing; <u>provided</u> that SpinCo Contracts shall not include any Contract that is contemplated to be retained by YUM or any member of the YUM Group from and after the Effective Time pursuant to any provision of this Agreement or any Ancillary Agreement:

(a) any vendor Contracts (other than SpinCo Licenses) with a Third Party pursuant to which such Third Party provides information technology services, human resources services or financial services to YUM, SpinCo or any other member of their respective Groups primarily used or primarily held for use in the SpinCo Business as of the Effective Time;

(b) other than any vendor Contracts addressed in clause (a) above, (i) any customer, distribution, supply or vendor Contract entered into prior to the Effective Time exclusively related to the SpinCo Business and (ii) with respect to any customer, distribution, supply or vendor Contract entered into prior to the Effective Time that relates to the SpinCo Business but is not exclusively related to the SpinCo Business, that portion of any such customer, distribution, supply or vendor Contract that exclusively relates to the SpinCo Business;

(c) any SpinCo License entered into prior to the Effective Time exclusively related to the SpinCo Business and, with respect to any SpinCo License entered into prior to the Effective Time that relates to the SpinCo Business but is not exclusively related to the SpinCo Business, that portion of any such SpinCo License that exclusively relates to the SpinCo Business;

(d) any Contract containing any guarantee, indemnity, representation, covenant, warranty or other Liability of YUM, SpinCo or any other member of their respective Groups to the extent relating to any other SpinCo Contract, any SpinCo Liability or the SpinCo Business;

(e) any employment, change of control, retention, consulting, indemnification, termination, severance or other similar agreements with any SpinCo Group employee or individual consultants of the SpinCo Group that are in effect as of the Effective Time;

(f) any Contract that is otherwise contemplated pursuant to this Agreement or any of the Ancillary Agreements to be assigned to, or be a Contract in the name of, SpinCo or another member of the SpinCo Group;

(g) any interest rate, currency, commodity or other swap, collar, cap or other hedging or similar Contracts entered into in the name of, or expressly on behalf of, any division, business unit or member of the SpinCo Group;

- (h) any Contract entered into in the name of, or expressly on behalf of, any division, business unit or member of the SpinCo Group;
- (i) any other Contract exclusively related to the SpinCo Business or the SpinCo Assets; and

9

(j) any Contracts or settlements set forth on <u>Schedule 1.2</u>, including the right to recover any amounts under such Contracts or settlements.

"SpinCo Designees" shall mean any and all entities (including corporations, companies, general or limited partnerships, trusts, joint ventures, unincorporated organizations, limited liability entities or other entities) designated by SpinCo that will be members of the SpinCo Group as of immediately prior to the Effective Time.

"<u>SpinCo Group</u>" shall mean (a) prior to the Effective Time, SpinCo, YCCL, and each Person that will be a Subsidiary of SpinCo as of immediately after the Effective Time, including the Transferred Entities, even if, prior to the Effective Time, such Person is not a Subsidiary of SpinCo; and (b) at and after the Effective Time, SpinCo, YCCL, and each Person that is a Subsidiary of SpinCo.

"SpinCo Indemnitees" shall have the meaning set forth in Section 4.3.

"SpinCo Intellectual Property" shall mean (a) the Registrable IP set forth on Schedule 1.3(a), (b) all Other IP owned by YUM, SpinCo or another member of their respective Groups as of the Effective Time exclusively used or exclusively held for use in the SpinCo Business, but excluding any MLA IP and (c) any Other IP set forth on Schedule 1.3(c)(1).

"SpinCo IP/IT" shall have the meaning set forth in Section 2.2(a)(vi).

"SpinCo Liabilities" shall have the meaning set forth in Section 2.3(a).

"SpinCo License" shall mean any Contract pursuant to which a Third Party grants SpinCo or another member of the SpinCo Group a license or other right to use Intellectual Property, Software or Technology.

"SpinCo Parties" shall have the meaning set forth in the preamble.

"SpinCo Permits" shall mean all Permits owned or licensed by YUM, SpinCo or another member of their respective Groups primarily used or primarily held for use in the SpinCo Business as of the Effective Time.

"<u>SpinCo Real Property</u>" shall mean (a) all of the Real Property owned by SpinCo or another member of the SpinCo Group as of the Effective Time listed or described on <u>Schedule 1.4(a)</u>, and (b) all the Real Property Leases related to the SpinCo Business or to which SpinCo or another member of the SpinCo Group is a party as of the Effective Time, except as set forth on <u>Schedule 1.4(b)</u>.

"SpinCo Shares" shall mean the shares of common stock of SpinCo, \$0.01 par value per share.

"<u>SpinCo Software</u>" shall mean all Software owned by YUM, SpinCo or another member of their respective Groups exclusively used or exclusively held for use in the SpinCo Business as of the Effective Time, including Software set forth on <u>Schedule 1.5</u>, but excluding any MLA IP and Software set forth on <u>Schedule 1.7</u>.

10

"SpinCo Specified Actions" shall mean those Actions set forth in Schedule 1.10.

"<u>SpinCo Technology</u>" shall mean all Technology owned by YUM, SpinCo or any other member of their respective Groups exclusively used or exclusively held for use in the SpinCo Business as of the Effective Time, including Technology set forth on <u>Schedule 1.6</u>, but excluding any MLA IP and Technology set forth on <u>Schedule 1.8</u>.

"Stub Period" shall have the meaning set forth in Section 2.12.

"Subsidiary" shall mean, with respect to any Person, any company, corporation, limited liability company, joint venture, partnership or other entity of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (i) the total combined voting power of all classes of voting securities, (ii) the total combined equity interests or (iii) the capital or profit interests, in the case of a partnership, or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body. For purposes of this Agreement, with respect to SpinCo, "Subsidiary" shall also include Hangzhou KFC Co., Ltd., Suzhou KFC Co., Ltd. and Wuxi KFC Co., Ltd.

"Tangible Information" shall mean Information that is contained in written, electronic or other tangible forms.

"Tax" shall have the meaning set forth in the Tax Matters Agreement.

"<u>Tax Matters Agreement</u>" shall mean the Tax Matters Agreement to be entered into by and between YUM and the SpinCo Parties in connection with the Separation, the Distribution and the other transactions contemplated by this Agreement.

"Tax Return" shall have the meaning set forth in the Tax Matters Agreement.

"<u>Technology</u>" shall mean all technology, designs, formulae, recipes, algorithms, procedures, methods, discoveries, processes, techniques, ideas, know-how, research and development, technical data, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship in any media, confidential, proprietary or nonpublic information, and other similar materials, and all recordings, graphs, drawings, reports, analyses and other writings, and other tangible embodiments of the foregoing in any form whether or not listed herein, in each case, other than Software.

"Third Party" shall mean any Person other than the Parties or any other members of the Yum Group or the SpinCo Group.

"Third-Party Claim" shall have the meaning set forth in Section 4.5(a).

"Transfer Documents" shall have the meaning set forth in Section 2.1(b).

"Transferred Entities" shall mean the entities set forth on Schedule 1.9.

"Transition Committee" shall have the meaning set forth in Section 2.13.

11

"Transition Services Agreement" shall mean the Transition Services Agreement to be entered into by and between YUM and SpinCo in connection with the Separation, the Distribution and the other transactions contemplated by this Agreement.

"Unreleased SpinCo Liability" shall have the meaning set forth in Section 2.5(a)(ii).

"Unreleased YUM Liability" shall have the meaning set forth in Section 2.5(b)(ii).

"YCCL" shall have the meaning set forth in the Preamble.

"YUM" shall have the meaning set forth in the Preamble.

"YUM Accounts" shall have the meaning set forth in Section 2.9(a).

"YUM Assets" shall have the meaning set forth in Section 2.2(b).

"YUM Board" shall have the meaning set forth in the Recitals.

"<u>YUM Business</u>" shall mean all businesses, operations and activities (whether or not such businesses, operations or activities are or have been terminated, divested or discontinued) conducted at any time prior to the Effective Time by YUM, SpinCo or any other member of their respective Groups, other than the SpinCo Business.

"YUM Group" shall mean YUM and each Person that is a Subsidiary of YUM (other than SpinCo and any other member of the SpinCo

Group).

"YUM Indemnitees" shall have the meaning set forth in Section 4.2.

"YUM Liabilities" shall have the meaning set forth in Section 2.3(b).

"YUM Name and YUM Marks" shall mean the names, marks, trade dress, logos, monograms, domain names and other source or business identifiers of YUM, SpinCo or any other member of their respective Groups using or containing "Yum!," "Yum," "Kentucky Fried Chicken," "KFC," "Pizza Hut," or "Taco Bell" either alone or in combination with other words or elements, and all names, marks, trade dress, logos, monograms, domain names and other source or business identifiers confusingly similar to or embodying any of the foregoing either alone or in combination with other words or elements, together with the goodwill associated with any of the foregoing.

"YUM Shares" shall mean the common shares of YUM, no par value per share.

"<u>YUM Software</u>" shall mean all Software, other than SpinCo Software, owned by YUM, SpinCo or any other member of their respective Groups as of immediately prior to the Effective Time, including the Software set forth on <u>Schedule 1.7</u>.

"YUM Specified Actions" shall mean those Actions set forth in Schedule 1.11.

12

"<u>YUM Technology</u>" shall mean all Technology, other than SpinCo Technology, owned by YUM, SpinCo or any other member of their respective Groups as of immediately prior to the Effective Time, including the Technology set forth on <u>Schedule 1.8</u>.

(a) At or prior to the Effective Time, but in any case, prior to the Distribution, in accordance with the plan and structure set forth on <u>Schedule 2.1(a)</u> (the "<u>Plan of Reorganization</u>"):

(i) Transfer and Assignment of SpinCo Assets. YUM shall, and shall cause the other applicable members of the YUM Group to, contribute, assign, transfer, convey and deliver to SpinCo, or the applicable SpinCo Designees, and SpinCo or such SpinCo Designees shall accept from YUM and the applicable members of the YUM Group, all of YUM's and such YUM Group member's respective direct or indirect right, title and interest in and to all of the SpinCo Assets (it being understood that if any SpinCo Asset shall be held by a Transferred Entity or a wholly owned Subsidiary of a Transferred Entity, such SpinCo Asset may be assigned, transferred, conveyed and delivered to SpinCo as a result of the transfer of all of the equity interests in such Transferred Entity from YUM or the other applicable members of the YUM Group to SpinCo or the applicable SpinCo Designee);

(ii) Acceptance and Assumption of SpinCo Liabilities. The SpinCo Parties and the applicable SpinCo Designees shall accept, assume and agree faithfully to perform, discharge and fulfill all the SpinCo Liabilities in accordance with their respective terms (it being understood that if any SpinCo Liability is a liability of a Transferred Entity or a wholly owned Subsidiary of a Transferred Entity, such SpinCo Liability may be assumed by the SpinCo Parties as a result of the transfer of all of the equity interests in such Transferred Entity from YUM or the other applicable members of the YUM Group to SpinCo or the applicable SpinCo Designee; provided that the SpinCo Parties shall cause such Transferred Entity and such SpinCo Designee to perform, discharge and fulfill all such SpinCo Liabilities). The SpinCo Parties and such SpinCo Designees shall be responsible for all SpinCo Liabilities, regardless of when or where such SpinCo Liabilities arose or arise, whether the facts on which they are based occurred prior to or subsequent to the Effective Time, where or against whom such SpinCo Liabilities are asserted or determined (including any SpinCo Liabilities arising out of claims made by YUM's or SpinCo's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of the YUM Group or the SpinCo Group) or whether asserted or determined prior to or subsequent to the Effective Time, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the YUM Group or the SpinCo Group, or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates;

13

(iii) Transfer and Assignment of YUM Assets. YUM and the SpinCo Parties shall cause SpinCo and the other applicable members of the SpinCo Group to contribute, assign, transfer, convey and deliver to YUM or certain members of the YUM Group designated by YUM, and YUM or such other members of the YUM Group shall accept from SpinCo and the applicable members of the SpinCo Group, all of SpinCo's and such SpinCo Group members' respective direct or indirect right, title and interest in and to all YUM Assets; and

(iv) Acceptance and Assumption of YUM Liabilities. YUM and the other applicable members of the YUM Group designated by YUM shall accept, assume and agree faithfully to perform, discharge and fulfill all the YUM Liabilities held by SpinCo or any SpinCo Designee and YUM and the other applicable members of the YUM Group shall be responsible for all YUM Liabilities in accordance with their respective terms, regardless of when or where such YUM Liabilities arose or arise, whether the facts on which they are based occurred prior to or subsequent to the Effective Time, where or against whom such YUM Liabilities are asserted or determined (including any YUM Liabilities arising out of claims made by YUM's or SpinCo's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of the YUM Group or the SpinCo Group) or whether asserted or determined prior to or subsequent to the Effective Time, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the YUM Group or the SpinCo Group, or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates.

(b) *Transfer Documents.* In furtherance of the contribution, assignment, transfer, conveyance and delivery of the Assets and the acceptance and assumption of the Liabilities in accordance with <u>Section 2.1(a)</u>, (i) each of YUM, on the one hand, and the SpinCo Parties, on the other hand, shall execute and deliver, and shall cause the applicable other members of its Group to execute and deliver, to the other, such bills of sale, quitclaim deeds, stock powers, certificates of title, assignment of all of such Party's and the applicable members of its Group's right, title and interest in and to such Assets to the other and the applicable other members of its Group in accordance with <u>Section 2.1(a)</u>, and (ii) each of YUM, on the one hand, and the SpinCo Parties, on the other hand, shall execute and deliver, and shall cause the applicable other members of its Group to execute and deliver, to the other, such assumptions of Contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Liabilities by such Party or the applicable members of its Group in accordance with <u>Section 2.1(a)</u>. All of the foregoing documents contemplated by this <u>Section 2.1(b)</u> shall be referred to collectively herein as the "<u>Transfer Documents</u>."

(c) *Misallocations*. If at any time or from time to time (whether prior to, at or after the Effective Time), one Party (or any other member of such Party's Group) shall receive or otherwise possess any Asset that is allocated to another unaffiliated Party (or any other member of such other Party's Group) pursuant to this Agreement or any Ancillary Agreement, such Party shall promptly transfer, or cause to be transferred, such Asset to the Party so entitled thereto (or to such member of such Party's Group), and such Party (or other member of such Party's Group)

14

shall accept such Asset. Prior to any such transfer, the Person receiving or possessing such Asset shall hold such Asset in trust for such other Person. In the event that, at any time or from time to time (whether prior to, at or after the Effective Time), one Party hereto (or any other member of such Party's Group) shall receive or otherwise be obligated for any Liability that is allocated to another unaffiliated Party (or the other applicable member of such Party's Group) pursuant to this Agreement or any Ancillary Agreement, such Party shall promptly transfer, or cause to be transferred, such Liability to the Party (or to such member of such Party's Group) responsible therefor, and the Party (or other member of such Party's Group) responsible therefor shall accept, assume and agree to faithfully perform such Liability.

(d) *Waiver of Bulk-Sale and Bulk-Transfer Laws.* The SpinCo Parties hereby waive compliance by each and every member of the YUM Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the SpinCo Assets to any member of the SpinCo Group. YUM hereby waives compliance by each and every member of the SpinCo Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the YUM Assets to any member of the YUM Group.

# 2.2 SpinCo Assets; YUM Assets.

(a) SpinCo Assets. For purposes of this Agreement, "SpinCo Assets" shall mean (without duplication):

(i) all issued and outstanding capital stock or other equity interests of the Transferred Entities that are owned by YUM, SpinCo or any other member of their respective Groups as of the Effective Time;

(ii) all Assets of any Party or any of the other members of such Party's Group included or reflected as assets of the SpinCo Group on the SpinCo Balance Sheet, subject to any dispositions of such Assets subsequent to the date of the SpinCo Balance Sheet; provided that the amounts set forth on the SpinCo Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of SpinCo Assets pursuant to this subclause (ii);

(iii) all Assets (including cash and cash equivalents) of YUM, SpinCo or any other member of their respective Groups as of the Effective Time that are of a nature or type that would have resulted in such Assets being included or reflected as Assets of SpinCo or any of the other members of the SpinCo Group on a pro forma consolidated balance sheet of the SpinCo Group or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Assets included on the SpinCo Balance Sheet), it being understood that (A) the SpinCo Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Assets that are included in the definition of SpinCo Assets pursuant to this subclause (iii); and (B) the amounts set forth on the SpinCo Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on

15

the amount of such Assets that are included in the definition of SpinCo Assets pursuant to this subclause (iii);

(iv) all Assets of YUM, SpinCo or other member of their respective Groups as of the Effective Time that are expressly provided by this Agreement or any Ancillary Agreement as Assets to be transferred to or owned by SpinCo or any other member of the SpinCo Group;

(v) all SpinCo Contracts as of the Effective Time and all rights, interests or claims of YUM, SpinCo or any other member of their respective Groups thereunder as of the Effective Time;

(vi) all SpinCo Intellectual Property, SpinCo Software and SpinCo Technology as of the Effective Time and all rights, interests or claims of YUM, SpinCo or any other member of their respective Groups thereunder or thereto as of the Effective Time (collectively, the "SpinCo IP/IT");

(vii) all SpinCo Permits as of the Effective Time and all rights, interests or claims of YUM, SpinCo or any other member of their respective Groups thereunder as of the Effective Time;

(viii) all SpinCo Real Property as of the Effective Time;

(ix) to the extent not already identified in subclauses (i) through (viii) of this <u>Section 2.2(a)</u>, all Assets of any Party or any other member of their respective Groups as of the Effective Time that are primarily related to the SpinCo Business;

(x) subject to applicable Law and the provisions of the applicable Ancillary Agreements, to the extent not already identified in subclauses (i) through (ix) of this <u>Section 2.2(a)</u>, all rights, interests and claims of any Party or any other member of their respective Groups as of the Effective Time with respect to Information that is exclusively related to the SpinCo Assets, the SpinCo Liabilities, the SpinCo Business or the Transferred Entities, and a non-exclusive right to use all Information that is related to, but not exclusively related to, the SpinCo Assets, the SpinCo Liabilities, the SpinCo Business or the Transferred Entities; and

(xi) any and all Assets set forth on <u>Schedule 2.2(a)(xi)</u>.

Notwithstanding the foregoing, the SpinCo Assets shall not in any event include any Asset referred to in subclauses (i) through (vi) of Section 2.2(b).

(b) *YUM Assets*. For the purposes of this Agreement, "<u>YUM Assets</u>" shall mean all Assets of YUM, SpinCo or any other member of their respective Groups as of the Effective Time, other than the SpinCo Assets, it being understood that the YUM Assets shall include (without duplication):

(i) all Assets that are expressly contemplated by this Agreement or any Ancillary Agreement (including, for the avoidance of doubt, the Schedules hereto or

16

thereto) as Assets to be retained or owned by YUM or any other member of the YUM Group;

(ii) all Contracts of YUM, SpinCo or any other member of their respective Groups as of the Effective Time (other than the SpinCo Contracts);

(iii) all MLA IP and all other Intellectual Property, Software and Technology owned by YUM, SpinCo or any other member of their respective Groups as of the Effective Time (other than SpinCo IP/IT), including the YUM Name and YUM Marks and the Intellectual Property set forth on <u>Schedule 2.2(b)(iii)</u>;

(iv) all Permits of YUM, SpinCo or any other member of their respective Groups as of the Effective Time (other than the SpinCo Permits);

(v) all Real Property of YUM, SpinCo or any other member of their respective Groups as of the Effective Time (other than the SpinCo Real Property); and

(vi) any and all Assets set forth on <u>Schedule 2.2(b)(vi)</u>.

# 2.3 <u>SpinCo Liabilities; YUM Liabilities</u>.

(a) *SpinCo Liabilities*. For the purposes of this Agreement, "<u>SpinCo Liabilities</u>" shall mean the following Liabilities of YUM, SpinCo or any other member of their respective Groups (without duplication):

(i) all Liabilities included or reflected as liabilities or obligations of SpinCo or any other member of the SpinCo Group on the SpinCo Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the SpinCo Balance Sheet; <u>provided</u> that the amounts set forth on the SpinCo Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of SpinCo Liabilities pursuant to this subclause (i);

(ii) all Liabilities of YUM, SpinCo or any other member of their respective Groups as of the Effective Time that are of a nature or type that would have resulted in such Liabilities being included or reflected as Liabilities of SpinCo or any other member of the SpinCo Group on a pro forma consolidated balance sheet of the SpinCo Group or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Liabilities included on the SpinCo Balance Sheet), it being understood that (A) the SpinCo Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Liabilities that are included in the definition of SpinCo Liabilities pursuant to this subclause (ii); and (B) the amounts set forth on the SpinCo Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of SpinCo Liabilities (ii);

17

(iii) all Liabilities relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing before, at, or after the Effective Time (for the avoidance of doubt, whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case, before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the SpinCo Business, as conducted at any time before, at or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any Person, whether or not such act or failure to act is or was within such Person's authority, with respect to the SpinCo Business), or any of the SpinCo Assets;

(iv) all Liabilities that are expressly provided by this Agreement or any Ancillary Agreement (including, for the avoidance of doubt, the Schedules hereto or thereto) as Liabilities to be assumed by SpinCo or any other member of the SpinCo Group, and all agreements, obligations and Liabilities of any member of the SpinCo Group under this Agreement or any of the Ancillary Agreements;

(v) all Liabilities to the extent relating to, arising out of or resulting from, in each case, before, at or after the Effective Time, the SpinCo Contracts, the SpinCo Intellectual Property, the SpinCo Software, the SpinCo Technology, the SpinCo Permits or the SpinCo Real Property;

2.3(a)(vi); and

(vi) all Liabilities (A) relating to, arising out of or resulting from the SpinCo Specified Actions or (B) set forth on <u>Schedule</u>

(vii) all Liabilities arising out of claims made by any Third Party (including YUM's or a SpinCo Party's respective directors, officers, shareholders, current and former employees and agents) against any member of the YUM Group or the SpinCo Group to the extent relating to, arising out of or resulting from the SpinCo Business or the SpinCo Assets or the other business, operations, activities or Liabilities referred to in subclauses (i) through (vi) above;

<u>provided</u> that, notwithstanding the foregoing, the Parties agree that (A) the Liabilities set forth in <u>Section 2.3(b)</u> and any Liabilities of any member of the YUM Group pursuant to the Ancillary Agreements shall not be SpinCo Liabilities but instead shall be YUM Liabilities and (B) the Liabilities of each Party relating to, arising out of or resulting from any Mixed Actions shall be governed by <u>Section 4.12(c)</u>.

(b) *YUM Liabilities*. For the purposes of this Agreement, "<u>YUM Liabilities</u>" shall mean the following Liabilities of YUM, SpinCo or any other member of their respective Groups (without duplication):

(i) all Liabilities relating to, arising out of or resulting from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (for the avoidance of doubt, whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time) of any member of the YUM Group and, prior to the

Effective Time, any member of the SpinCo Group, in each case, to the extent that such Liabilities are not SpinCo Liabilities;

(ii) all Liabilities that are expressly provided by this Agreement or any Ancillary Agreement (including, for the avoidance of doubt, the Schedules hereto or thereto) as Liabilities to be assumed or retained by YUM or any other member of the YUM Group, and all agreements, obligations and Liabilities of any member of the YUM Group under this Agreement or any of the Ancillary Agreements;

(iii) all Liabilities arising out of claims made by any Third Party (including YUM's or SpinCo's respective directors, officers, shareholders, current and former employees and agents) against any member of the YUM Group or the SpinCo Group to the extent relating to, arising out of or resulting from the YUM Business or the YUM Assets; and

<u>2.3(b)(iv)</u>.

all Liabilities (A) relating to, arising out of or resulting from the YUM Specified Actions or (B) set forth on Schedule

an Elabinities (A) relating to, arising out of or resulting from the 1 OM specified Actions of (B) set for

# 2.4 <u>Approvals and Notifications</u>.

(iv)

(a) Approvals and Notifications for SpinCo Assets. To the extent that the transfer or assignment of any SpinCo Asset, the assumption of any SpinCo Liability, the Separation or the Distribution requires any Approvals or Notifications, the Parties shall use their commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable; provided, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed between YUM and the SpinCo Parties, neither YUM nor the SpinCo Parties shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications.

(b) Delayed SpinCo Transfers. If and to the extent that the valid, complete and perfected transfer or assignment to the SpinCo Group of any SpinCo Asset or assumption by the SpinCo Group of any SpinCo Liability would be a violation of applicable Law or require any Approvals or Notifications that has not been obtained or made by the Effective Time then, unless the Parties mutually shall otherwise determine, the transfer or assignment to the SpinCo Group of such SpinCo Asset or the assumption by the SpinCo Group of such SpinCo Liability, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approvals or Notifications have been obtained or made. Notwithstanding the foregoing, any such SpinCo Assets or SpinCo Liabilities shall continue to constitute SpinCo Assets and SpinCo Liabilities, as the case may be, for all other purposes of this Agreement.

(c) *Treatment of Delayed SpinCo Assets and Delayed SpinCo Liabilities*. If any transfer or assignment of any SpinCo Asset (or a portion thereof) or any assumption of any SpinCo Liability (or a portion thereof) intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated at or prior to the Effective Time, whether as a result of the provisions of <u>Section 2.4(b)</u> or for any other reason (any such SpinCo Asset (or a portion thereof),

19

a "Delayed SpinCo Asset" and any such SpinCo Liability (or a portion thereof), a "Delayed SpinCo Liability"), then, insofar as reasonably possible and subject to applicable Law, the member of the YUM Group retaining such Delayed SpinCo Asset or such Delayed SpinCo Liability, as the case may be, shall thereafter hold such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, for the use and benefit (or the performance and obligation, in the case of a Liability) of the member of the SpinCo Group entitled thereto or obligated thereon (at the expense of the member of the SpinCo Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Delayed SpinCo Asset or Delayed SpinCo Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the member of the SpinCo Group to which such Delayed SpinCo Asset is to be transferred or assigned, or which is to assume such Delayed SpinCo Liability, as the case may be, in order to place such member of the SpinCo Group in a substantially similar position as if such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, and all costs and expenses related thereto, shall from and after the Effective Time inure to and be the responsibility of the SpinCo Group.

(d) *Transfer of Delayed SpinCo Assets and Delayed SpinCo Liabilities*. If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any Delayed SpinCo Asset or the deferral of assumption of any Delayed SpinCo Liability pursuant to <u>Section 2.4(b)</u>, are obtained or made, and, if and when any other legal impediments for the transfer or assignment of any Delayed SpinCo Asset or the assumption of any Delayed SpinCo Liability have been removed, the transfer or assignment of the applicable Delayed SpinCo Asset or the assumption of the applicable Delayed SpinCo Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(e) Costs for Delayed SpinCo Assets and Delayed SpinCo Liabilities. Any member of the YUM Group retaining a Delayed SpinCo Asset or Delayed SpinCo Liability due to the deferral of the transfer or assignment of such Delayed SpinCo Asset or the deferral of the assumption of such Delayed SpinCo Liability, as the case may be, shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced (or otherwise made available) by SpinCo or the member of the SpinCo Group entitled to the Delayed SpinCo Asset or obligated with respect to the Delayed SpinCo Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by the SpinCo Parties or the member of the SpinCo Group entitled to such Delayed SpinCo Asset or obligated with respect to such Delayed SpinCo Liability.

(f) Approvals and Notifications for YUM Assets. To the extent that the transfer or assignment of any YUM Asset or the assumption of any YUM Liability requires any Approvals or Notifications, the Parties shall use their commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable; provided, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed

between YUM and the SpinCo Parties, neither YUM nor the SpinCo Parties shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications.

(g) Delayed YUM Transfers. If and to the extent that the valid, complete and perfected transfer or assignment to the YUM Group of any YUM Asset or assumption by the YUM Group of any YUM Liability would be a violation of applicable Law or require any Approval or Notification that has not been obtained or made by the Effective Time then, unless the Parties mutually shall otherwise determine, the transfer or assignment to the YUM Group of such YUM Asset or the assumption by the YUM Group of such YUM Liability, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approval or

Notification has been obtained or made. Notwithstanding the foregoing, any such YUM Assets or YUM Liabilities shall continue to constitute YUM Assets and YUM Liabilities, as the case may be, for all other purposes of this Agreement.

Treatment of Delayed YUM Assets and Delayed YUM Liabilities. If any transfer or assignment of any YUM Asset (or a portion (h)thereof) or any assumption of any YUM Liability (or a portion thereof) intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated at or prior to the Effective Time whether as a result of the provisions of Section 2.4(g) or for any other reason (any such YUM Asset (or a portion thereof), a "Delayed YUM Asset" and any such YUM Liability (or a portion thereof), a "Delayed YUM Liability"), then, insofar as reasonably possible and subject to applicable Law, the member of the SpinCo Group retaining such Delayed YUM Asset or such Delayed YUM Liability, as the case may be, shall thereafter hold such Delayed YUM Asset or Delayed YUM Liability, as the case may be, for the use and benefit (or the performance and obligation, in the case of a Liability) of the member of the YUM Group entitled thereto or obligated thereon (at the expense of the member of the YUM Group entitled thereto or obligated thereon). In addition, the member of the SpinCo Group retaining such Delayed YUM Asset or such Delayed YUM Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Delayed YUM Asset or Delayed YUM Liability in the ordinary course of business in accordance with past practice. Such member of the SpinCo Group shall also take such other actions as may be reasonably requested by the member of the YUM Group to which such Delayed YUM Asset is to be transferred or assigned, or which is to assume such Delayed YUM Liability, as the case may be, in order to place such member of the YUM Group in a substantially similar position as if such Delayed YUM Asset or Delayed YUM Liability had been transferred, assigned or assumed as contemplated hereby and so that all the benefits and burdens relating to such Delaved YUM Asset or Delayed YUM Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, and all costs and expenses related thereto, shall from and after the Effective Time inure to and be the responsibility of the YUM Group.

(i) *Transfer of Delayed YUM Assets and Delayed YUM Liabilities*. If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any Delayed YUM Asset or the deferral of assumption of any Delayed YUM Liability pursuant to <u>Section 2.4(g)</u>, are obtained or made, and, if and when any other legal

21

impediments for the transfer or assignment of any Delayed YUM Asset or the assumption of any Delayed YUM Liability have been removed, the transfer or assignment of the applicable Delayed YUM Asset or the assumption of the applicable Delayed YUM Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(j) Costs for Delayed YUM Assets and Delayed YUM Liabilities. Any member of the SpinCo Group retaining a Delayed YUM Asset or Delayed YUM Liability due to the deferral of the transfer or assignment of such Delayed YUM Asset or the deferral of the assumption of such Delayed YUM Liability, as the case may be, shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced (or otherwise made available) by YUM or the member of the YUM Group entitled to the Delayed YUM Asset or obligated with respect to the Delayed YUM Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by YUM or the member of the YUM Asset or obligated with respect to such Delayed YUM Liability.

- 2.5 <u>Novation of Liabilities</u>.
- (a) Novation of SpinCo Liabilities.

(i) Except as set forth in <u>Schedule 2.5(a)</u>, each of YUM and the SpinCo Parties, at the request of the other, shall use its commercially reasonable efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all SpinCo Liabilities and obtain in writing the unconditional release of each member of the YUM Group that is a party to any related agreement, lease, license or other obligation or Liability, so that, in any such case, the members of the SpinCo Group shall be solely responsible for such SpinCo Liabilities; <u>provided</u>, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, neither YUM nor the SpinCo Parties shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Third Party from whom any such consent, substitution, approval, amendment or release is requested.

(ii) If YUM and the SpinCo Parties are unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release and the applicable member of the YUM Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an "<u>Unreleased SpinCo Liability</u>"), the SpinCo Parties shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the YUM Group, as the case may be, (A) pay, perform and discharge fully all the obligations or other Liabilities of such member of the YUM Group that constitute Unreleased SpinCo Liabilities from and after the Effective Time and (B) use its commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the YUM Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased SpinCo Liabilities shall otherwise become assignable or able to be novated,

22

YUM shall promptly assign, or cause to be assigned, and the SpinCo Parties or the applicable SpinCo Group member shall assume, such Unreleased SpinCo Liabilities without exchange of further consideration.

# (b) *Novation of YUM Liabilities.*

(i) Each of YUM and the SpinCo Parties, at the request of the other, shall use its commercially reasonable efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all YUM Liabilities and obtain in writing the unconditional release of each member of the SpinCo Group that is a party to any related agreement, lease, license or other obligation or Liability, so that, in any such case, the members of the YUM Group shall be solely responsible for such YUM Liabilities; provided, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, neither YUM nor the SpinCo Parties

shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Third Party from whom any such consent, substitution, approval, amendment or release is requested.

(ii) If YUM and the SpinCo Parties are unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release and the applicable member of the SpinCo Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an "<u>Unreleased YUM Liability</u>"), YUM shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the SpinCo Group, as the case may be, (A) pay, perform and discharge fully all the obligations or other Liabilities of such member of the SpinCo Group that constitute Unreleased YUM Liabilities from and after the Effective Time and (B) use its commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the SpinCo Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased YUM Liabilities shall otherwise become assignable or able to be novated, the SpinCo Parties shall promptly assign, or cause to be assigned, and YUM or the applicable YUM Group member shall assume, such Unreleased YUM Liabilities without exchange of further consideration.

2.6 <u>Release of Guarantees</u>. In furtherance of, and not in limitation of, the obligations set forth in <u>Section 2.5</u>:

(a) At or prior to the Effective Time or as soon as practicable thereafter, each of YUM and the SpinCo Parties shall, at the request of the other and with the reasonable cooperation of such other Party and the applicable member(s) of such Party's Group, use commercially reasonable efforts to: (i) have any member(s) of the YUM Group removed as guarantor of or obligor for any SpinCo Liability, including the removal of any Security Interest on or in any YUM Asset that may serve as collateral or security for any such SpinCo Liability; and (ii) have any member(s) of the SpinCo Group removed as guarantor of or obligor for any YUM Liability,

23

including the removal of any Security Interest on or in any SpinCo Asset that may serve as collateral or security for any such YUM Liability.

(b) To the extent required to obtain a release from a guarantee of:

(i) any member of the YUM Group, the SpinCo Parties shall (or shall cause one (1) or more other members of the SpinCo Group to) execute a guarantee agreement in the form of the existing guarantee or such other form as is agreed to by the relevant parties to such guarantee agreement, which agreement shall include the removal of any Security Interest on or in any YUM Asset that may serve as collateral or security for any such SpinCo Liability, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (A) with which the SpinCo Parties would be reasonably unable to comply or (B) which the SpinCo Parties would not reasonably be able to avoid breaching; and

(ii) any member of the SpinCo Group, YUM shall (or shall cause one (1) or more other members of the Yum Group to) execute a guarantee agreement in the form of the existing guarantee or such other form as is agreed to by the relevant parties to such guarantee agreement, which agreement shall include the removal of any Security Interest on or in any SpinCo Asset that may serve as collateral or security for any such YUM Liability, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (A) with which YUM would be reasonably unable to comply or (B) which YUM would not reasonably be able to avoid breaching.

(c) If YUM and the SpinCo Parties are unable to obtain, or to cause to be obtained, any such required removal or release as set forth in clauses (a) and (b) of this Section 2.6: (i) YUM, the SpinCo Parties, or the other relevant member of the YUM Group or the SpinCo Group, as applicable, that has assumed the Liability with respect to such guarantee shall indemnify, defend and hold harmless the guarantor or obligor against or from any Liability arising from or relating thereto in accordance with the provisions of <u>Article IV</u> and shall, as agent or subcontractor for such guarantor or obligor, pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder; and (ii) each of YUM and each of the SpinCo Parties, on behalf of itself and the other members of the YUM Group or the SpinCo Group, respectively, agree not to renew or extend the term of, increase any obligations under, or transfer to a third party, any loan, guarantee, lease, Contract or other obligation for which any other Party or a member of its Group is or may be liable unless all obligations of such other Party and the members of such other Party's Group with respect thereto are thereupon terminated by documentation satisfactory in form and substance to such other Party.

2.7 <u>Termination of Agreements</u>.

(a) Except as set forth in <u>Section 2.7(b)</u>, in furtherance of the releases and other provisions of <u>Section 4.1</u>, the SpinCo Parties and each other member of the SpinCo Group, on the one hand, and YUM and each other member of the YUM Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among either of the SpinCo Parties and/or any other member of the SpinCo Group, on the one hand, and YUM and/or any other member of the YUM Group, on the other

24

hand, effective as of the Effective Time. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Effective Time. Each Party shall, at the reasonable request of any other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.7(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) this Agreement and the Ancillary Agreements (and each other agreement or instrument expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by YUM, SpinCo, or any other member of their respective Groups or to be continued from and after the Effective Time); (ii) any agreements, arrangements, commitments or understandings listed or described on Schedule 2.7(b)(ii); (iii) any agreements, arrangements, commitments or understandings listed or described on Schedule 2.7(b)(ii); (iii) any agreements, arrangements, commitments or understandings to which any Third Party is a party; (iv) any intercompany accounts payable or accounts receivable accrued as of the Effective Time that are reflected in the books and records of the Parties or otherwise documented in writing in accordance with past practices, which shall be settled in the manner contemplated by Section 2.7(c); (v) any agreements, arrangements, commitments or understandings to which any non-wholly

owned Subsidiary of YUM or either of the SpinCo Parties, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned); and (vi) any Shared Contracts.

(c) All of the intercompany accounts receivable and accounts payable between any member of the YUM Group, on the one hand, and any member of the SpinCo Group, on the other hand, outstanding as of the Effective Time and arising out of the Contracts described in <u>Section 2.7(b)</u> or out of the provision, prior to the Effective Time, of the services to be provided following the Effective Time pursuant to any of the Ancillary Agreements shall be paid or settled following the Effective Time in the ordinary course of business or, if otherwise mutually agreed prior to the Effective Time by duly authorized representatives of SpinCo and YUM, cancelled, assigned or assumed by SpinCo or one (1) or more Subsidiaries of SpinCo. All other intercompany accounts receivable and accounts payable between any member of the YUM Group, on the one hand, and any member of the SpinCo Group, on the other hand, outstanding as of the Effective Time shall be paid, settled or otherwise eliminated by means of cash payments, a dividend, capital contribution, a combination of the foregoing, or otherwise as determined by YUM in its sole and absolute discretion.

# 2.8 Treatment of Shared Contracts.

(a) Subject to applicable Law and without limiting the generality of the obligations set forth in <u>Section 2.1</u>, unless the Parties otherwise agree, or the benefits or obligations of any Contract described in this <u>Section 2.8</u> are expressly conveyed to the applicable Party pursuant to this Agreement or an Ancillary Agreement, any (i) Contract, a portion of which is a SpinCo Contract, and the remainder of which is a YUM Asset or (ii) Contract entered into prior to the Effective Time that relates to the SpinCo Business but is not exclusively related to the SpinCo Business and with respect to which the portion that relates to the SpinCo Business cannot be divided (any such Contract, a <u>"Shared Contract</u>"), shall be assigned in relevant part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to,

25

at or after the Effective Time, so that YUM, SpinCo or the applicable other member of its respective Group shall, as of the Effective Time, be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to its respective businesses; provided that (A) in no event shall any member of any Group be required to assign (or amend) any Shared Contract in its entirety or to assign a portion of any Shared Contract which is not assignable (or cannot be amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled), and (B) if any Shared Contract cannot be so partially assigned by its terms or otherwise, or cannot be amended or if assignment or amendment of such Shared Contract would impair the benefit the parties thereto derive from such Shared Contract, then the Parties shall, and shall cause each of the members of their respective Groups to, take such other reasonable and permissible actions (including by providing prompt written notice to each other Party with respect to any relevant claim of Liability or other relevant matters arising in connection with a Shared Contract so as to allow such other Party the ability to exercise any applicable rights under such Shared Contract that relates to the SpinCo Business or the YUM Business, respectively (in each case, to the extent so related), as if such Shared Contract had been assigned to (or amended to admit) a member of the applicable Group pursuant to this <u>Section 2.8</u>, and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement), as if such Liabilities had been assumed by a member of the applicable Group pursuant to this <u>Section 2.8</u>.

(b) Each of YUM and the SpinCo Parties shall, and shall cause the other members of its Group to, (i) treat for all Tax purposes the portion of each Shared Contract inuring to its respective businesses as Assets owned by, and/or Liabilities of, as applicable, such Party, or the other members of its Group, as applicable, not later than the Effective Time and (ii) neither report nor take any Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by applicable Law).

(c) Nothing in this <u>Section 2.8</u> shall require any member of any Group to make any non-*de minimis* payment (except to the extent advanced, assumed or agreed in advance to be reimbursed by any member of the other Group), incur any non-*de minimis* obligation or grant any non-*de minimis* concession for the benefit of any member of the other Group in order to effect any transaction contemplated by this <u>Section 2.8</u>.

## 2.9 Bank Accounts; Cash Balances.

(a) Each Party agrees to take, or cause the other members of its Group to take, at the Effective Time (or such earlier time as the Parties may agree), all actions necessary to amend all Contracts governing each bank and brokerage account owned by SpinCo or any other member of the SpinCo Group (collectively, the "SpinCo Accounts") and all Contracts governing each bank or brokerage account owned by YUM or any other member of the YUM Group (collectively, the "<u>YUM Accounts</u>") so that each such SpinCo Account and YUM Account, if currently linked (whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter "<u>Linked</u>") to any YUM Account or SpinCo Account, respectively, is de-Linked from such YUM Account or SpinCo Account, respectively.

(b) With respect to any outstanding checks issued or payments initiated by YUM, SpinCo or any other member of their respective Groups prior to the Effective Time, such outstanding checks and payments shall be honored following the Effective Time by the Person or Group owning the account on which the check is drawn or from which the payment was initiated, respectively.

(c) As between YUM and the SpinCo Parties (and the other members of their respective Groups), all payments made and reimbursements received after the Effective Time to or by any Party (or member of its Group) that relate to a business, Asset or Liability of another Party (or other member of its Group), shall be held by such Party in trust for the use and benefit of the Party entitled thereto and, promptly following receipt by such Party of any such payment or reimbursement, YUM or the SpinCo Parties, as applicable, shall pay over, or shall cause the applicable other member of its Group to pay over, to such other Party the amount of such payment or reimbursement without right of set-off.

2.10 <u>Ancillary Agreements</u>. Effective at or prior to the Effective Time, each of YUM and the SpinCo Parties will, or will cause the applicable other members of their respective Groups to, execute and deliver all Ancillary Agreements to which it is a party.

2.11 <u>Disclaimer of Representations and Warranties</u>. EACH OF YUM (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE YUM GROUP) AND EACH OF THE SPINCO PARTIES (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE SPINCO GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO

THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF ANY ASSETS OF SUCH PARTY OR ANY OTHER MEMBER OF ITS GROUP, OR ANY OTHER MATTER CONCERNING ANY ASSETS OR LIABILITIES OF SUCH PARTY OR ANY OTHER MEMBER OF ITS GROUP, OR ANY OTHER MATTER CONCERNING ANY ASSETS OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET OR LIABILITY, INCLUDING ANY ACCOUNTS RECEIVABLE OR ACCOUNTS PAYABLE, OF ANY PARTY OR ANY OTHER MEMBER OF ITS GROUP, OR AS TO THE LEGAL SUFFICIENCY OF ANY ASSIGNMENT, DOCUMENT OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN "AS IS," "WHERE IS" BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM OF DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (A) ANY CONVEYANCE WILL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (B) ANY

27

# NECESSARY APPROVALS OR NOTIFICATIONS ARE NOT OBTAINED OR MADE OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

2.12 <u>Financial Information Certifications</u>. YUM's disclosure controls and procedures and internal control over financial reporting (as each is contemplated by the Exchange Act) are currently applicable to SpinCo as its Subsidiary. In order to enable the principal executive officer and principal financial officer of SpinCo to make the certifications required of them under Section 302 of the Sarbanes-Oxley Act of 2002, YUM (i) by the earlier of (A) thirty-five (35) days after the end of the fiscal quarter in which the Distribution occurs and (B) the date upon which SpinCo is required to file with the SEC its first periodic report on Form 10-Q following the effectiveness of the Form 10, shall provide SpinCo with one (1) or more certifications with respect to such disclosure controls and procedures, its internal control over financial reporting and the effectiveness thereof (each, a "<u>Certification</u>"); and (ii) shall, if requested in writing by SpinCo at least ten (10) Business Days prior to the date on which SpinCo is required to file with the SEC its first annual report on Form 10-K, provide SpinCo with one or more Certifications covering the period of time, if any, in the fiscal quarter in which the Distribution occurs that SpinCo was a wholly owned Subsidiary of YUM (such period of time, the "<u>Stub Period</u>"), provided that if requested in writing by YUM at least ten (10) Business Days prior to the date on which SEC its annual report on Form 10-K, SpinCo shall provide YUM with a representation memorandum and/or letter signed by SpinCo's Controller, CFO and CEO in order to support YUM's own Certifications with respect to YUM's business and operations during the Stub Period (such representation memorandum and/or letters provided by the China Division to YUM in the past). Any such Certification(s) provided by YUM to SpinCo under this <u>Section 2.12</u> shall be provided by YUM (and not by any officer or employee in their individual capacity).

2.13 <u>Transition Committee</u>. Prior to the Effective Time, the Parties shall establish a transition committee (the "<u>Transition Committee</u>") that shall consist of an equal number of members from YUM and SpinCo. The Transition Committee shall be responsible for monitoring and managing all matters related to any of the transactions contemplated by this Agreement or any Ancillary Agreements for the period following the Effective Time. The Transition Committee shall have the authority to (a) establish one (1) or more subcommittees from time to time as it deems appropriate or as may be described in any Ancillary Agreements, with each such subcommittee comprised of one (1) or more members of the Transition Committee or one (1) or more employees of any Party or any member of their respective Groups, and each such subcommittee having such scope of responsibility as may be determined by the Transition Committee from time to time; (b) delegate to any such committee any of the powers of the Transition Committee shall establish general procedures for managing the responsibilities delegated to it under this <u>Section 2.13</u>, and may modify such procedures from time to time. All decisions by the Transition Committee or any subcommittee thereof shall be effective only if mutually agreed by YUM and SpinCo. The Parties shall utilize the procedures set forth in <u>Article VII</u> to resolve any matters as to which the Transition Committee is not able to reach a decision.

28

### ARTICLE III THE DISTRIBUTION

# 3.1 Sole and Absolute Discretion; Cooperation.

(a) YUM shall, in its sole and absolute discretion, determine the terms of the Distribution, including the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing and conditions to the consummation of the Distribution. In addition, YUM may, at any time and from time to time until the consummation of the Distribution, modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution. Nothing shall in any way limit YUM's right to terminate this Agreement or the Distribution as set forth in <u>Article IX</u> or alter the consequences of any such termination from those specified in <u>Article IX</u>.

(b) The SpinCo Parties shall cooperate with YUM to accomplish the Distribution and shall, at YUM's direction, promptly take any and all actions necessary or desirable to effect the Distribution, including in respect of the registration under the Exchange Act of SpinCo Shares on the Form 10. YUM shall select any investment bank or manager in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and financial, legal, accounting and other advisors for YUM. The SpinCo Parties and YUM will provide to the Agent any information required in order to complete the Distribution.

3.2 <u>Actions Prior to the Distribution</u>. Prior to the Effective Time and subject to the terms and conditions set forth herein, the Parties shall take, or cause to be taken, the following actions in connection with the Distribution:

(a) *Notice to NYSE*. YUM shall, to the extent possible, give NYSE not less than ten (10) days' advance notice of the Record Date in compliance with Rule 10b-17 under the Exchange Act.

(b) *SpinCo Certificate of Incorporation and SpinCo Bylaws*. On or prior to the Distribution Date, YUM and SpinCo shall take all necessary actions so that, as of the Effective Time, the SpinCo Certificate of Incorporation and the SpinCo Bylaws shall become the amended and restated certificate of incorporation and amended and restated bylaws of SpinCo, respectively.

(c) SpinCo Directors and Officers. On or prior to the Distribution Date, YUM and SpinCo shall take all necessary actions so that as of the Effective Time: (i) the directors and executive officers of SpinCo shall be those set forth in the Information Statement made available to the Record Holders prior to the Distribution Date, unless otherwise agreed by the Parties, and (ii) SpinCo shall have such other officers as the board of directors of SpinCo shall appoint.

(d) *NYSE Listing*. SpinCo shall prepare, file and pursue an application to permit listing of the SpinCo Shares to be distributed in the Distribution on the NYSE, subject to official notice of issuance.

(e) *Securities Law Matters*. SpinCo shall file any amendments or supplements to the Form 10 as may be necessary or advisable in order to cause the Form 10 to become and remain effective as required by the SEC or federal, state or other applicable securities Laws. YUM

29

and SpinCo shall cooperate in preparing, filing with the SEC and causing to become effective registration statements or amendments thereof that are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or advisable in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. YUM and SpinCo will prepare, and SpinCo will, to the extent required under applicable Law, file with the SEC any such documentation and any requisite no-action letters that YUM determines are necessary or desirable to effectuate the Distribution, and YUM and the SpinCo Parties shall each use their respective reasonable best efforts to obtain all necessary approvals from the SEC with respect thereto as soon as practicable. YUM and the SpinCo Parties shall take all such action as may be necessary or appropriate under the securities or blue sky Laws of the United States (and any comparable Laws under any foreign jurisdiction) in connection with the Distribution.

(f) *Information Statement*. YUM shall make available the Information Statement to the Record Holders.

(g) *The Distribution Agent*. YUM shall enter into a distribution agent agreement, or such other agreement as may be necessary, with the Agent or otherwise provide instructions to the Agent regarding the Distribution.

(h) *Financing Transactions*. In connection with the Separation and prior to the Effective Time, YUM and the SpinCo Parties shall cooperate with respect to and undertake such financing transactions (which may also include the transfer of cash between the YUM Group and the SpinCo Group) as YUM determines to be advisable.

(i) Stock-Based Employee Benefit Plans. YUM and the SpinCo Parties shall take all actions as may be necessary to approve the grants of adjusted equity awards by YUM (in respect of YUM Shares) and SpinCo (in respect of SpinCo Shares) in connection with the Distribution in order to satisfy the requirements of Rule 16b-3 under the Exchange Act.

# 3.3 <u>Conditions to the Distribution</u>.

(a) The consummation of the Distribution will be subject to the satisfaction, or waiver, in whole or in part, by YUM in its sole and absolute discretion, of the following conditions:

(i) The transfer of the SpinCo Assets (other than any Delayed SpinCo Asset) and SpinCo Liabilities (other than any Delayed SpinCo Liability) contemplated to be transferred to SpinCo (or another member of the SpinCo Group) on or prior to the Distribution shall have occurred as contemplated by <u>Section 2.1</u>, and the transferred to YUM Assets (other than any Delayed YUM Asset) and YUM Liabilities (other than any Delayed YUM Liability) contemplated to be transferred to YUM (or another member of the YUM Group) on or prior to the Distribution Date shall have occurred as contemplated by <u>Section 2.1</u>, in each case pursuant to the Plan of Reorganization.

(ii) YUM shall have received (A) one (1) or more opinions of its external tax advisors, in each case, satisfactory to the YUM Board, regarding certain tax matters relating to the Distribution and related transactions and (B) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, regarding the qualification of the

30

Distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code.

(iii) The SEC shall have declared effective the Form 10; no order suspending the effectiveness of the Form 10 shall be in effect; and no proceedings for such purposes shall be pending before or threatened by the SEC.

(iv) The Information Statement shall have been made available to the Record Holders.

(v) The actions and filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities Laws or blue sky Laws and the rules and regulations thereunder shall have been taken or made, and, where applicable, shall have become effective or been accepted.

(vi) Any Approvals or Notifications of any Governmental Authorities required for the consummation of the Separation and Distribution shall have been obtained.

(vii) No order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation, the Distribution or any of the transactions related thereto shall be in effect.

(viii) The SpinCo Shares to be distributed to the YUM shareholders in the Distribution shall have been accepted for listing on the NYSE, subject to official notice of issuance.

(ix) Each of the Ancillary Agreements shall have been duly executed and delivered by the applicable parties thereto.

(x) An independent valuation firm shall have delivered one (1) or more opinions to the YUM Board confirming the solvency and financial viability of each of YUM and SpinCo immediately after the consummation of the Distribution, and such opinions shall be acceptable to YUM in form and substance in YUM's sole discretion, and such opinions shall not have been withdrawn, rescinded or modified in any respect.

(xi) No other event or development shall have occurred or shall exist that, in the judgment of the YUM Board, in its sole discretion, makes it inadvisable to effect the Separation, the Distribution or the other transactions contemplated hereby.

(b) The foregoing conditions are for the sole benefit of YUM and shall not give rise to or create any duty on the part of YUM or the YUM Board to waive or not waive any such condition or in any way limit YUM's right to terminate this Agreement as set forth in <u>Article IX</u> or alter the consequences of any such termination from those specified in <u>Article IX</u>. Any determination made by the YUM Board prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in <u>Section 3.3(a)</u> shall be conclusive and binding on the Parties.

31

# 3.4 <u>The Distribution</u>.

(a) Subject to <u>Section 3.3</u>, at or prior to the Effective Time, SpinCo will deliver to the Agent, for the benefit of the Record Holders, book-entry transfer authorizations for such number of the outstanding SpinCo Shares as is necessary to effect the Distribution, and shall cause the transfer agent for the YUM Shares to instruct the Agent to distribute at the Effective Time the appropriate number of SpinCo Shares to each such holder or designated transferee or transferees of such holder by way of direct registration in book-entry form. SpinCo will not issue paper stock certificates in respect of the SpinCo Shares. The Distribution shall be effective at the Effective Time.

(b) Subject to Sections 3.3 and 3.4(c), each Record Holder will be entitled to receive in the Distribution a number of whole SpinCo Shares to be determined by resolution of the YUM Board, for every one (1) YUM Share held by such Record Holder on the Record Date, rounded down to the nearest whole number.

No fractional shares will be distributed or credited to book-entry accounts in connection with the Distribution, and any such (c) fractional share interests to which a Record Holder would otherwise be entitled shall not entitle such Record Holder to vote or to any other rights as a shareholder of SpinCo. In lieu of any such fractional shares, each Record Holder who, but for the provisions of this Section 3.4(c), would be entitled to receive a fractional share interest of a SpinCo Share pursuant to the Distribution, shall be paid cash, without any interest thereon, as hereinafter provided. As soon as practicable after the Effective Time, YUM shall direct the Agent to determine the number of whole and fractional SpinCo Shares allocable to each Record Holder, to aggregate all such fractional shares into whole shares, and to sell the whole shares obtained thereby in the open market at the thenprevailing prices on behalf of each Record Holder who otherwise would be entitled to receive fractional share interests (with the Agent, in its sole and absolute discretion, determining when, how and through which broker-dealer and at what price to make such sales), and to cause to be distributed to each such Record Holder, in lieu of any fractional share, such Record Holder's or owner's ratable share of the total proceeds of such sale, after deducting any Taxes required to be withheld and applicable transfer Taxes, and after deducting the costs and expenses of such sale and distribution, including brokers' fees and commissions. None of YUM, SpinCo or the Agent will be required to guarantee any minimum sale price for the fractional SpinCo Shares sold in accordance with this Section 3.4(c). Neither YUM nor SpinCo will be required to pay any interest on the proceeds from the sale of fractional shares. Neither the Agent nor the broker-dealers through which the aggregated fractional shares are sold shall be Affiliates of YUM or the SpinCo Parties. Solely for purposes of computing fractional share interests pursuant to this Section 3.4(c) and Section 3.4(d), the beneficial owner of YUM Shares held of record in the name of a nominee in any nominee account shall be treated as the Record Holder with respect to such shares.

(d) Notwithstanding anything herein to the contrary, if the distribution of SpinCo Shares pursuant to the Distribution is not permitted under the applicable Law of any jurisdiction (each such jurisdiction, a "<u>Prohibited Jurisdiction</u>"), each Record Holder in such Prohibited Jurisdiction who, but for such applicable Law, would have received a SpinCo Share pursuant to the Distribution, shall receive a distribution of cash, without any interest thereon, in lieu of such SpinCo Share to the extent permitted by the applicable Law of such Prohibited

32

Jurisdiction. The procedures set forth in <u>Section 3.4(c)</u> with respect to fractional shares shall apply to the distribution of SpinCo Shares to Record Holders in Prohibited Jurisdictions, *mutatis mutandis*, with each reference to a "fractional share" in such sentences being deemed a reference to a SpinCo Share that, but for this <u>Section 3.4(d)</u> and for applicable Law, would have been distributed pursuant to the Distribution to a Record Holder in a Prohibited Jurisdiction.

(e) Any SpinCo Shares or cash in lieu of SpinCo Shares (or fractions thereof) that remain unclaimed by any Record Holder one hundred and eighty (180) days after the Distribution Date shall be delivered to SpinCo, and SpinCo shall hold such SpinCo Shares for the account of such Record Holder, and the Parties agree that all obligations to provide such SpinCo Shares and cash, if any, in lieu of SpinCo Shares (or fractions thereof) shall be obligations of the SpinCo Parties, subject in each case to applicable escheat or other abandoned property Laws, and YUM shall have no Liability with respect thereto.

(f) Until the SpinCo Shares are duly transferred in accordance with this <u>Section 3.4</u> and applicable Law and subject to <u>Section 3.4(d)</u>, from and after the Effective Time, the SpinCo Parties will regard the Persons entitled to receive such SpinCo Shares as record holders of SpinCo Shares in accordance with the terms of the Distribution without requiring any action on the part of such Persons. The SpinCo Parties agree that, subject to any transfers of such shares, from and after the Effective Time (i) each such holder will be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, the SpinCo Shares then held by such holder, and (ii) each such holder will be entitled, without any action on the part of such holder, to receive evidence of ownership of the SpinCo Shares then held by such holder.

## ARTICLE IV MUTUAL RELEASES, INDEMNIFICATION AND LITIGATION

## 4.1 Release of Pre-Distribution Claims.

(a) SpinCo Parties Release of YUM Group. Except as provided in <u>Sections 4.1(c)</u> and <u>4.3</u>, effective as of the Effective Time, each of the SpinCo Parties does hereby, for itself and each other member of the SpinCo Group, and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the SpinCo Group, and their respective successors and assigns, (ii) all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents, directors, officers, agents or employees of any member of the YUM Group (in each case, in their respective capacities as such), remise, release and forever discharge (i) YUM and the other members of the YUM Group, and their respective successors and assigns, (ii) all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the YUM Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns and (iii) all Persons who at any time prior to the Effective Time are or have been shareholders, directors, officers, agents or employees of a Transferred Entity and who are not, as of immediately following the Effective Time, directors, officers or employees of either of the SpinCo Parties or another member of the SpinCo Group, in each case from: (A) all SpinCo Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation and the Distribution and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time

33

(whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent relating to, arising out of or resulting from the SpinCo Business, the SpinCo Assets or the SpinCo Liabilities.

(b) *YUM Release of SpinCo Group.* Except as provided in <u>Sections 4.1(c)</u> and <u>4.2</u>, effective as of the Effective Time, YUM does hereby, for itself and each other member of the YUM Group and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the YUM Group (in each case, in their respective capacities as such), remise, release and forever discharge each SpinCo Party and the other members of the SpinCo Group, and their respective successors and assigns, from (A) all YUM Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation and the Distribution and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent relating to, arising out of or resulting from the YUM Business, the YUM Assets or the YUM Liabilities.

(c) *Obligations Not Affected.* Nothing contained in Section 4.1(a) or 4.1(b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in Section 2.7(b) or the applicable Schedule to Section 2.7(b) as not to terminate as of the Effective Time, in each case in accordance with its terms. Nothing contained in Section 4.1(a) or 4.1(b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the YUM Group or the SpinCo Group that is specified in <u>Section 2.7(b)</u> or the applicable Schedule to <u>Section 2.7(b)</u> as not to terminate as of the Effective Time, or any other Liability specified in <u>Section 2.7(b)</u> as not to terminate as of the Effective Time;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;

(iii) any Liability for the sale, lease, construction or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from a member of the other Group prior to the Effective Time;

(iv) any Liability provided in or resulting from any Contract or understanding that is entered into after the Effective Time between any Party (and/or a member of such Party's Group), on the one hand, and any other Party (and/or a member of such other Party's Group), on the other hand;

34

(v) any Liability that the Parties may have with respect to indemnification or contribution or other obligation pursuant to this Agreement, any Ancillary Agreement or otherwise for claims brought against the Parties or members of their Groups by Third Parties, which Liability shall be governed by the provisions of this <u>Article IV</u> and <u>Article V</u> and, if applicable, the appropriate provisions of the Ancillary Agreements; or

Section 4.1.

(vi) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this

In addition, nothing contained in Section 4.1(a) shall release any member of the YUM Group from honoring its existing obligations to indemnify any director, officer or employee of SpinCo who was a director, officer or employee of any member of the YUM Group at or prior to the Effective Time, to the extent such director, officer or employee becomes a named defendant in any Action with respect to which such director, officer or employee was entitled to such indemnification pursuant to such existing obligations, it being understood that, if the underlying obligation giving rise to such Action is a SpinCo Liability, the SpinCo Parties shall indemnify YUM for such Liability (including YUM's costs to indemnify the director, officer or employee) in accordance with the provisions set forth in this <u>Article IV</u>.

(d) *No Claims.* The SpinCo Parties shall not make, and shall not permit any other member of the SpinCo Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against YUM or any other member of the YUM Group, or any other Person released pursuant to <u>Section 4.1(a)</u>, with respect to any Liabilities released pursuant to <u>Section 4.1(a)</u>. YUM shall not make, and shall not permit any other member of the YUM Group to make, any claim or demand, or commence any Action asserting any claim or

demand, including any claim of contribution or any indemnification, against either SpinCo Party or any other member of the SpinCo Group, or any other Person released pursuant to Section 4.1(b), with respect to any Liabilities released pursuant to Section 4.1(b).

(e) *Execution of Further Releases.* At any time at or after the Effective Time, at the request of YUM or SpinCo, each other Party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions of this <u>Section 4.1</u>.

4.2 Indemnification by the SpinCo Parties. Except as otherwise specifically set forth in this Agreement or in any Ancillary Agreement, to the fullest extent permitted by Law, the SpinCo Parties shall, and shall cause the other members of the SpinCo Group to, indemnify, defend and hold harmless YUM, each other member of the YUM Group and each of their respective past, present and future directors, officers, employees and agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "<u>YUM</u> Indemnitees"), from and against any and all Liabilities of the YUM Indemnitees relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

(a) any SpinCo Liability;

35

(b) any failure of a SpinCo Party, any other member of the SpinCo Group or any other Person to pay, perform or otherwise promptly discharge any SpinCo Liabilities in accordance with their terms, whether prior to, at or after the Effective Time;

(c) the SpinCo Specified Actions;

(d) any breach by a SpinCo Party or any other member of the SpinCo Group of this Agreement or any of the Ancillary Agreements;

(e) except to the extent it relates to a YUM Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any member of the SpinCo Group by any member of the YUM Group that survives following the Distribution; and

(f) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Form 10, the Information Statement (as amended or supplemented if SpinCo shall have furnished any amendments or supplements thereto) or any other Disclosure Document, other than the matters described in clause (f) of Section 4.3.

4.3 Indemnification by YUM. Except as otherwise specifically set forth in this Agreement or in any Ancillary Agreement, to the fullest extent permitted by Law, YUM shall, and shall cause the other members of the YUM Group to, indemnify, defend and hold harmless each SpinCo Party, each other member of the SpinCo Group and each of their respective past, present and future directors, officers, employees or agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "SpinCo Indemnitees"), from and against any and all Liabilities of the SpinCo Indemnitees relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

(a) any YUM Liability;

(b) any failure of YUM, any other member of the YUM Group or any other Person to pay, perform or otherwise promptly discharge any YUM Liabilities in accordance with their terms, whether prior to, at or after the Effective Time;

(c) the YUM Specified Actions;

(d) any breach by YUM or any other member of the YUM Group of this Agreement or any of the Ancillary Agreements;

(e) except to the extent it relates to a SpinCo Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any member of the YUM Group by any member of the SpinCo Group that survives following the Distribution; and

36

(f) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to statements made explicitly in YUM's name in the Form 10, the Information Statement (as amended or supplemented if SpinCo shall have furnished any amendments or supplements thereto) or any other Disclosure Document; it being agreed that the statements set forth on <u>Schedule 4.3(f)</u> shall be the only statements made explicitly in YUM's name in the Form 10, the Information Statement or any other Disclosure Document, and all other information contained in the Form 10, the Information Statement or any other Disclosure Document shall be deemed to be information supplied by SpinCo.

## 4.4 Indemnification Obligations Net of Insurance Proceeds and Other Amounts.

(a) The Parties intend that any Liability subject to indemnification, contribution or reimbursement pursuant to this <u>Article IV</u> or <u>Article V</u> will be net of Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnitee in respect of any indemnifiable Liability. Accordingly, the amount which any Party (an "<u>Indemnifying</u> <u>Party</u>") is required to pay to any Person entitled to indemnification or contribution hereunder (an "<u>Indemnitee</u>") will be reduced by any Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnitee receives a payment (an "<u>Indemnity Payment</u>") under this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds or any other amounts in respect of such Liability, then within ten (10) calendar days of receipt of such Insurance Proceeds or other amounts, the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the

Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or such other amounts (net of any out-of-pocket costs or expenses incurred in the collection thereof) had been received, realized or recovered before the Indemnity Payment was made.

(b) The Parties agree that an insurer that would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of any provision contained in this Agreement or any Ancillary Agreement, have any subrogation rights with respect thereto, it being understood that no insurer or any other Third Party shall be entitled to a "windfall" (*i.e.*, a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the liability allocation, indemnification and contribution provisions hereof. Accordingly, any provision herein that could have the result of giving any insurer or other Third Party such a "windfall" shall be suspended or amended to the extent necessary to not provide such "windfall." Each Party shall, and shall cause the members of its Group to, use commercially reasonable efforts to seek or collect or recover any Insurance Proceeds that may be collectible or recoverable with respect to the Liabilities for which indemnification or contribution may be available under this Agreement.

# 4.5 <u>Procedures for Indemnification of Third-Party Claims</u>.

(a) Notice of Claims. If, at or following the Effective Time, an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the YUM Group or the SpinCo Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third-Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnifying Party written notice thereof as soon as practicable, but in any event no later than fourteen (14) days after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail, including the facts and circumstances giving rise to such claim for indemnification, and include copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim. Notwithstanding the foregoing, the failure of an Indemnitee to provide notice in accordance with this Section 4.5(a).

Control of Defense. An Indemnifying Party may elect to defend (and seek to settle or compromise, subject to Section 4.5(e)), at its (b) own expense and with its own counsel, any Third-Party Claim; provided that, prior to the Indemnifying Party assuming and controlling defense of such Third-Party Claim, it shall first confirm to the Indemnitee in writing that, assuming the facts presented to the Indemnifying Party by the Indemnitee being true, the Indemnifying Party shall indemnify the Indemnitee for any Liabilities to the extent resulting from, or arising out of, such Third-Party Claim. Notwithstanding the foregoing, if the Indemnifying Party assumes such defense and, in the course of defending such Third-Party Claim, (i) the Indemnifying Party discovers that the facts presented at the time the Indemnifying Party acknowledged its indemnification obligation in respect of such Third-Party Claim were not true in all material respects and (ii) such untruth provides a reasonable basis for asserting that the Indemnifying Party does not have an indemnification obligation in respect of such Third-Party Claim, then (A) the Indemnifying Party shall not be bound by such acknowledgment, (B) the Indemnifying Party shall promptly thereafter provide the Indemnitee written notice of its assertion that it does not have an indemnification obligation in respect of such Third-Party Claim and (C) the Indemnitee shall have the right to assume the defense of such Third-Party Claim. Within thirty (30) days after the receipt of a notice from an Indemnitee in accordance with Section 4.5(a) (or sooner, if the nature of the Third-Party Claim so requires), the Indemnifying Party shall provide written notice to the Indemnitee indicating whether the Indemnifying Party shall assume responsibility for defending the Third-Party Claim. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of the notice from an Indemnitee as provided in Section 4.5(a), then the Indemnitee that is the subject of such Third-Party Claim shall be entitled to continue to conduct and control the defense of such Third-Party Claim.

(c) Allocation of Defense Costs. If an Indemnifying Party has elected to assume the defense of a Third-Party Claim, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third-Party Claim and

38

shall not be entitled to seek any indemnification or reimbursement from the Indemnitee for any such fees or expenses incurred by the Indemnifying Party during the course of the defense of such Third-Party Claim by such Indemnifying Party, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of a notice from an Indemnifee as provided in <u>Section 4.5(a)</u>, and the Indemnifee conducts and controls the defense of such Third-Party Claim and the Indemnifying Party has an indemnification obligation with respect to such Third-Party Claim, then the Indemnifying Party shall be liable for all reasonable fees and expenses incurred by the Indemnitee in connection with the defense of such Third-Party Claim.

(d) *Right to Monitor and Participate.* An Indemnitee that does not conduct and control the defense of any Third-Party Claim, or an Indemnifying Party that has failed to elect to defend any Third-Party Claim as contemplated hereby, nevertheless shall have the right to employ separate counsel (including local counsel, as necessary) of its own choosing to monitor and participate in (but not control) the defense of any Third-Party Claim for which it is a potential Indemnitee or Indemnifying Party, but the fees and expenses of such counsel shall be at the expense of such Indemnitee or Indemnifying Party, but the fees and expenses of such counsel shall be at the expense of such Indemnitee or Indemnifying Party, as the case may be, and the provisions of <u>Section 4.5(c)</u> shall not apply to such fees and expenses. Notwithstanding the foregoing, but subject to <u>Sections 6.7</u> and <u>6.8</u>, such Indemnitee or Indemnifying Party, at the non-controlling Party's expense, all witnesses, information and materials in such Party's possession or under such Party's control relating thereto as are reasonably required by the controlling Party. In addition to the foregoing, if any Indemnitee shall in good faith determine that such Indemnitee and the Indemnifying Party have actual or potential differing defenses or conflicts of interest between them that make joint representation inappropriate, then the Indemnitee shall have the right to employ separate counsel (including local counsel, as necessary) and to participate in (but not control) the defense, compromise, or settlement thereof, and the Indemnifying Party shall bear the reasonable fees and expenses of such counsel for all Indemnitees.

(e) *No Settlement.* No Party may settle or compromise any Third-Party Claim for which any Party is seeking to be indemnified hereunder without the prior written consent of such other Party, which consent may not be unreasonably withheld, conditioned or delayed, unless such

settlement or compromise is solely for monetary damages that are fully payable, and are capable of being paid in full, by the settling or compromising Party, does not involve any admission, finding or determination of wrongdoing or violation of Law by any other Party (or any other member of its Group or any of their respective past, present or future directors, officers or employees) and provides for a full, unconditional and irrevocable release of each other Party (and each other relevant member of its Group and any of its or their relevant past, present, or future directors, officers or employees) from all Liability in connection with the Third-Party Claim. The Parties hereby agree that if a Party presents any other Party with a written notice containing a proposal to settle or compromise a Third-Party Claim for which any Party is seeking to be indemnified hereunder and the Party receiving such proposal does not respond in any manner to the Party presenting such proposal within thirty (30) days (or within any such shorter time period that may be required by applicable Law or court order) of receipt of such proposal, then the Party receiving such proposal shall be deemed to have consented to the terms of such proposal.

## 4.6 Additional Matters

(a) *Timing of Payments.* Indemnification or contribution payments in respect of any Liabilities for which an Indemnitee is entitled to indemnification or contribution under this <u>Article IV</u> shall be paid reasonably promptly (but in any event within thirty (30) days of the final determination of the amount that the Indemnitee is entitled to indemnification or contribution under this <u>Article IV</u>) by the Indemnifying Party to the Indemnitee as such Liabilities are incurred upon demand by the Indemnitee, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution with respect to calculations made and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution provisions contained in this <u>Article IV</u> shall remain operative and in full force and effect, regardless of (i) any investigation made at any time by or on behalf of any Indemnitee and (ii) the knowledge at any time by the Indemnitee of Liabilities for which it might be entitled to indemnification hereunder.

(b) Notice of Direct Claims. Any claim for indemnification or contribution under this Agreement or any Ancillary Agreement that does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnitee to the applicable Indemnifying Party; provided that the failure by an Indemnitee to so assert any such claim shall not prejudice the ability of the Indemnitee to do so at a later time except to the extent (if any) that the Indemnifying Party is actually prejudiced thereby. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such thirty (30)-day period, such specified claim shall be conclusively deemed a Liability of the Indemnifying Party under this Section 4.6(b) or, in the case of any written notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of the claim (or such portion thereof) becomes finally determined. If such Indemnifying Party does not respond within such thirty (30)-day period or rejects such claim in whole or in part, such Indemnitee shall, subject to the provisions of <u>Article VII</u>, be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements, as applicable, without prejudice to its continuing rights to pursue indemnification or contribution hereunder.

(c) *Pursuit of Claims Against Third Parties.* If (i) a Party incurs any Liability arising out of this Agreement or any Ancillary Agreement; (ii) an adequate legal or equitable remedy is not available for any reason against each other Party to satisfy the Liability incurred by the incurring Party; and (iii) a legal or equitable remedy may be available to any other Party against a Third Party for such Liability, then such other Party shall use its commercially reasonable efforts to cooperate with the incurring Party, at the incurring Party's expense, to permit the incurring Party to obtain the benefits of such legal or equitable remedy against the Third Party.

(d) *Subrogation.* In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable

40

manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(e) Substitution. In the event of an Action for which a Party is entitled to indemnification hereunder in which the Indemnifying Party is not a named defendant, if either the Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in <u>Section 4.5</u> and this <u>Section 4.6</u>, and, subject to the other provisions of this <u>Article IV</u>, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses), the costs of any judgment or settlement and the cost of any interest or penalties relating to any judgment or settlement.

# 4.7 <u>Right of Contribution</u>.

(a) *Contribution.* If any right of indemnification contained in <u>Section 4.2</u> or <u>Section 4.3</u> is held unenforceable or is unavailable for any reason, or is insufficient to hold harmless an Indemnitee in respect of any Liability for which such Indemnitee is entitled to indemnification hereunder, then the Indemnifying Party shall contribute to the amounts paid or payable by the Indemnitees as a result of such Liability (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the other members of its Group, on the one hand, and the Indemnitees entitled to contribution, on the other hand, as well as any other relevant equitable considerations.

(b) Allocation of Relative Fault. Solely for purposes of determining relative fault pursuant to this <u>Section 4.7</u>: (i) any fault associated with the business conducted with the Delayed SpinCo Assets or Delayed SpinCo Liabilities (except for the gross negligence or intentional misconduct of a member of the YUM Group) or with the ownership, operation or activities of the SpinCo Business prior to the Effective Time shall be deemed to be the fault of SpinCo, YCCL and the other members of the SpinCo Group, and no such fault shall be deemed to be the fault of YUM or any other member of the YUM Group; and (ii) any fault associated with the business conducted with Delayed YUM Assets or Delayed YUM Liabilities (except for the gross negligence or intentional misconduct of a member of the SpinCo Group) or with the ownership, operation or activities of the YUM Business prior to the Effective Time shall be deemed to be the fault of YUM and the other members of the YUM Group, and no such fault shall be deemed to be the fault of SpinCo, YCCL or any other member of the SpinCo Group.

4.8 <u>Covenant Not to Sue</u>. Each Party hereby covenants and agrees that none of it, the other members of such Party's Group or any Person claiming through it or any of them shall bring suit or otherwise assert any claim against any Indemnitee, or assert a defense against any claim asserted by any Indemnitee, before any court, arbitrator, mediator or administrative agency anywhere in the world, alleging that: (a) the assumption of any SpinCo Liabilities by SpinCo, YCCL or any other member of the SpinCo Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; (b) the retention of any YUM Liabilities by YUM or a member of the YUM Group on the terms and conditions set

forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; or (c) the provisions of this <u>Article IV</u> are void or unenforceable for any reason.

4.9 <u>Remedies Cumulative</u>. The remedies provided in this <u>Article IV</u> shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

4.10 <u>Survival of Indemnities</u>. The rights and obligations of each of YUM and the SpinCo Parties and the respective Indemnitees under this <u>Article IV</u> shall survive (a) the sale or other transfer by any Party or any member of its respective Group of any assets or businesses or the assignment by it of any liabilities; or (b) any merger, consolidation, business combination, sale of all or substantially all of its Assets, restructuring, recapitalization, reorganization or similar transaction involving a Party or any of the other members of such Party's Group.

# 4.11 Coordination with Ancillary Agreements.

(a) The provisions of <u>Sections 4.2</u> through <u>4.10</u> and <u>Sections 4.12</u> through <u>4.13</u> shall not apply with respect to Taxes or Tax matters (including the control of Tax related proceedings), which shall be governed exclusively by the Tax Matters Agreement. In the case of any conflict between this Agreement and the Tax Matters Agreement in relation to any matters addressed by the Tax Matters Agreement, the Tax Matters Agreement shall prevail.

(b) The provisions of <u>Sections 4.2</u> through <u>4.10</u> shall not apply (except as expressly set forth in the applicable Ancillary Agreement) with respect to the representations, warranties, covenants and agreements set forth in the Master License Agreement, the Guaranty or the Transition Services Agreement, which shall be governed by the Master License Agreement, the Guaranty and the Transition Services Agreement, respectively. In the case of any conflict between this Agreement shall prevail. In the case of any conflict between this Agreement and the Guaranty in relation to any matters addressed by the Guaranty, the Guaranty shall prevail. In the case of any conflict between this Agreement and the Transition Services Agreement in relation to any matters addressed by the Transition to any matters addressed by the Transition Services Agreement, the Transition Services Agreement in relation to any matters addressed by the Transition Services Agreement, the Transition Services Agreement in relation to any matters addressed by the Transition Services Agreement, the Transition Services Agreement in relation to any matters addressed by the Transition Services Agreement, the Transition Services Agreement shall prevail.

4.12 <u>Management of Certain Actions</u>. This <u>Section 4.12</u> shall govern the direction of certain pending and future Actions in which members of the SpinCo Group or the YUM Group are named as parties, but shall not alter the allocation of Liabilities set forth in <u>Article II</u> or the rights and obligations under <u>Section 4.5</u> unless expressly set forth in this <u>Section 4.12</u>.

(a) *Management of SpinCo Specified Actions*. From and after the Effective Time, the SpinCo Group shall direct the defense or prosecution of any (i) SpinCo Specified Actions and (ii) any other Actions that constitute only SpinCo Liabilities or SpinCo Assets. If an Action that constitutes solely a SpinCo Liability or a SpinCo Asset is commenced after the Effective Time naming a member of the YUM Group as a party thereto, then the SpinCo Parties shall use their respective commercially reasonable efforts to cause such member of the YUM Group to be removed as a party to such Action. No Party shall add any other Party (or any other

42

member of its Group) to any Action pending as of the Effective Time without the prior written consent of such other Party.

(b) *Management of YUM Specified Actions*. From and after the Effective Time, the YUM Group shall direct the defense or prosecution of any (i) YUM Specified Actions and (ii) any other Actions that constitute only YUM Liabilities or YUM Assets. If an Action that constitutes solely a YUM Liability or a YUM Asset is commenced after the Effective Time naming a member of the SpinCo Group as a party thereto, then YUM shall use its commercially reasonable efforts to cause such member of the SpinCo Group to be removed as a party to such Action. No Party shall add any other Party (or any other Member of its Group) to any Action pending as of the Effective Time without the prior written consent of such other Party.

Management of Mixed Actions. From and after the Effective Time, the Parties shall jointly manage (whether as co-defendants or (c)co-plaintiffs) any (i) Actions set forth on Schedule 4.12(c) (except as otherwise set forth therein) and (ii) any other Action that constitutes both a SpinCo Liability and a YUM Liability (clauses (i) and (ii), the "Mixed Actions"). The Parties shall reasonably cooperate and consult with each other, and to the extent necessary or advisable, maintain a joint defense in a manner that would preserve for YUM, SpinCo and their respective Affiliates any attorney-client privilege, joint defense or other privilege with respect to Mixed Actions. Notwithstanding anything to the contrary herein, the Parties may jointly retain counsel (in which case the cost of counsel shall be shared equally by YUM, on the one hand, and the SpinCo Parties, on the other hand) or retain separate counsel (in which case each Party will bear the cost of its separate counsel) with respect to any Mixed Action; provided that YUM, on the one hand, and the SpinCo Parties, on the other hand, shall share equally discovery and other joint litigation costs. In any Mixed Action, each of YUM and the SpinCo Parties may pursue separate defenses, claims, counterclaims or settlements to those claims relating to the YUM Business or the SpinCo Business, respectively; provided that each Party shall in good faith make all reasonable efforts to avoid adverse effects on any other Party. Notwithstanding anything to the contrary herein, (i) if a judgment is obtained with respect to a Mixed Action, the Parties shall endeavor in good faith to allocate the Liabilities in respect of such judgment between them based on the YUM Business and the SpinCo Business, and otherwise shall share equally such Liabilities; and (ii) if a recovery is obtained with respect to a Mixed Action, the Parties shall endeavor in good faith to allocate the Assets in respect of such recovery between them based on their respective injuries, and otherwise shall share equally such Assets. A Party (or another member of its Group) that is not named as a defendant in a Mixed Action may elect to become a Party to such Mixed Action, and the Party (or other member of its Group) named in such Mixed Action shall reasonably cooperate to have such first Party (or other member of its Group) named in such Mixed Action.

(d) Delegation of Rights of Recovery. To the maximum extent permitted by applicable Law, the rights to recovery of each member of a Party's Group in respect of any past, present or future Action are hereby delegated to such Party. It is the intent of the Parties that the foregoing delegation shall satisfy any Law requiring such delegation to be effected pursuant to a power of attorney or similar instrument. Each of the Parties and each of the other members of its Group shall execute such further instruments or documents as may be necessary to effect such delegation.

43

4.13 <u>Settlement of Actions</u>. No Party managing an Action pursuant to <u>Section 4.12</u> shall settle or compromise such Action without the prior written consent of a Party (not to be unreasonably withheld, conditioned or delayed) if such settlement or compromise would result in any remedy or relief being imposed upon any member of such other Party's Group (or any of such Group's respective past, present or future directors, officers or employees).

### ARTICLE V CERTAIN OTHER MATTERS

# 5.1 Insurance Matters.

(a) YUM and the SpinCo Parties agree to cooperate in good faith to provide for an orderly transition of insurance coverage from the date hereof through the Effective Time. In no event shall YUM, any other member of the YUM Group or any YUM Indemnitee have Liability or obligation whatsoever to any member of the SpinCo Group if any insurance policy or other Contract or policy of insurance shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any Liability of any member of the SpinCo Group for any reason whatsoever or shall not be renewed or extended beyond the current expiration date.

(b) From and after the Effective Time, with respect to any Liabilities incurred by any member of the SpinCo Group prior to the Effective Time, YUM will provide SpinCo with access to, and SpinCo may, upon ten (10) days' prior written notice to YUM, make claims under, YUM's third-party insurance policies that may provide coverage for acts occurring prior to the Effective Time, if renewed, and YUM's historical policies of insurance, but solely to the extent that such policies provided coverage for members of the SpinCo Group prior to the Effective Time; <u>provided</u> that such access to, and the right to make claims under, such insurance policies, shall be subject to the terms and conditions of such insurance policies, including any limits on coverage or scope, any deductibles and other fees and expenses, and shall be subject to the following additional conditions:

(i) The SpinCo Parties shall report any claim to YUM, as promptly as practicable, and in any event in sufficient time so that such claim may be made in accordance with YUM's claim reporting procedures in effect immediately prior to the Effective Time (or in accordance with any modifications to such procedures after the Effective Time communicated by YUM to the SpinCo Parties in writing);

(ii) The SpinCo Parties and the other members of the SpinCo Group shall indemnify, hold harmless and reimburse YUM and the other members of the YUM Group for any deductibles, self-insured retention, fees and expenses incurred by YUM or any members of the YUM Group to the extent resulting from any access to, or any claims made by the SpinCo Parties or any other members of the SpinCo Group under, any insurance provided pursuant to this <u>Section 5.1(b)</u>, including any indemnity payments, settlements, judgments, legal fees and allocated claims expenses and claim handling fees, whether such claims are made by the SpinCo Parties, their employees or Third Parties; and

44

(iii) The SpinCo Parties shall exclusively bear (and neither YUM nor any other members of the YUM Group shall have any obligation to repay or reimburse the SpinCo Parties or any other member of the SpinCo Group for) and shall be liable for all uninsured, uncovered, unavailable or uncollectible amounts of all such claims made by the SpinCo Parties or any other member of the SpinCo Group under the policies as provided for in this <u>Section 5.1(b)</u>. If an insurance policy aggregate is exhausted, or believed likely to be exhausted, due to noticed claims, the SpinCo Group, on the one hand, and the YUM Group, on the other hand, shall be responsible for their pro rata portion of the reinstatement premium, if any, based upon the losses of such Group submitted to YUM's insurance carrier(s) (including any submissions prior to the Effective Time). To the extent that the YUM Group or the SpinCo Group is allocated more than its pro rata portion of such premium due to the timing of losses submitted to YUM's insurance carrier(s), each other Party shall promptly pay the first Party an amount so that each Group has been properly allocated its pro rata portion of the reinstatement premium. Subject to the following sentence, YUM may elect not to reinstate the policy aggregate. In the event that YUM elects not to reinstate the policy aggregate; provided prompt written notice to SpinCo, and SpinCo may direct YUM in writing to, and YUM shall, in such case, reinstate the policy aggregate; provided that the SpinCo Parties shall be responsible for all reinstatement premiums and other costs associated with such reinstatement.

If any member of the YUM Group incurs any Liabilities prior to or in respect of the period prior to the Effective Time for which such member of the YUM Group is entitled to coverage under third-party insurance policies of any member of the SpinCo Group, the same process pursuant to this <u>Section 5.1(b)</u> shall apply, substituting "YUM" for "SpinCo" or "the SpinCo Parties," as applicable, and "the SpinCo Parties" for "YUM."

(c) Except as provided in <u>Section 5.1(b)</u>, from and after the Effective Time, neither the SpinCo Parties nor any other member of the SpinCo Group shall have any rights to or under any of the insurance policies of YUM or any other member of the YUM Group. At the Effective Time, the SpinCo Parties shall have in effect all insurance programs required to comply with the contractual obligations of the SpinCo Parties and the other members of the SpinCo Group and such other insurance policies required by applicable Law or as reasonably necessary or appropriate for companies operating a business similar to the SpinCo Business.

(d) Neither the SpinCo Parties nor any other member of the SpinCo Group, in connection with making a claim under any insurance policy of YUM or any other member of the YUM Group pursuant to this <u>Section 5.1</u>, shall take any action that would be reasonably likely to (i) have an adverse impact on the then-current relationship between YUM or any other member of the YUM Group, on the one hand, and the applicable insurance company, on the other hand; (ii) result in the applicable insurance company terminating or reducing coverage, or increasing the amount of any premium owed by YUM or any other member of the YUM Group under the applicable insurance policy; or (iii) otherwise compromise, jeopardize or interfere with the rights of YUM or any other member of the YUM Group under the applicable insurance policy.

(e) All payments and reimbursements by the SpinCo Parties pursuant to this <u>Section 5.1</u> will be made within thirty (30) days after the SpinCo Parties' receipt of an invoice therefor from YUM. If YUM or any other member of the YUM Group incurs costs to enforce the

45

SpinCo Parties' obligations herein, the SpinCo Parties agrees to indemnify and hold harmless YUM and the other members of the YUM Group for such enforcement costs, including reasonable attorneys' fees. YUM shall retain the exclusive right to control the YUM Group's insurance policies and programs, including the right to erode, exhaust, settle, release, commute, buyback or otherwise resolve disputes with respect to any of its insurance policies and programs and to amend, modify or waive any rights under any such insurance policies and programs, notwithstanding whether any such policies or programs apply to any SpinCo Liabilities and/or claims the SpinCo Parties or any other member of the SpinCo Group has made or could make in the future, and no member of the SpinCo Group shall erode, exhaust, settle, release, commute, buyback or otherwise resolve disputes with insurers of any member of the YUM Group with respect to any of their respective insurance policies and programs, or amend, modify or waive any rights under any such insurance policies and programs. The SpinCo Parties shall and shall cause the other members of the SpinCo Group to cooperate with YUM and share such information as is reasonably necessary in order to permit YUM to manage and conduct the YUM Group's insurance matters as it deems appropriate. Neither YUM nor any of the other members of the YUM Group for any acts or omissions by any member of the SpinCo Group incurred prior to the Effective Time.

(f) YUM shall, and shall cause the other members of the YUM Group to, (i) use commercially reasonable efforts, at SpinCo's reasonable request (and provided that the SpinCo Parties comply with the requirements of <u>Section 5.1(b)</u>), to assist SpinCo in making claims under the YUM Group insurance policies described in <u>Section 5.1(b)</u>, (ii) notify SpinCo within thirty (30) days of any election by YUM to control any claim under a YUM Group insurance policy or program to the extent such claim relates to a SpinCo Asset and/or SpinCo Liability, (iii) promptly (and in any event within thirty (30) days after YUM's receipt thereof) pay over to SpinCo or the applicable member of the SpinCo Group any Insurance Proceeds that are received by YUM or any member of the YUM Group in respect of such claims, and (iv) endeavor to notify SpinCo of any changes to the structure or limit of subsequent renewals relating to directors and officers insurance programs.

(g) This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a Contract of insurance and shall not be construed to waive any right or remedy of any member of the YUM Group in respect of any insurance policy or any other Contract or policy of insurance.

(h) Each of the SpinCo Parties does hereby, for itself and each other member of the SpinCo Group, agree that no member of the YUM Group shall have any Liability whatsoever as a result of the insurance policies and practices of YUM and the other members of the YUM Group as in effect at any time, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

5.2 <u>Late Payments</u>. Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement or any Ancillary Agreement (and any amounts billed or otherwise invoiced or

46

demanded and properly payable that are not paid within thirty (30) days of such bill, invoice or other demand) shall accrue interest from and including the date immediately following the due date therefor through and including the date of payment at a rate per annum equal to the Prime Rate plus three percent (3%). Such rate shall be redetermined at the beginning of each calendar quarter following such due date. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of three hundred sixty-five (365) days and the actual number of days for which due.

5.3 <u>Treatment of Payments for Tax Purposes</u>. For all tax purposes, the Parties agree to treat (i) any payment required by this Agreement (other than payments with respect to interest accruing after the Effective Time) as either a contribution by YUM to SpinCo or a distribution by SpinCo to YUM, as the case may be, occurring immediately prior to the Effective Time or as a payment of an assumed or retained Liability; and (ii) any payment of interest as taxable or deductible, as the case may be, to the Party entitled under this Agreement to receive such payment or required under this Agreement to make such payment, in either case except as otherwise required by applicable Law. In the event that any such payment is made by a member of the YUM Group or the SpinCo Group (other than YUM or SpinCo) or is received by a member of the YUM Group or the SpinCo Group (other than YUM or SpinCo), then for all Tax purposes the Parties shall treat such payment as being made and received by YUM or SpinCo, as the case may be, with corresponding distributions or contributions deemed to occur between YUM and the applicable members of the YUM Group or SpinCo and the applicable members of the SpinCo Group, as the case may be.

5.4 <u>Non-Solicitation</u>. Each Party, agrees that, for a period of twelve (12) months from the Distribution Date, such Party (a "<u>Soliciting</u> <u>Party</u>") shall not, and shall cause the other members of its Group not to, solicit for employment any person who is employed by any member of any other Party's Group (a "<u>Protected Party</u>") at the level of seniority of director or higher without the Protected Party's express written consent; <u>provided</u>, that this <u>Section 5.4</u> shall not prohibit: (i) generalized solicitations that are not directed to employees of the Protected Party; (ii) the solicitation of a person whose employment was terminated by the Protected Party prior to any such solicitation; or (iii) the solicitation of a person who has terminated his or her employment with the Protected Party without any prior solicitation by the Soliciting Party.

5.5 <u>Inducement</u>. The SpinCo Parties acknowledge and agree that YUM's willingness to cause, effect and consummate the Separation and the Distribution has been conditioned upon and induced by the SpinCo Parties' covenants and agreements in this Agreement and the Ancillary Agreements, including the SpinCo Parties' assumption of the SpinCo Liabilities pursuant to the Separation and the provisions of this Agreement and the SpinCo Parties' covenants and agreements and agreements and agreements and the SpinCo Parties' covenants and agreements contained in <u>Article IV</u>.

5.6 <u>Post-Effective Time Conduct</u>. The Parties acknowledge that, after the Effective Time, YUM (and the other members of the YUM Group) shall be independent of SpinCo (and the other members of the SpinCo Group), and SpinCo (and the other members of the SpinCo Group) shall be independent of YUM (and the other members of the YUM Group), in each case with responsibility for its own respective actions and inactions and its own respective Liabilities relating to, arising out of or resulting from the conduct of its business, operations and activities following the Effective Time, except as may otherwise be provided in this Agreement or any

Ancillary Agreement, and each Party shall and shall cause the other members of its Group to (except as otherwise provided in <u>Article IV</u>) use commercially reasonable efforts to prevent such Liabilities from being inappropriately borne by any other Party (or the other members of its Group).

# ARTICLE VI EXCHANGE OF INFORMATION; CONFIDENTIALITY

## 6.1 Agreement for Exchange of Information.

Subject to Section 6.9, any other applicable confidentiality obligations, any Ancillary Agreement or any other agreement between (a) the Parties or other members of their respective Groups, each of YUM and each of the SpinCo Parties, on behalf of itself and each other member of its respective Group, agrees to use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to each other Party and the other members of such other Party's Group, at any time before, on or after the Effective Time, as soon as reasonably practicable after written request therefor, any information (or a copy thereof) in the possession or under the control of such Party or any other member of such Party's Group to the requesting Party or other member of such Party's Group to the extent that (i) such information relates to the SpinCo Business, or any SpinCo Asset or SpinCo Liability, if a SpinCo Party or any other member of the SpinCo Group is the requesting Party, or to the YUM Business, or any YUM Asset or YUM Liability, if YUM or any other member of the YUM Group is the requesting Party; (ii) such information is required by the requesting Party to comply with its obligations under this Agreement or any Ancillary Agreement; or (iii) such information is required by the requesting Party or any other member of such Party's Group to comply with any obligation imposed by any Governmental Authority; provided, however, that, if the Party to whom the request has been made determines that any such provision of information could be detrimental to the Party providing the information or any other member of such Party's Group, violate any Law or agreement, or waive any privilege available under applicable Law, including any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit compliance with such obligations to the extent and in a manner that avoids any such harm or consequence. The Party providing information pursuant to this Section 6.1 shall only be obligated to provide such information in the form, condition and format in which it then exists, and in no event shall such Party be required to perform any improvement, modification, conversion, updating or reformatting of any such information, and nothing in this Section 6.1 shall expand the obligations of a Party under Section 6.4.

(b) Without limiting the generality of the foregoing, until the end of the SpinCo fiscal year during which the Distribution Date occurs (and for a reasonable period of time afterwards as required for each Party to prepare consolidated financial statements or complete a financial statement audit for the fiscal year during which the Distribution Date occurs), each Party shall use its commercially reasonable efforts to cooperate with each other Party's information requests to enable (i) each other Party to meet its timetable for dissemination of its earnings releases, financial statements and management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K promulgated under the Exchange Act; and (ii) each other Party's accountants to timely complete their review of the quarterly financial statements and

48

audit of the annual financial statements, including, to the extent applicable to such Party, its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, the SEC's and Public Company Accounting Oversight Board's rules and auditing standards thereunder and any other applicable Laws.

6.2 <u>Ownership of Information</u>. The provision of any information pursuant to <u>Section 6.1</u> or <u>6.7</u> shall not affect the ownership of such information (which shall be determined solely in accordance with the terms of this Agreement and the Ancillary Agreements), or constitute a grant of rights in or to any such information.

6.3 <u>Compensation for Providing Information</u>. Subject to any Ancillary Agreement or any other agreement between the Parties or other members of their respective Groups, the Party requesting information agrees to reimburse each other Party for the reasonable costs, if any, of creating, gathering, copying, transporting and otherwise complying with the request with respect to such information (including any reasonable costs and expenses incurred in any review of information for purposes of protecting the Privileged Information of the providing Party or any other member of such Party's Group or in connection with the restoration of backup media for purposes of providing the requested information). Except as may be otherwise specifically provided elsewhere in this Agreement, any Ancillary Agreement or any other agreement between the Parties or other members of their respective Groups, such costs shall be computed in accordance with the providing Party's standard methodology and procedures as may be provided to each other Party from time to time.

6.4 <u>Record Retention</u>. To facilitate the possible exchange of information pursuant to this <u>Article VI</u> and other provisions of this Agreement after the Effective Time, each of the Parties agrees to use (and to cause the other members of its respective Group to use) commercially reasonable efforts, which shall be no less rigorous than those used for retention of such Party's own information, to retain all information in their respective possession or control on the Effective Time in accordance with the policies of YUM as in effect on the Effective Time or such other policies as may be adopted by YUM after the Effective Time (<u>provided</u>, that, in the case of SpinCo or YCCL, that YUM notifies SpinCo of any such change); <u>provided</u>, that in the case of any information relating to Taxes, such retention period shall be extended to the expiration of the applicable statute of limitations (giving effect to any extensions thereof). Notwithstanding the foregoing, Section 6.5 of the Tax Matters Agreement will govern the retention of Tax related records.

6.5 <u>Limitations of Liability</u>. No Party shall have any Liability to any other Party in the event that any information exchanged or provided pursuant to this Agreement is found to be inaccurate in the absence of gross negligence, bad faith or willful misconduct by the Party providing such information. No Party shall have any Liability to any other Party if any information is destroyed after commercially reasonable efforts by such Party to comply with the provisions of <u>Section 6.4</u>.

6.6 Other Agreements Providing for Exchange of Information.

(a) The rights and obligations granted under this <u>Article VI</u> are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention, use or confidential treatment of information set forth in any Ancillary Agreement or any other agreement between the Parties or other members of their respective Groups.

(b) If a Party (or any other member of its respective Group) receives, pursuant to a request for information in accordance with this <u>Article VI</u>, Tangible Information that is not relevant to its request, such Party shall, at the request of the providing Party, (i) return it to the providing Party or, at the providing Party's request, destroy such Tangible Information; and (ii) deliver to the providing Party written confirmation that such Tangible Information was returned or destroyed, as the case may be, which confirmation shall be signed by an authorized representative of the requesting Party.

# 6.7 <u>Production of Witnesses; Records; Cooperation</u>.

(a) After the Effective Time, except in the case of an adversarial Action or Dispute between YUM and SpinCo, or any other members of their respective Groups, each Party shall use its commercially reasonable efforts to make available to each other Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its Group's control or which its Group otherwise has the ability to make available without undue burden, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting Party (or member of such Party's Group) may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all costs and expenses in connection therewith.

(b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third-Party Claim, each other Party shall make available to such Indemnifying Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its Group's control or which its Group otherwise has the ability to make available without undue burden, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with such defense, settlement or compromise, and shall otherwise cooperate in such defense, settlement or compromise.

(c) Without limiting the foregoing, except in the case of an adversarial Action or Dispute between YUM and SpinCo or any other members of their respective Groups, the Parties shall cooperate and consult to the extent reasonably necessary with respect to any Actions.

(d) Without limiting any provision of this <u>Section 6.7</u> and subject to the terms of the Master License Agreement, each of the Parties agrees to cooperate, and to cause each other member of its respective Group to cooperate, with each other in the defense of any infringement or similar claim with respect to any Intellectual Property and shall not claim to acknowledge, or

50

permit any other member of its respective Group to claim to acknowledge, the validity or infringing use of any Intellectual Property of a Third Party in a manner that would hamper or undermine the defense of such infringement or similar claim.

(e) The obligation of the Parties to provide witnesses pursuant to this <u>Section 6.7</u> is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses directors, officers, employees, other personnel and agents without regard to whether such person could assert a possible business conflict (subject to the exception set forth in the first sentence of <u>Section 6.7(a)</u>).

# 6.8 <u>Privileged Matters</u>.

(a) The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the YUM Group and the SpinCo Group, and that each of the members of the YUM Group and the SpinCo Group should be deemed to be the client with respect to such services for the purposes of asserting all privileges which may be asserted under applicable Law in connection therewith. The Parties recognize that legal and other professional services will be provided following the Effective Time, which services will be rendered solely for the benefit of the YUM Group or the SpinCo Group, as the case may be.

(b) The Parties agree as follows:

(i) YUM shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the YUM Business and not to the SpinCo Business, whether or not the Privileged Information is in the possession or under the control of any member of the YUM Group or any member of the SpinCo Group. YUM shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any YUM Specified Actions or to any YUM Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of any member of the YUM Group or any member of the SpinCo Group; and

(ii) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the SpinCo Business and not to the YUM Business, whether or not the Privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the YUM Group. SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any SpinCo Specified Actions or to any SpinCo Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the SpinCo Group or any member of the SpinCo Group.

(iii) If the Parties do not agree as to whether certain information is Privileged Information, then such information shall be treated as Privileged Information,

and the Party that believes that such information is Privileged Information shall be entitled to control the assertion or waiver of all privileges and immunities in connection with any such information until such time as it is finally judicially determined that such information is not Privileged Information, unless the Parties otherwise agree. The Parties shall use the procedures set forth in <u>Article VII</u> to resolve any Disputes as to whether any information relates solely to the YUM Business, solely to the SpinCo Business, or to both the YUM Business and the SpinCo Business.

(c) Subject to the remaining provisions of this <u>Section 6.8</u>, the Parties agree that they shall have a shared privilege or immunity with respect to all privileges and immunities not allocated pursuant to <u>Section 6.8(b)</u> and all privileges and immunities relating to any Actions or other matters that involve both YUM and SpinCo (or one (1) or more members of their respective Groups) and in respect of which both YUM and SpinCo have Liabilities under this Agreement, and that no such shared privilege or immunity may be waived by any Party (or another member of its Group) without the written consent of each other Party.

(d) If any Dispute arises between the Parties or any other members of their respective Groups regarding whether a privilege or immunity should be waived to protect or advance the interests of any Party and/or any other member of their respective Groups, each Party agrees that it shall (i) negotiate with each other Party in good faith; (ii) endeavor to minimize any prejudice to the rights of any other Party (and the other members of the Group); and (iii) not unreasonably withhold consent to any request for waiver by any other Party. Further, each Party specifically agrees that it shall not withhold its consent to the waiver of a privilege or immunity for any purpose except in good faith to protect its own legitimate interests.

(e) Subject to <u>Section 6.9</u>, in the event of any adversarial Action or Dispute between YUM and SpinCo, or any other members of their respective Groups, any Party may waive a privilege in which any other Party or member of such other Party's Group has a shared privilege, without obtaining consent pursuant to <u>Section 6.8(c)</u>; provided that such waiver of a shared privilege shall be effective only as to the use of information with respect to the Action or Dispute between the Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared privilege with respect to any Third Party.

(f) Upon receipt by any Party, or by any other member of its respective Group, of any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of Privileged Information subject to a shared privilege or immunity or as to which another Party has the sole right hereunder to assert a privilege or immunity, or if any Party obtains knowledge that any of its, or any other member of its respective Group's, current or former directors, officers, agents or employees have received any subpoena, discovery or other requests that may reasonably be expected to result in the production or disclosure of such Privileged Information, such Party shall promptly notify each other Party of the existence of the request (which notice shall be delivered to such other Party no later than five (5) business days following the receipt of any such subpoena, discovery or other request) and shall provide each other Party a reasonable opportunity to review the Privileged Information and to assert any rights it or they may have under this <u>Section 6.8</u> or otherwise, to prevent the production or disclosure of such Privileged Information.

52

(g) Any furnishing of, or access or transfer of, any information pursuant to this Agreement is made in reliance on the agreements of YUM and the SpinCo Parties set forth in this Section 6.8 and in Section 6.9 to maintain the confidentiality of Privileged Information and to assert and maintain all applicable privileges and immunities. The Parties agree that their respective rights to any access to information, witnesses and other Persons, the furnishing of notices and documents and other cooperative efforts between the Parties contemplated by this Agreement, and the transfer of Privileged Information between the Parties and members of their respective Groups pursuant to this Agreement, shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

(h) The Parties acknowledge that members of the YUM Group and members of the SpinCo Group may have or develop interests adverse to each other following the Effective Time. Each Party hereby waives (i) any and all current and future objections to any outside counsel that represented YUM or any of its Affiliates prior to the Effective Time from continuing to represent or in the future representing their respective clients or any Party (or any members of such Party's Group) in any matter, including matters in which members of the YUM Group and members of the SpinCo Group are adverse and Disputes relating to this Agreement or any Ancillary Agreement and (ii) all current and future rights to seek disqualification, whether based on the possession or disclosure of confidential information or otherwise, of any such outside counsel from any representation of their respective clients or any Party (or any members of such Party's Group) in any matter, including matters in which members of the YUM Group and members of the SpinCo Group are adverse and Disputes relating to this Agreement or any Ancillary Agreement and (ii) all current and future rights to seek disqualification, whether based on the possession or disclosure of confidential information or otherwise, of any such outside counsel from any representation of their respective clients or any Party (or any members of such Party's Group) in any matter, including matters in which members of the YUM Group and members of the SpinCo Group are adverse and Disputes relating to this Agreement or any Ancillary Agreement.

(i) In connection with any matter contemplated by <u>Section 6.7</u> or this <u>Section 6.8</u>, the Parties agree to, and to cause the other members of their respective Groups to, use commercially reasonable efforts to maintain their respective separate and joint privileges and immunities, including by executing joint defense and/or common interest agreements where necessary or useful for this purpose.

# 6.9 <u>Confidentiality</u>.

(a) Confidentiality. Subject to Section 6.10, any Ancillary Agreement and any other agreement between the Parties or other members of their respective Groups, from and after the Effective Time until the five (5)-year anniversary of the Effective Time, each of YUM and each of the SpinCo Parties shall, and shall cause each other member of its respective Group to, and shall cause its and their respective Representatives to, hold in strict confidence, with at least the same degree of care that applies to YUM's confidential and proprietary information pursuant to policies in effect as of the Effective Time, all confidential and proprietary information concerning each other Party or any other member of such other Party's respective Group or their respective businesses that is either in its possession (including confidential and proprietary information in its possession prior to the date hereof) or furnished by any such other Party or any other member of such Party's Group or its or their respective Representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and not use any such confidential and proprietary information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such confidential and proprietary information has been (i) in the public domain or generally available to the public, other than as a result of a

disclosure by such Party or any other member of such Party's Group or any of their respective Representatives in violation of this Agreement, any Ancillary Agreement or any other agreement between the Parties or other members of their respective Groups, (ii) later lawfully acquired from other sources by such Party (or any other member of such Party's Group) which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality to any other Party (or any other member of such Party's Group) with respect to such confidential and proprietary information, (iii) independently developed or generated without reference to or use of any proprietary or confidential information of any other Party or any other member of such Party's Group, or (iv) determined by YUM, in its reasonable discretion, to be information required to be disclosed pursuant to federal, state or other applicable securities Laws or the rules of any applicable securities exchange, including in YUM's periodic filings made under the Exchange Act. If any confidential and proprietary information of one Party or any other member of such Party's Group is disclosed to any other Party or any member of such other Party's Group in connection with providing services to such first Party or any other member of such first Party's Group under this Agreement or any Ancillary Agreement, then such disclosed confidential and proprietary information shall be used only as required to perform such services.

(b) *No Release; Return or Destruction.* Each Party agrees not to release or disclose, or permit to be released or disclosed, any information addressed in <u>Section 6.9(a)</u> to any other Person, except its Representatives who need to know such information in their capacities as such (who shall be advised of their obligations hereunder with respect to such information), and except in compliance with <u>Section 6.10</u>.

(c) Third-Party Information; Privacy or Data Protection Laws. Each Party acknowledges that it and members of such Party's Group may presently have and, following the Effective Time, may gain access to or possession of confidential or proprietary information of, or personal information relating to, Third Parties (i) that was received under privacy policies and/or confidentiality or non-disclosure agreements entered into between such Third Parties, on the one hand, and any other Party or members of such other Party's Group, on the other hand, prior to the Effective Time; or (ii) that, as between the Parties, was originally collected by any other Party or members of such other Party's Group and that may be subject to and protected by privacy policies, as well as privacy, data protection or other applicable Laws. Subject to any Ancillary Agreement and any other agreement between the Parties or other members of their respective Groups, each Party agrees that it shall hold, protect and use, and shall cause the members of its respective Group and its respective Representatives to hold, protect and use, in strict confidence the confidential and proprietary information of, or personal information relating to, Third Parties in accordance with privacy policies and privacy, data protection or other applicable Laws or the representations that were made before the Effective Time by, between or among any other Party or members of any other Party's Group, on the one hand, and such Third Parties, on the other hand.

6.10 <u>Protective Arrangements</u>. In the event that a Party or any other member of such Party's Group either determines on the advice of its counsel that it is required to disclose any information pursuant to applicable Law or receives any request or demand under lawful process or from any Governmental Authority to disclose or provide information of any other Party (or any other member of any other Party's Group) that is subject to the confidentiality provisions hereof, such Party shall notify each other Party (to the extent legally permitted) as promptly as practicable

54

under the circumstances prior to disclosing or providing such information and shall cooperate, at such other Party's cost and expense, in seeking any appropriate protective order reasonably requested by any other Party. In the event that such other Party fails to receive such appropriate protective order in a timely manner and the Party (or other member of such Party's Group) so required or receiving the request or demand reasonably determines that its failure to disclose or provide such information will actually prejudice the Party (or member of such Party's Group) so required or receiving the request or demand (or other member of such Party's Group), then the Party (or member of such Party's Group) so required or that received such request or demand (or other member of such Party's Group) may thereafter disclose or provide information to the extent required by such Law (as so advised by its counsel) or by lawful process or such Governmental Authority, and the disclosing Party (or other member of such Party's Group) shall promptly provide each other Party with a copy of the information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such information was disclosed, in each case to the extent legally permitted.

# ARTICLE VII DISPUTE RESOLUTION

7.1 <u>Good-Faith Negotiation</u>. Subject to <u>Section 7.8</u>, any Party seeking resolution of any dispute, controversy or claim arising out of or relating to this Agreement or any Ancillary Agreement (other than the Master License Agreement or the Guaranty) (a "<u>Dispute</u>") shall provide written notice thereof to each other Party (an "<u>Initial Notice</u>"). For a period of thirty (30) days following the delivery of the Initial Notice, the Parties shall attempt in good faith to negotiate a resolution of the Dispute. The negotiations shall be conducted by the appropriate executives of each Party who have authority to resolve the Dispute. All such negotiations shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Parties are unable for any reason to resolve a Dispute within thirty (30) days after the delivery of the Initial Notice (which period may be extended by written agreement of the Parties) or if a Party reasonably concludes that each other Party is not willing to negotiate as contemplated by this <u>Section 7.1</u>, the Dispute shall be submitted to mediation in accordance with <u>Section 7.2</u>.

7.2 <u>Mandatory Mediation</u>. Any Dispute not resolved pursuant to <u>Section 7.1</u> shall, at the written request of any Party (a "<u>Mediation</u> <u>Request</u>"), be submitted to mandatory mediation in accordance with the then current International Institute for Conflict Prevention and Resolution ("<u>CPR</u>") Mediation Procedure, except as modified herein. The mediation shall be held in English in Dallas, Texas, U.S.A. or such other place as the Parties may mutually agree in writing. YUM and SpinCo shall have twenty (20) days from receipt by a Party of a Mediation Request to agree on a mediator. If no mediator has been agreed upon by YUM and SpinCo within twenty (20) days of receipt by a Party of a Mediation Request, then YUM or SpinCo may request (on written notice to each other Party) that CPR appoint a mediator in accordance with the CPR Mediation Procedure. The costs and expenses of any such mediation, including compensation and expenses of the mediator, shall be borne by YUM and SpinCo, except for any Party's own legal costs (which are separately addressed in <u>Section 7.7</u>). All mediation pursuant to this <u>Section 7.2</u> shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Dispute has not been resolved within sixty (60) days of the appointment of a mediator, or within ninety (90) days after receipt by a Party of a Mediation

Request (whichever occurs sooner), or within such longer period as the Parties may agree to in writing, then the Dispute shall be submitted to binding confidential arbitration in accordance with <u>Section 7.3</u>.

# 7.3 <u>Confidential Arbitration</u>.

(a) In the event that a Dispute has not been resolved within sixty (60) days of the appointment of a mediator in accordance with Section 7.2, or within ninety (90) days after receipt by a Party of a Mediation Request (whichever occurs sooner), or within such longer period as the Parties

may agree to in writing, then such Dispute shall, at the written request of YUM or SpinCo (the "<u>Arbitration Request</u>") be submitted to be finally resolved by binding confidential arbitration pursuant to the then current CPR Rules for Administered Arbitration (the "<u>Administered Rules</u>"), except as modified herein. The details of the arbitration shall be as set forth in this <u>Section 7.3</u>.

(b) Unless otherwise agreed by the Parties in writing, any Dispute to be decided pursuant to this <u>Section 7.3</u> will be decided (i) before a sole arbitrator if the amount in dispute, inclusive of all claims and counterclaims, totals less than \$5 million; or (ii) by a panel of three (3) arbitrators if the amount in dispute, inclusive of all claims and counterclaims, totals \$5 million or more or involves a request for non-monetary relief.

(c) The panel of three (3) arbitrators will be chosen as follows: (i) within fifteen (15) days from the date of the receipt of the Arbitration Request, YUM and SpinCo will name an arbitrator; and (ii) the two (2) Party-appointed arbitrators will thereafter, within thirty (30) days from the date on which the second of the two (2) arbitrators was named, name a third, independent arbitrator who will act as chairperson of the arbitral tribunal. In the event that YUM or SpinCo fails to name an arbitrator within fifteen (15) days from the date of receipt of the Arbitration Request, then, upon written application by YUM or SpinCo, that arbitrator shall be appointed pursuant to the Administered Rules. In the event that the two (2) Party-appointed arbitrators fail to appoint the third within the time frame specified above or in the event that YUM or SpinCo fails to name an arbitrator will be appointed pursuant to the Administered Rules. If the arbitration will be before a sole independent arbitrator, then the sole independent arbitrator will be appointed by agreement of YUM and SpinCo within fifteen (15) days of the date of receipt of the Arbitration Request. If the Parties cannot agree to a sole independent arbitrator during such fifteen (15) day period, then upon written application by YUM or SpinCo, the sole independent arbitrator will be appointed pursuant to the Administered Rules.

(d) The arbitration shall be conducted in English. Any document that a Party seeks to use that is not in English shall be provided along with an English translation.

(e) The place of arbitration shall be Dallas, Texas, U.S.A.

(f) The arbitrator or arbitrators shall establish procedures under which each Party will be entitled to conduct discovery.

56

(g) The arbitrator or arbitrators shall award to the substantially prevailing Party (as determined by arbitrator or arbitrators) the costs and expenses of the proceeding, including reasonable attorneys' and experts' fees.

(h) The arbitrator or arbitrators will issue a reasoned award.

(i) The arbitrator or arbitrators will have the right to award, on an interim basis, or include in the final award, any relief which the arbitrator or arbitrators deems proper in the circumstances, including money damages (with interest on unpaid amounts from the due date) and injunctive relief (including specific performance and other equitable relief); provided that the arbitrator or arbitrators will not award any relief not specifically requested by a Party and, in any event, will not award any relief not permitted by this Agreement or the applicable Ancillary Agreement.

(j) Notwithstanding anything herein to the contrary, the Parties agree that the award rendered by the arbitrator or arbitrators (the "<u>Original Award</u>") may be appealed under the CPR Arbitration Appeal Procedure ("<u>Appeal Procedure</u>"). Appeals must be initiated within thirty (30) days of receipt of an Original Award, in accordance with the Appeal Procedure, by filing a written notice with CPR. The Original Award shall not be considered final until after the expiration of the time for filing the notice of appeal pursuant to the Appeal Procedure. Unless otherwise agreed by the Parties, the appeal shall be conducted at the place of the original arbitration.

(k) Any Original Award rendered by the arbitrator or arbitrators that is not timely appealed in accordance with the foregoing provisions or that is not modified by the appeal tribunal, and any award as modified or established by the appeal tribunal, shall be final and judgment may be entered thereon in any court having jurisdiction thereof.

(1) Subject to Section 7.3(g), the costs and expenses of any such arbitration, including compensation and expenses of the arbitrator or arbitrators, shall be borne by YUM and SpinCo equally, except for each Party's own legal costs (which are separately addressed in Section 7.7).

7.4 <u>Confidentiality</u>. No oral or documentary representations made by the Parties during any negotiation, mediation or arbitration conducted pursuant to this <u>Article VII</u> shall be admissible for any purpose in any subsequent proceedings. YUM shall not, and shall cause the other members of its respective Group not to, and the SpinCo Parties shall not, and shall cause the other members of the SpinCo Group not to, disclose any information provided or documents produced by a member of the other Group in any negotiation, mediation or arbitration conducted pursuant to this <u>Article VII</u> or any information about the existence, contents or results of any such negotiation, mediation or arbitration without the prior written consent of YUM (in the case of disclosure by a member of the SpinCo Group) or the SpinCo Parties (in the case of disclosure by a member of the YUM Group), except in the course of a judicial or regulatory proceeding or as may be required by Law or the rules of any applicable securities exchange or requested by a Governmental Authority. Before it or another member of its respective Group makes any disclosure permitted by the preceding sentence, each of YUM and SpinCo shall, to the extent

reasonably practicable, give each other Party reasonable written notice of the intended disclosure and afford each other Party a reasonable opportunity to protect its interests.

7.5 <u>Conduct and Tolling During Dispute Resolution Process</u>. Unless otherwise agreed in writing, the Parties shall, and shall cause the members of their respective Group to, continue to honor all commitments and obligations under this Agreement and each Ancillary Agreement to the extent required thereby during the course of dispute resolution pursuant to the provisions of this <u>Article VII</u>, unless such commitments or obligations are the specific subject of the Dispute at issue. The initiation of mediation or arbitration pursuant to this <u>Article VII</u> will toll the applicable statute of limitations for the duration of any such proceedings.

7.6 <u>Limitations Period</u>. Any claim arising out of or relating to this Agreement or any Ancillary Agreement (other than the Master License Agreement or the Guaranty) shall be governed by the statute of limitations under the governing law set forth in <u>Section 10.2</u>.

7.7 Enforcement Costs. Except as otherwise provided in this <u>Article VII</u>, each Party shall bear its own legal costs (including attorneys' and experts' fees, and all other expenses) incurred in enforcing this Agreement or in otherwise pursuing, or defending against, a claim, demand, action or proceeding under or in connection with this Agreement.

7.8 <u>Litigation and Unilateral Commencement of Arbitration</u>. Notwithstanding the foregoing provisions of this <u>Article VII</u>, (a) a Party may seek preliminary provisional or injunctive judicial relief from a court with respect to a Dispute without first complying with the procedures set forth in <u>Section 7.2</u> and <u>Section 7.3</u> if such action is reasonably necessary to avoid irreparable damage and (b) a Party may initiate arbitration before the expiration of the periods specified in <u>Section 7.2</u> and <u>Section 7.3</u> if such Party has submitted a Mediation Request and the other Parties have failed, within the applicable periods set forth in <u>Section 7.2</u> and <u>Section 7.3</u>, to agree upon a date for the first mediation session to take place within twenty (20) days after the appointment of the mediator.

# ARTICLE VIII

# FURTHER ASSURANCES AND ADDITIONAL COVENANTS

# 8.1 <u>Further Assurances</u>.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties shall use its reasonable best efforts, prior to, at and after the Effective Time, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, at and after the Effective Time, each Party shall cooperate with each other Party, and without any further consideration, but at the expense of the requesting Party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all Approvals or Notifications of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or

58

other instrument (including any consents or Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by any other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the SpinCo Assets and the YUM Assets and the assignment and assumption of the SpinCo Liabilities and the YUM Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each Party will, at the reasonable request, cost and expense of any other Party, take such other actions as may be reasonably necessary to vest in such other Party good and marketable title to the Assets transferred or allocated to such Party under this Agreement or any of the Ancillary Agreements, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) At or prior to the Effective Time, YUM and the SpinCo Parties, in their respective capacities as direct and indirect shareholders of other members of their Groups, shall each approve or ratify any actions that are reasonably necessary or desirable to be taken by YUM, the SpinCo Parties or any of the other members of their respective Groups, as the case may be, to effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

(d) Nothing in this <u>Article VIII</u> shall limit or affect the provisions of <u>Section 3.1(a)</u> or <u>Article IX</u>.

# ARTICLE IX TERMINATION

9.1 <u>Termination</u>. Notwithstanding any provision to the contrary, this Agreement and all Ancillary Agreements may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by YUM, in its sole and absolute discretion, without the approval or consent of any other Person, including either of the SpinCo Parties. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by a duly authorized officer of each of the Parties.

9.2 <u>Effect of Termination</u>. In the event of any termination of this Agreement prior to the Effective Time, this Agreement and all Ancillary Agreements shall become void and no Party (nor any of its Affiliates, directors, officers or employees) shall have any Liability or obligation to any other Party (or any of its Affiliates) by reason of this Agreement.

## ARTICLE X MISCELLANEOUS

10.1 Counterparts; Entire Agreement; Corporate Power; Facsimile Signatures.

(a) This Agreement may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to each other Party.

(b) This Agreement and the Ancillary Agreements contain the entire agreement between the Parties with respect to the subject matter hereof, and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations

with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein.

(c) YUM represents and warrants to the SpinCo Parties, and each of the SpinCo Parties represents and warrants to YUM, as follows:

(i) it has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms hereof.

(d) Each Party acknowledges that it and each other Party, and the other members of their respective Groups, may be executing this Agreement and certain of the Ancillary Agreements by facsimile, stamp or mechanical signature, and agrees that delivery of an executed counterpart of a signature page to this Agreement or any Ancillary Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by email in portable document format (PDF) shall be effective as delivery of such executed counterpart of this Agreement or any Ancillary Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by email in portable document format (PDF)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of any Party at any time, it will as promptly as reasonably practicable cause this Agreement and any Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.

10.2 <u>Governing Law</u>. This Agreement and, unless expressly provided therein, each Ancillary Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any party to enter herein and therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware irrespective of the choice of laws principles of the State of Delaware including all matters of validity, construction, effect, enforceability, performance and remedies.

10.3 <u>Binding Effect; Assignability</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; <u>provided</u> that no Party may assign any of its rights or assign or delegate any of its obligations under this Agreement without the express prior written consent of each other Party.

10.4 <u>No Third-Party Beneficiaries</u>. Except for the indemnification rights under this Agreement of any YUM Indemnitee or SpinCo Indemnitee in their respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties, respectively, and

60

do not and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no Third Party beneficiaries of this Agreement and this Agreement shall not provide any Third Party with any remedy, claim, Liability, reimbursement or other right in excess of those existing without reference to this Agreement.

10.5 Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given to the other Parties in accordance with this Section 10.5):

If to YUM, to:

Yum! Brands, Inc. 1441 Gardiner Lane Louisville, Kentucky 40213 Attention: Scott A. Catlett, Vice President & Deputy General Counsel Facsimile: (502) 874-7637

with copies (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Benjamin M. Roth Facsimile: (212) 403-2000

and

Mayer Brown LLP

71 South Wacker Drive Chicago, Illinois 60606 Attention: Frederick B. Thomas Jodi A. Simala Facsimile: (312) 706-8436

If to SpinCo or YCCL, to:

Yum China Holdings, Inc.

16/F Two Grand Gateway 3 Hongqiao Road Shanghai 200030 The People's Republic of China Attention: Shella Ng, Chief Legal Officer Facsimile: +86-21-2407-7898

61

with copies (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Benjamin M. Roth Facsimile: (212) 403-2000

and

Mayer Brown LLP 71 South Wacker Drive Chicago, Illinois 60606 Attention: Frederick B. Thomas Jodi A. Simala Facsimile: (312) 706-8436

A Party may, by notice to each other Party, change the address to which such notices are to be given.

10.6 <u>Severability</u>. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by an arbitrator or by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect, as closely as possible, the original intent of the Parties.

10.7 <u>Force Majeure</u>. No Party shall be deemed in default of this Agreement for any delay or failure to fulfill any obligation (other than a payment obligation) hereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance of such obligations (other than a payment obligation) shall be extended for a period equal to the time lost by reason of the delay. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to each other Party of the nature and extent of any such Force Majeure condition and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement as soon as reasonably practicable.

10.8 <u>No Set-Off</u>. Except as expressly set forth in any Ancillary Agreement or as otherwise mutually agreed to in writing by the Parties, no Party and no other member of such Party's Group shall have any right of set-off or other similar rights with respect to (a) any amounts payable pursuant to this Agreement or any Ancillary Agreement; or (b) any other amounts claimed to be owed to another Party or any other member of its Group arising out of this Agreement or any Ancillary Agreement.

62

10.9 Expenses. Except as otherwise expressly set forth in this Agreement or any Ancillary Agreement, or as otherwise agreed to in writing by the Parties, all out-of-pocket fees, costs and expenses incurred prior to the Effective Time in connection with the preparation, execution, delivery and implementation of this Agreement and any Ancillary Agreement, the Separation, the Form 10, the Information Statement, the Plan of Reorganization and the Distribution and the consummation of the transactions contemplated hereby and thereby will be borne by the Party or the applicable member of such Party's Group incurring such fees, costs or expenses. The Parties agree that certain specified costs and expenses shall be allocated between the Parties as set forth on <u>Schedule 10.9</u>.

10.10 <u>Headings</u>. The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10.11 <u>Survival of Covenants</u>. Except as expressly set forth in this Agreement, the covenants and agreements contained in this Agreement, and Liability for the breach of any such obligations contained herein, shall survive the Separation and the Distribution and shall remain in full force and effect.

10.12 <u>Waivers of Default; Remedies Cumulative</u>. Waiver by a Party of any default by another Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of another Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Specific Performance. Subject to the provisions of Article VII, in the event of any actual or threatened default in, or breach of, any 10.13 of the terms, conditions and provisions of this Agreement, the Party who is, or is to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

Amendments. No provisions of this Agreement may be waived, amended, supplemented or modified, unless such waiver, 10 14 amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

10.15 Interpretation. In this Agreement, (a) words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be deemed to include the other genders as the context requires; (b) the terms "hereof," "herein," and "herewith" and words of

63

similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Agreement; (c) Article, Section, Schedule and Exhibit references are to the Articles, Sections, Schedules and Exhibits to this Agreement unless otherwise specified; (d) unless otherwise stated, all references to any agreement (including this Agreement and each Ancillary Agreement) shall be deemed to include the exhibits, schedules and annexes to such agreement; (e) references to "\$" shall mean U.S. dollar; (f) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified; (g) the word "or" shall not be exclusive; (h) unless otherwise specified in a particular case, the word "days" refers to calendar days; (i) references to "written" or "in writing" include in electronic form; (j) references to "business day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by law to close in the United States, or Dallas, Texas, or Shanghai, China as the context requires; (k) references herein to this Agreement or any other agreement contemplated herein shall be deemed to refer to this Agreement or such other agreement as of the date on which it is executed and as it may be amended, modified or supplemented thereafter, unless otherwise specified; and (1) unless expressly stated to the contrary in this Agreement, all references to "the date hereof," "the date of this Agreement," "hereby" and "hereupon" and words of similar import shall all be references to October 31, 2016.

10.16 <u>Limitations of Liability</u>. Notwithstanding anything in this Agreement to the contrary, neither the SpinCo Parties or any other member of the SpinCo Group, on the one hand, nor YUM or any other member of the YUM Group, on the other hand, shall be liable under this Agreement to the other for any indirect, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other (other than any such damages awarded to a Third Party with respect to a Third-Party Claim).

Performance. All obligations of the SpinCo Parties under this Agreement are joint and several obligations of SpinCo and YCCL. 10.17 YUM shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the YUM Group. The SpinCo Parties shall cause to be performed, and hereby guarantee the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the SpinCo Group.

Mutual Drafting. This Agreement and the Ancillary Agreements shall be deemed to be the joint work product of the Parties, and 10.18 any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

[Remainder of page intentionally left blank]

64

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized

YUM! BRANDS, INC.

By: /s/ Greg Creed

Name: Greg Creed Title: Chief Executive Officer

YUM CHINA HOLDINGS, INC.

By: /s/ Micky Pant

> Name: Micky Pant Title: Chief Executive Officer

YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

By: /s/ Mark Chu

representatives.

Name:Mark ChuTitle:Legal Representative

[Signature Page to Separation and Distribution Agreement]

#### AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF YUM CHINA HOLDINGS, INC.

Yum China Holdings, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, as the same may be amended (the "DGCL"), hereby certifies as follows:

1. The name of the Corporation is Yum China Holdings, Inc. The Corporation was originally formed as Yum! China Holding, Inc. by filing a Certificate of Incorporation with the Secretary of State of the State of Delaware on April 1, 2016. On June 30, 2016, the Corporation filed a Certificate of Amendment with the Secretary of State of Delaware, which amended the Certificate of Incorporation by changing the name of the Corporation to Yum China Holdings, Inc.

2. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL and by the written consent of its stockholders in accordance with Section 228 of the DGCL.

3. This Amended and Restated Certificate of Incorporation amends and restates, in its entirety, the original Certificate of Incorporation, as amended.

4. Effective as of 12:01 p.m. Eastern time on October 31, 2016, the text of the original Certificate of Incorporation, as amended, is amended and restated to read in its entirety as follows:

FIRST: The name of the corporation is Yum China Holdings, Inc.

SECOND: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

THIRD: The number of shares of stock which the Corporation shall have authority to issue 1,100,000,000 shares, par value \$0.01 per share, of which 1,000,000,000 shares shall be Common Stock, and of which 100,000,000 shares shall be Preferred Stock, with the following powers, preferences and rights, and qualifications, limitations and restrictions.

(a) Except as otherwise provided by law, each share of Common Stock shall have one vote, and, except as otherwise provided in respect of any series of Preferred Stock hereafter issued, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any series of Preferred Stock hereafter issued having a preference on distribution in the liquidation, dissolution or winding up of the Corporation.

(b) Preferred Stock may be issued in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers relative to other classes or series of Preferred Stock, if any, or Common Stock, full or limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions and certificate of designation providing for the issuance of such series adopted by the board of directors of the Corporation (the "Board of Directors"), and the Board of Directors is hereby expressly vested with the authority, to the fullest extent now or hereafter permitted by applicable law, to adopt any such resolution or resolutions.

(c) The Board of Directors has created a series of 10,000,000 shares of Preferred Stock designated as "Series A Junior Participating Preferred Stock" by filing a Certificate of Designations of the Corporation with the Secretary of State of the State of Delaware, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Series A Junior Participating Preferred Stock are set forth in Appendix A hereto and are incorporated herein by reference.

FOURTH: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County. The name of the Corporation's registered agent is The Corporation Trust Company. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

FIFTH: No holder of any share of capital stock of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or to purchase any shares of capital stock or other securities of the Corporation, nor have any right to cumulate such holder's votes for the election of Directors (as defined below). Any action required or permitted to be taken by the stockholders of the Corporation (the "Stockholders") must be effected at a duly called annual or special meeting of the Stockholders and may not be effected by any consent in writing in lieu of a meeting.

SIXTH: The term of existence of the Corporation shall be perpetual.

SEVENTH: The following provisions are intended for the management of the business and for the regulation of the affairs of the Corporation, and it is expressly provided that the same are intended to be in furtherance and not in limitation of the powers conferred by statute:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities by this Amended and Restated Certificate of Incorporation expressly conferred upon it, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by this Amended and Restated Certificate of Incorporation or by the bylaws of the Corporation (as amended from time to time in accordance with the provisions thereof, the "Bylaws") required to be exclusively exercised or done by the Stockholders.

(b) Special meetings of the Stockholders may be called exclusively: (i) by the Board of Directors; or (ii) by the Chairman of the Board of Directors, the Corporation's Chief Executive Officer or the Corporation's Secretary, in each case with the concurrence of a majority of the Board of Directors. Special meetings of Stockholders shall be held at such places and times as determined by the Board of Directors in its discretion. Advance notice of stockholder nominations for the election of Directors and of business to be brought before any meeting of the Stockholders shall be given in the manner provided in the Bylaws.

(c) The number of directors of the Corporation ("Directors") constituting the Board of Directors shall not be less than three nor more than fifteen. Within such limit, the number of members of the entire Board of Directors shall be fixed from time to time exclusively by the Board of Directors, subject to the rights of holders of any series of Preferred Stock with respect to the election of Directors, if any. During any period when the holders of any series of Preferred Stock have the right to elect additional Directors as provided for or fixed pursuant to the provisions of Article Third above, then upon commencement and for the duration of the period during which such right continues, the then otherwise total authorized number of Directors shall automatically be increased by such specified number of Directors and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed pursuant to such provisions.

(d) Prior to the third annual meeting of Stockholders, the Board of Directors shall be classified into three classes: Class I; Class II; and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of Directors constituting the entire Board of Directors and the allocation (including the initial allocation) of Directors among the three classes shall be determined by the Board of Directors. The initial Class I Directors shall serve for a term expiring at the first annual meeting of Stockholders following October 31, 2016; the initial Class II Directors shall serve for a term expiring at the second annual meeting of Stockholders following October 31, 2016; and the initial Class II Directors shall serve for a term expiring at the third annual meeting of Stockholders following October 31, 2016; and the initial Class I Directors shall serve for a term expiring at the third annual meeting of Stockholders following October 31, 2016; and the initial Class I Directors shall serve terms expiring at the third annual meeting of Stockholders following October 31, 2016. Each Director in each class shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible.

(e) From and including the third annual meeting of Stockholders, each Director shall be elected to serve a term of one year, with each Director's term to expire at the annual meeting next following the Director's election. Notwithstanding the expiration of the term of a Director, the Director shall continue to hold office until a successor shall be elected and qualified or until his or her earlier death, resignation or removal.

(f) Directors may be removed: (i) prior to the third annual meeting of Stockholders, only for cause by the affirmative vote of a majority of the voting power of outstanding Common Stock; and (ii) from and including the third annual meeting of Stockholders, with or without cause by the affirmative vote of a majority of the voting power of outstanding Common Stock.

3

(g) A vacancy occurring on the Board of Directors, including, without limitation, a vacancy resulting from an increase in the number of Directors or from the failure by Stockholders to elect the full authorized number of Directors, may only be filled by a majority of the remaining Directors or by the sole remaining Director in office. In the event of the death, resignation or removal of a Director during his or her elected term of office, his or her successor shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualified or until his or her earlier death, resignation or removal.

(h) The Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws, in whole or in part, without any action on the part of the Stockholders;

(i) The Corporation shall have the right, subject to any express provisions or restrictions herein or in the Bylaws, from time to time, to amend, alter or repeal any provision of this Amended and Restated Certificate of Incorporation in any manner now or hereafter provided by law.

(j) The Board of Directors may create and make appointments to one or more committees of the Board of Directors comprised exclusively of Directors who will serve at the pleasure of the Board of Directors and who may have and exercise such powers of the Board of Directors in directing the management of the business and affairs of the Corporation as the Board of Directors may delegate, in its sole discretion, consistent with the provisions of the DGCL and this Amended and Restated Certificate of Incorporation.

(k) Unless and except to the extent the Bylaws so require, the election of Directors need not be by written ballot.

# EIGHTH:

(a) A Director shall not be personally liable to the Corporation or the Stockholders for monetary damages for breach of fiduciary duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended.

(b) Each Director and officer of the Corporation who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the

Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974, as the same may be amended) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (c) of this Article, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Article Eighth shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the DGCL requires, the payment of such expenses incurred by a Director or officer in his or her capacity as a Director or officer in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or officer, to repay all amounts so advanced if it shall ultimately be determined that such Director or officer is not entitled to be indemnified under this Article Eighth or otherwise. The Corporation may, by action of the Board of Directors, provide indemnification to employees and agents of the Corporation or another corporation, partnership, joint venture, trust or other enterprise with the same scope and effect as the foregoing indemnification of Directors and officers.

If a claim under paragraph (b) of this Article is not paid in full by the Corporation within thirty days after a written claim has been (c)received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including, without limitation, its Board of Directors, independent legal counsel, or the Stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including, without limitation, its Board of Directors, independent legal counsel, or the Stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition (d) conferred in this Article Eighth shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Amended and Restated Certificate of Incorporation, bylaw, agreement, vote of Stockholders or disinterested Directors or otherwise.

5

The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the (e) Corporation or any director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Any amendment, repeal or modification of any provision of this Article Eighth shall, unless otherwise required by law, be (f)prospective only (except to the extent such amendment, repeal or modification permits the Corporation to further limit or eliminate the liability of Directors or officers) and shall not adversely affect any right or protection of any current or former Director or officer of the Corporation existing hereunder at the time of such amendment, repeal or modification with respect to any act or omission occurring prior to such amendment, repeal or modification.

NINTH: Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought or purporting to be brought on behalf of the Corporation, (b) any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former Director, officer, employee or agent of the Corporation to the Stockholders, including, without limitation, a claim alleging the aiding and abetting of such a breach of fiduciary duty, (c) any action asserting a claim against the Corporation or any current or former Director, officer, employee or agent of the Corporation arising pursuant to any provision of the DGCL, this Amended and Restated Certificate of Incorporation or the Bylaws (as either may be amended from time to time), (d) any action asserting a claim related to or involving the Corporation that is governed by the internal affairs doctrine, or (e) any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL, shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware).

TENTH: If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever, the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation shall not in any way be affected or impaired thereby.

6

IN WITNESS WHEREOF, the Corporation has duly executed this Amended and Restated Certificate of Incorporation as of the 28th day of October,

# YUM CHINA HOLDINGS, INC.

/s/ Shella Ng By:

> Name: Shella Ng

Title: Chief Legal Officer and Corporate Secretary

2016.

## APPENDIX A

# CERTIFICATE OF DESIGNATIONS of SERIES A JUNIOR PARTICIPATING PREFERRED STOCK of YUM CHINA HOLDINGS, INC.

# (Pursuant to Section 151 of the Delaware General Corporation Law)

Yum China Holdings, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by a duly authorized Committee of the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law by written consent in lieu of a meeting:

RESOLVED, that pursuant to the authority granted to and vested in the ChinaCo Spin Committee (hereinafter called the "<u>Spin Committee</u>") of the Board of Directors of this Corporation (hereinafter called the "Board of Directors") in accordance with the provisions of the Certificate of Incorporation, the Spin Committee, on behalf of, and as authorized by, the Board of Directors, hereby creates a series of Preferred Stock, par value \$0.01 per share, of the Corporation (the "Preferred Stock"), and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

#### Series A Junior Participating Preferred Stock:

Section 1. <u>Designation and Amount</u>. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 10,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; <u>provided</u> that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$0.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and

December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock that were outstanding immediately after such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

## Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which

3

dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. <u>Reacquired Shares</u>. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. <u>Liquidation</u>, <u>Dissolution or Winding Up</u>. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the

Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in

each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. <u>Consolidation, Merger, etc.</u> In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock prive of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. <u>Rank</u>. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. <u>Amendment</u>. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

5

#### AMENDED AND RESTATED BYLAWS

#### OF

#### YUM CHINA HOLDINGS, INC.

#### **ARTICLE 1 — OFFICES**

Section 1. Offices and Records. The registered office of Yum China Holdings, Inc. (the "Corporation") in the State of Delaware shall be in the City of Wilmington, New Castle County. The name and address of the Corporation's registered agent shall be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County. The Corporation may have offices at such other places, either within or without the State of Delaware, as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine. The books and records of the Corporation may be kept inside or outside the State of Delaware.

# ARTICLE 2 — MEETINGS OF STOCKHOLDERS

Section 1. <u>Place of Meeting</u>. Meetings of the stockholders of the Corporation (the "Stockholders") shall be held at such places, if any, either within or without the State of Delaware, as shall be designated by the Board of Directors in the notice of the meeting.

Section 2. <u>Annual Meeting</u>. The annual meeting of the Stockholders shall be held on such date and at such place, if any, and time as the Board of Directors shall determine, for the purpose of electing directors of the Corporation ("Directors") and the transaction of such business as may be a proper subject for action at the meeting.

Section 3. <u>Special Meetings</u>. Special meetings of the Stockholders may be called exclusively: (a) by the Board of Directors; or (b) by the Chairman of the Board of Directors, the Corporation's Chief Executive Officer or the Corporation's Secretary, in each case with the concurrence of a majority of the Board of Directors. Special meetings of the Stockholders shall be held at such places, if any, and times as determined by the Board of Directors in its discretion.

Section 4. <u>Notice of Meetings</u>. At least ten (10) and no more than sixty (60) days prior to any annual or special meeting of the Stockholders, the Corporation shall notify the Stockholders of the date, time and place, if any, and means of remote communication, if any, of the meeting and, in the case of a special meeting or where otherwise required by the Corporation's Amended and Restated Certificate of Incorporation (the "Certificate") or by statute, shall briefly describe the purpose or purposes of the meeting. Without limiting the manner by which notice otherwise may be given effectively to Stockholders, notice of meetings may be given to Stockholders by means of electronic transmission in accordance with applicable law. Only business within the purpose or purposes described in the notice may be conducted at a special meeting. Unless otherwise required by the Certificate or by statute, the Corporation shall be required to give notice only to the Stockholders entitled to vote at the meeting. If an annual or special Stockholders' meeting is adjourned to a different date, time or place, notice thereof need

not be given if the new date, time or place, if any, and means of remote communication, if any, is announced at the meeting before adjournment. If a new record date for the adjourned meeting is fixed pursuant to Article 7, Section 5 hereof, notice of the adjourned meeting shall be given to persons who are Stockholders as of the new record date. If mailed, notice shall be deemed to be effective when deposited in the United States mail with postage thereon prepaid, correctly addressed to the Stockholder's address shown in the Corporation's current record of Stockholders.

Section 5. <u>Quorum, Presiding Officer</u>. Except as otherwise prescribed by statute or these Bylaws, at any meeting of the Stockholders of the Corporation, the presence in person or by proxy of the holders of record of a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereat shall constitute a quorum for the transaction of business. In the absence of a quorum at such meeting or any adjournment or adjournments thereof, the holders of record of a majority of such shares so present in person or by proxy and entitled to vote thereat may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Meetings of the Stockholders shall be presided over by the Chairman or Vice Chairman of the Board of Directors or, if neither is present, by another officer or Director who shall be designated to serve in such event by the Board of Directors. The Secretary of the Corporation, or an Assistant Secretary designated by the officer or Director presiding at the meeting, shall act as secretary of the meeting.

Section 6. <u>Voting</u>. Except as otherwise prescribed by statute, the Certificate or these Bylaws, at any meeting of the Stockholders of the Corporation, each Stockholder shall be entitled to one (1) vote in person or by proxy for each share of voting capital stock of the Corporation registered in the name of such Stockholder on the books of the Corporation on the date fixed pursuant to these Bylaws as the record date for the determination of the Stockholders entitled to vote at such meeting. No proxy shall be voted after eleven (11) months from its date unless said proxy provides for a longer period. Shares of its voting capital stock belonging to the Corporation shall not be voted either directly or indirectly. The vote for the election of Directors, other matters expressly prescribed by statute and, upon the direction of the presiding officer or Director of the meeting, the vote on any other question before the meeting, shall be by ballot. Except as otherwise provided by law, the Certificate or these Bylaws, in all matters other than the election of Directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the Stockholders.

Section 7. <u>Notice of Stockholder Proposal</u>. No business may be transacted at an annual meeting of the Stockholders, other than business properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any Stockholder of the Corporation (i) who is a Stockholder of record both on the date of the giving of the notice provided for in Section 9 of this Article 2 and at the time of the annual meeting, (ii) who is

entitled to vote at the meeting, and (iii) who complies with the notice procedures set forth in Section 9 of this Article 2. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"), included in the notice of meeting given by or at the direction of the Board of Directors, the foregoing clause (c) shall be the exclusive means for a Stockholder to propose business to be brought before an annual meeting of the Stockholders. Stockholders seeking to nominate persons for election to the Board of Directors must comply with Section 9 or Section 10, as applicable, of this Article 2.

Section 8. <u>Postponement of Stockholders Meeting</u>. A scheduled annual or special meeting of the Stockholders may be postponed by the Board of Directors by public notice given at or prior to the time of the meeting.

Section 9. <u>Stockholder Nominations of Directors and Other Proposals</u>. Only persons who are nominated in accordance with the procedures in this Section 9, or the procedures in Section 10 of this Article 2, shall be eligible for election as Directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of the Stockholders, or at any special meeting of the Stockholders called for the purpose of electing Directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (b) by any Stockholder of the Corporation (i) who is a Stockholder of record both on the date of the giving of the notice provided for in this Section 9 and at the time of the meeting, (ii) who is entitled to vote at the meeting, and (iii) who complies with the notice procedures set forth in this Section 9. Except as provided in Section 10 of this Article 2, the foregoing clause (b) shall be the exclusive means for a Stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual or special meeting.

In addition to any other applicable requirements, for a nomination to be made or any other business to be proposed by a Stockholder, such Stockholder must have given timely notice thereof, and timely updates and supplements thereof, in proper written form to the Secretary of the Corporation.

To be timely, a Stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation: (a) in the case of an annual meeting of the Stockholders, not more than one hundred and twenty (120) days and not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the case of the first annual meeting after October 31, 2016 and in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of the Stockholders called for the purpose of electing Directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the aspecial meeting was made, whichever first occurs; and (b) in the case of a special meeting of the Stockholders called for the purpose of electing Directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. In no event shall any adjournment or postponement of an annual meeting or special meeting, or the public announcement thereof, commence a new time period for the giving of a Stockholder's notice as described above.

3

Notwithstanding anything in the immediately preceding paragraph to the contrary, in the event that the number of Directors to be elected to the Board of Directors is increased by the Board of Directors, and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a Stockholder's notice required by this Section 9 of this Article 2 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which the public announcement specifying the size of the increased Board of Directors is first made by the Corporation.

In addition, to be considered timely, a Stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting or any adjournment or postponement required to be made as of the record date, and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the date for the meeting or any adjournment or postponement thereof. For the avoidance of doubt, the obligation to update and supplement as set forth in this Section 9 or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a Stockholder, extend any applicable deadlines hereunder to amend or update any proposal or nomination (or notice thereof) or to submit any new proposal or nomination (or notice thereof), including, without limitation, by changing or adding nominees, matters, business and/or resolutions proposed to be brought before a meeting of the Stockholders.

To be in proper written form, a Stockholder's notice to the Secretary must set forth:

(a) As to the Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal, as applicable, is made: (i) the name and address of such Stockholder, as they appear on the Corporation's books, of such beneficial owner, if any, and of their respective affiliates or associates or others acting in concert therewith, (ii) (A) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such Stockholder, such beneficial owner and any of their respective affiliates or associates or others acting in concert therewith, (ii) (A) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such Stockholder, such beneficial owner and any of their respective affiliates or associates or others acting in concert therewith, (B) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of capital stock of the Corporation, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of capital stock of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of capital stock of the fact that the value of such contract, derivative, swap or

other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of capital stock of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of capital stock of the Corporation, through the delivery of cash or other property, or otherwise, and without regard to whether the Stockholder of record, the beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of capital stock of the Corporation (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by such Stockholder, the beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith have any right to vote any class or series of shares of the Corporation, (D) any agreement, arrangement, understanding, relationship or otherwise, including, without limitation, any repurchase or similar socalled "stock borrowing" agreement or arrangement, involving such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith, directly or indirectly, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the Corporation (any of the foregoing, a "Short Interest"), (E) any rights to dividends on the shares of the Corporation owned beneficially by such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (G) any performance-related fees (other than an asset-based fee) that such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith are entitled to based on any increase or decrease in the value of shares of capital stock of the Corporation or Derivative Instruments, if any, including, without limitation, any such interests held by any members of the immediate family sharing the same household of such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith, (H) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation held by such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith and (I) any direct or indirect interest of such Stockholder, such

5

beneficial owner or any of their respective affiliates or associates or others acting in concert therewith in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (iii) all information that would be required to be set forth in a Schedule 13D filed pursuant to Rule 13d-1(a) or an amendment pursuant to Rule 13d-2(a) if such a statement were required to be filed under the Exchange Act by such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith, if any, and (iv) any other information relating to such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in concert therewith, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act;

(b) If the notice relates to any business other than a nomination of a Director or Directors that the Stockholder proposes to bring before the meeting, in addition to the matters set forth in paragraph (a) above: (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such Stockholder, such beneficial owner and each of their respective affiliates or associates or others acting in concert therewith, if any, in such business; (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such proposal or business includes a proposal to amend the bylaws of the Corporation, the text of the proposed amendment); and (iii) a description of all agreements, arrangements and understandings between such Stockholder, such beneficial owner or any of their respective affiliates or associates or others acting in connection with the proposal of such business by such Stockholder;

(c) As to each individual, if any, whom the Stockholder proposes to nominate for election or reelection to the Board of Directors, in addition to the matters set forth in paragraph (a) above: (i) all information relating to such individual that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act (including, without limitation, such individual's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among such Stockholder and beneficial owner, if any, or any of their respective affiliates and associates or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K promulgated under the Securities Act of 1933, as amended (the "Securities Act"), if the Stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or

associate thereof or person acting in concert therewith, were the "registrant" for purposes of such item and the nominee were a director or executive officer of such registrant; and

(d) With respect to each individual, if any, whom the Stockholder proposes to nominate for election or reelection to the Board of Directors, in addition to the matters set forth in paragraphs (a) and (c) above, a completed and signed questionnaire, representation and agreement required by Section 11 of this Article 2. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent Director or that could be material to a reasonable Stockholder's understanding of the independence, or lack thereof, of such nominee. Notwithstanding anything to the contrary, only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as Directors.

If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, or that business was not properly brought before the meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded or that the business was not properly brought before the meeting and such business shall not be transacted. For purposes of this Section 9, "affiliate" and "associate" shall have the meanings ascribed thereto in Rule 405 under the Securities Act, and the rules and regulations thereunder; <u>provided</u>, <u>however</u>, that the term "partner" as used in the definition of "associate" shall not include any limited partner that is not involved in the management of the relevant partnership.

# Section 10. Proxy Access.

(a) Whenever the Board of Directors solicits proxies with respect to the election of Directors at an annual meeting of Stockholders, subject to the provisions of this Section 10, the Corporation shall include in its proxy statement for such annual meeting, (i) as a nominee, in addition to any persons nominated for election by the Board of Directors or any committee thereof, any person nominated for election (the "Stockholder Nominee") to the Board of Directors by a Stockholder, or group of no more than 20 Stockholders, that satisfies the requirements of this Section 10 (the "Eligible Stockholder") and that timely submits the notice required by this Section 10 (the "Notice of Proxy Access Nomination") requesting to have its nominee included in the Corporation's proxy materials for such annual meeting pursuant to this Section 10 and (ii) the Required Information (defined below) concerning such person. No person may be a member of more than one group of Stockholder sconstituting an Eligible Stockholder with respect to any annual meeting. For purposes of this Section 10, the "Required Information" that the Corporation will include in its proxy statement is the information provided to the Secretary of the Corporation by the Eligible Stockholder concerning the Stockholder Nominee and the Eligible Stockholder so elects, a written statement, not to exceed 500 words, in support of the Stockholder Nominee's candidacy (the "Statement"). Notwithstanding anything to the contrary contained in this Section 10, the Corporation may omit from its proxy materials any information or Statement (or portion thereof) that it, in good faith, believes would violate any applicable law or regulation. For the purposes of this Section 10:

7

(1) "Voting Stock" shall mean outstanding shares of capital stock of the Corporation entitled to vote generally for the election of Directors;

(2) "Constituent Holder" shall mean any Stockholder, collective investment fund or beneficial holder whose stock ownership is counted for the purposes of qualifying as holding the Required Stock (as defined below) or qualifying as an Eligible Stockholder;

(3) "affiliate" and "associate" shall have the meanings ascribed thereto in Rule 405 under the Securities Act, and the rules and regulations thereunder; <u>provided</u>, <u>however</u>, that the term "partner" as used in the definition of "associate" shall not include any limited partner that is not involved in the management of the relevant partnership; and

(4) a Stockholder (including any Constituent Holder) shall be deemed to "own" only those outstanding shares of Voting Stock as to which the Stockholder itself (or such Constituent Holder itself) possesses both (a) the full voting and investment rights pertaining to the shares and (b) the full economic interest in (including the opportunity for profit and risk of loss on) such shares. The number of shares calculated in accordance with the foregoing clauses (a) and (b) shall be deemed not to include (and to the extent any of the following arrangements have been entered into by affiliates of the Stockholder (or of any Constituent Holder), shall be reduced by) any shares (x) sold by such Stockholder or Constituent Holder (or any of either's affiliates) in any transaction that has not been settled or closed, including any short sale, (y) borrowed by such Stockholder or Constituent Holder (or any of either's affiliates) for any purposes or purchased by such Stockholder or Constituent Holder (or any of either's affiliates) pursuant to an agreement to resell, or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Stockholder or Constituent Holder (or any of either's affiliates), whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of Voting Stock, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party thereto would have, the purpose or effect of (i) reducing in any manner, to any extent or at any time in the future, such Stockholder's or Constituent Holder's (or either's affiliate's) full right to vote or direct the voting of any such shares, and/or (ii) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such Stockholder or Constituent Holder (or either's affiliate), other than any such arrangements solely involving an exchange listed multi-industry market index fund in which Voting Stock represents at the time of entry into such arrangement less than 10% of the proportionate value of such index. A Stockholder (including any Constituent Holder) shall "own" shares held in the name of a nominee or other intermediary so long as the Stockholder itself (or such Constituent Holder itself) retains the right to instruct how the shares are voted with respect to the election of Directors and the right to direct the disposition thereof and possesses the full economic interest in the shares. A Stockholder's (including any Constituent Holder's) ownership of shares shall be deemed to continue during any period in which such person has loaned such shares or delegated any voting power over such shares by means of a proxy, power of attorney or other instrument or arrangement which in all such cases is revocable at any

8

time by the Stockholder. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings.

(b) To be timely, the Notice of Proxy Access Nomination must be delivered to, or mailed to and received by, the Secretary of the Corporation no earlier than one hundred fifty (150) days and no later than one hundred twenty (120) days prior to the anniversary of the date that the Corporation issued its proxy statement for the immediately preceding annual meeting of Stockholders. In no event shall any adjournment or postponement of an annual meeting, the date of which has been announced by the Corporation, commence a new time period for the giving of a Notice of Proxy Access Nomination.

(c) The maximum number of Stockholder Nominees nominated by all Eligible Stockholders that will be included in the Corporation's proxy materials with respect to an annual meeting of Stockholders (the "Nominee Limit") shall not exceed 20% of the total number of Directors in office as of the last day on which a Notice of Proxy Access Nomination may be delivered pursuant to and in accordance with this Section 10 (the "Final Proxy Access Nomination Date") or if such amount is not a whole number, the closest whole number below 20%; provided, that in no circumstance shall the Nominee Limit exceed the number of Directors to be elected at the applicable annual meeting as noticed by the Corporation, and provided, further, that the Nominee Limit shall be reduced by the number of Directors in office or director candidates that in either case will be included in the Corporation's proxy materials with respect to such annual meeting as an unopposed (by the Corporation) nominee pursuant to any agreement, arrangement or other understanding with any

stockholder or group of stockholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of Voting Stock, by such stockholder or group of stockholders, from the Corporation). In the event that one or more vacancies for any reason occurs on the Board of Directors after the Final Proxy Access Nomination Date but before the date of the annual meeting and the Board of Directors resolves to reduce the size of the board in connection therewith, the Nominee Limit shall be calculated based on the number of Directors in office as so reduced. Any individual (i) nominated by an Eligible Stockholder for inclusion in the Corporation's proxy materials pursuant to this Section 10 whom the Board of Directors decides to nominate as a nominee of the Board of Directors, or (ii) nominated pursuant to any agreement, arrangement or other understanding with any stockholder or group of stockholder or group of stockholders, from the Corporation, shall, in each case, further reduce the Nominee Limit. Any Eligible Stockholder Nominees for inclusion in the Corporation's proxy materials pursuant to this Section 10 shall rank such Stockholder Nominees based on the order that the Eligible Stockholder Nominees submitted by Eligible Stockholder Nominees submitted by Eligible Stockholder Nominees submitted by Eligible Stockholder Nominees of Nominees to the section 10 exceeds the maximum number of nominees provided for in this Section 10, the highest ranking Stockholder Nominee who meets the requirements of this Section 10 from each Eligible Stockholder will be selected for inclusion in the Corporation's proxy materials until the maximum number is reached, going in order

9

Corporation ("Common Stock") each Eligible Stockholder disclosed as owned in its respective Notice of Proxy Access Nomination submitted to the Corporation. If the maximum number is not reached after the highest ranking Stockholder Nominee who meets the requirements of this Section 10 from each Eligible Stockholder has been selected, this process will continue with the next highest ranked nominees as many times as necessary, following the same order each time, until the maximum number is reached. Notwithstanding anything to the contrary contained in this Section 10, if the Corporation receives notice pursuant to Section 9 of this Article 2 that a Stockholder intends to nominate for election at such meeting a number of nominees greater than or equal to a majority of the total number of Directors to be elected at such meeting, no Stockholder Nominees will be included in the Corporation's proxy materials with respect to such meeting pursuant to this Section 10.

(d) If the Stockholder Nominee or an Eligible Stockholder fails to continue to meet the requirements of this Section 10 or if a Stockholder Nominee withdraws, dies, becomes disabled or is otherwise disqualified from being nominated for election or serving as a Director prior to the annual meeting: (1) the Corporation may, to the extent feasible, remove the name of the Stockholder Nominee and the Statement from its proxy statement, remove the name of the Stockholder Nominee from its form of proxy and/or otherwise communicate to its Stockholders that the Stockholder Nominee will not be eligible for nomination at the annual meeting; and (2), subsequent to the last day on which a Stockholder's Notice of Proxy Access Nomination would be timely, the Eligible Stockholder may not name another Stockholder Nominee or otherwise cure in any way any defect preventing the nomination of the Stockholder Nominee identified in the Notice of Proxy Access Nomination provided pursuant to this Section 10.

(e) In order to make a nomination pursuant to this Section 10, an Eligible Stockholder must have owned (as defined above) the Required Ownership Percentage (as defined below) of shares of Common Stock (the "Required Stock") continuously for the Minimum Holding Period (as defined below) as of both the date the Notice of Proxy Access Nomination is delivered to, or mailed to and received by, the Secretary of the Corporation in accordance with this Section 10 and the record date for determining the Stockholders entitled to vote at the annual meeting and must continue to own the Required Stock through the meeting date. For purposes of this Section 10, the "Required Ownership Percentage" is three percent (3%) or more, and the "Minimum Holding Period" is three (3) years.

(f) Within the time period specified in this Section 10 for delivering the Notice of Proxy Access Nomination, an Eligible Stockholder must provide the following materials in writing to the Secretary of the Corporation: (i) one or more written statements from the record holder of the shares of Common Stock owned by the Eligible Stockholder (and from each intermediary through which the shares of Common Stock are or have been held during the Minimum Holding Period) verifying that, as of a date within seven (7) calendar days prior to the date the Notice of Proxy Access Nomination is delivered to, or mailed to and received by, the Secretary of the Corporation, the Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Required Stock, and the Eligible Stockholder's agreement to provide, within five (5) business days after the record date for the annual meeting, written statements from the record holder and intermediaries verifying the Eligible Stockholder's continuous ownership of the Required Stock through the record date; (ii) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission ("SEC") as required by

#### 10

Rule 14a-18 under the Exchange Act; (iii) the information, representations and agreements that are the same as those that would be required to be set forth in a Stockholder's notice of nomination pursuant to Section 9 of this Article 2; (iv) a representation and agreement of the Eligible Stockholder that the Eligible Stockholder (including each member of any group of Stockholders that together is an Eligible Stockholder hereunder) (A) acquired the Required Stock in the ordinary course of business and not with the intent to change or influence control of the Corporation, and does not presently have such intent, (B) presently intends to maintain qualifying ownership of the Required Stock through the date of the annual meeting, (C) has not engaged and will not engage in any, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(1) under the Exchange Act in support of the election of any individual as a Director at the annual meeting other than its Stockholder Nominee(s) or a nominee of the Board of Directors, (D) agrees not to distribute to any Stockholder any form of proxy for the annual meeting other than the form distributed by the Corporation, (E) agrees to comply with all applicable laws and regulations applicable to the use, if any, of soliciting material and to file any such soliciting material with the SEC regardless of whether such filing is required under Regulation 14A under the Exchange Act, and (F) will provide facts and other information in all communications with the Corporation and its Stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; (v) a representation as to the Eligible Stockholder's (including each member of any group of Stockholders that together is an Eligible Stockholder hereunder) intentions with respect to maintaining qualifying ownership of the Required Stock for at least one (1) year following the annual meeting; and (vi) an undertaking that the Eligible Stockholder agrees to (A) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder's communications with the Stockholders or out of the information that the Eligible Stockholder provided to the Corporation and (B) indemnify and hold harmless the Corporation and each of its Directors, officers and employees individually against any and all liabilities, losses and damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its Directors, officers or employees arising out of any nomination submitted by the Eligible Stockholder pursuant to this Section 10.

(g) Within the time period specified in this Section 10 for delivering the Notice of Proxy Access Nomination, each Eligible Stockholder and Stockholder Nominee must deliver or cause to be delivered to the Secretary of the Corporation:

(i) a written representation and agreement of the Stockholder Nominee that such person (A) consents to being named in the Corporation's proxy statement as a nominee and to serving as a Director if elected, (B) understands his or her duties as a Director under the General Corporation Law of the State of Delaware (the "DGCL") and agrees to act in accordance with those duties while serving as a Director, (C) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person as to how such nominee, if elected as a Director, will act or vote as a Director on any issue or question to be decided by the Board of Directors, (D) in connection with such nominee's candidacy for Director, is not and will not become a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person other than the Corporation, and has not and will not receive any such compensation or other payment from any person other than the Corporation, in each case that has not been disclosed to the Secretary of the Corporation, (E) in connection with such nominee's service as a Director of the Corporation, is not and will not become a party to any person other than the Corporation, is not and will not become a party to any person other than the Corporation, in each case that has not been disclosed to the Secretary of the Corporation, (E) in connection with such nominee's service as a Director of the Corporation, is not and will not become a party to any compensatory, payment or

11

other financial agreement, arrangement or understanding with any person other than the Corporation, and has not and will not receive any such compensation or other payment from any person other than the Corporation, (F) if elected as a Director, will comply with all applicable laws and stock exchange listing standards and the Corporation's policies and guidelines applicable to Directors, and (G) will provide facts and other information in all communications with the Corporation and its Stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(ii) with respect to each Stockholder Nominee, all completed and signed questionnaires required of Directors, and such additional information as the Corporation may determine necessary to permit the Board of Directors to determine if such Stockholder Nominee is independent under the listing standards of each exchange upon which the Common Stock of the Corporation is listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of Directors; and

(iii) with respect to each Stockholder Nominee who consents to stand for election, an irrevocable resignation of such Stockholder Nominee in advance of the meeting for the election of Directors, providing that such resignation shall become effective upon a determination by the Board of Directors or any committee thereof that (A) the information provided to the Corporation by such individual pursuant to this Section 10 was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or (B) such individual, or the Eligible Stockholder who nominated such individual, failed to comply with any obligation owed or breached any representation made under or pursuant to these Bylaws.

(h) In the event that any information or communication provided by the Eligible Stockholder or the Stockholder Nominee to the Corporation or its Stockholders ceases to be true and correct in any material respect or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, such Eligible Stockholder or Stockholder Nominee, as the case may be, shall promptly notify the Secretary of the Corporation of such defect in such previously provided information or communication and of the information that is required to correct any such defect.

(i) The Corporation shall not be required to include, pursuant to this Section 10, a Stockholder Nominee in its proxy materials for any meeting of the Stockholders (i) for which the

12

Secretary of the Corporation receives a notice that a Stockholder has nominated such Stockholder Nominee for election to the Board of Directors pursuant to the advance notice requirements for Stockholder nominees for Director set forth in Section 9 of this Article 2, (ii) who is not independent under the listing standards of each exchange upon which the Common Stock of the Corporation is listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing independence of Directors, in each case as determined by the Board of Directors, (iii) whose election as a member of the Board of Directors would cause the Corporation to be in violation of these Bylaws, the Certificate, the rules and listing standards of any exchange upon which the Common Stock of the Corporation is listed, or any applicable state or federal law, rule or regulation, (iv) who is or has been, within the past three (3) years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, (v) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten (10) years or (vi) if such Stockholder Nominee or the Eligible Stockholder (or any member of any group of Stockholders that together is such Eligible Stockholder) nominating such Stockholder Nominee fails to comply with any of its obligations or breaches any of its representations made under or pursuant to these Bylaws.

(j) Notwithstanding anything to the contrary set forth herein, the Board of Directors or the presiding officer of the annual meeting of the Stockholders shall declare a nomination of a Stockholder Nominee by an Eligible Stockholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of the vote of Stockholders of such annual meeting may have been received by the Corporation, if (i) the Stockholder Nominee and/or the nominating Eligible Stockholder (or any member of any group of Stockholders that together is such Eligible Stockholder) shall have failed to comply with any of its or their obligations or breached any of its or their representations under or pursuant to these Bylaws, as determined by the Board of Directors or the presiding officer of the meeting; or (ii) the nominating Eligible Stockholder (or a qualified representative thereof) does not appear at the meeting of the Stockholders to present the nomination of such Stockholder Nominee pursuant to this Section 10.

(k) Any Stockholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of the Stockholders but either (i) withdraws from or becomes ineligible or unavailable for election at such annual meeting, or (ii) does not receive votes cast in favor of such Stockholder Nominee's election equal to at least 25% of the number of shares of Common Stock voted in such election, will be ineligible to be a Stockholder Nominee pursuant to this Section 10 for the next two (2) annual meetings. For the avoidance of doubt, this Section 10 shall not prevent any Stockholder from nominating any person to the Board of Directors pursuant to and in accordance with Section 9 of this Article 2.

Section 11. <u>Questionnaire, Representation and Agreement</u>. To be eligible to be a nominee of any Stockholder for election or reelection as a Director, such proposed nominee must deliver (in accordance with the time periods prescribed for delivery of notice under this Article 2) to the Secretary at the principal executive offices of the Corporation a completed written questionnaire with respect to the background and qualification of such individual and the background of any other person on whose behalf, directly or indirectly, the nomination is being made (which questionnaire shall be provided by the Secretary upon written request), and a written representation and agreement (in the form provided by the Secretary upon written

13

request) that such individual (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person as to how such person, if elected as a Director, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation, and (ii) any Voting Commitment that could limit or interfere with such individual's ability to comply, if elected as a Director, with such individual's fiduciary duties under applicable law, (b) in connection with such nominee's candidacy for or services as Director, is not and will not become a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person other than the Corporation, and has not and will not receive any such compensation or other payment from any person other than the Corporation, (c) in such individual's personal capacity and on behalf of any person on whose behalf, directly or indirectly, the nomination is being made, would be in compliance, if elected as a Director, and will comply, with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation publicly disclosed from time to time, (d) consents to being named as a nominee and agrees to serve if elected as a Director, and (e) will abide by the requirements of Section 8 of Article 4.

# **ARTICLE 3 — BOARD OF DIRECTORS**

Section 1. <u>General Powers</u>. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon it, the Board of Directors may exercise all such powers and do all such lawful acts and things as are not by statute or by the Certificate or by these Bylaws required to be exclusively exercised or done by the Stockholders.

Section 2. <u>Number, Term and Qualification</u>. The number, term and qualification of Directors of the Corporation shall be as provided in the Certificate.

Section 3. <u>Resignation and Removal</u>. Directors may be removed from office only for the reasons, if any, specified in the Certificate. Any Director may resign at any time by giving notice in writing or by electronic transmission to the Chairman of the board, the Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the occurrence of some other event, and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. <u>Vacancies</u>. Vacancies occurring in the Board of Directors shall be filled only as provided in the Certificate.

# ARTICLE 4 — MEETINGS OF DIRECTORS

Section 1. <u>Annual and Regular Meetings</u>. All annual and regular meetings of the Board of Directors shall be held at such places and times as determined by the Board of Directors in its discretion.

Section 2. <u>Special Meetings</u>. Special meetings of the Board of Directors shall be held at such places and times as determined by the Board of Directors in its discretion.

14

Section 3. <u>Notice of Meetings</u>. Unless the Board of Directors by resolution determines otherwise in accordance with authority set forth in the Certificate, notice of any meeting of the Board of Directors shall be given to each Director at such person's business or residence in writing by hand delivery, first-class or overnight mail or courier service, email or facsimile transmission, or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered to the overnight mail or courier service company at least forty-eight (48) hours before such meeting. If by email, facsimile transmission, telephone or by hand, such notice shall be deemed adequately delivered when the notice is transmitted at least twenty-four (24) hours before such meeting. The Secretary shall give such notice of any meetings called by the Board of Directors by such means of communication as may be specified by the Board of Directors.

Section 4. <u>Quorum</u>. A majority of the Directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 5. <u>Manner of Acting</u>. A majority of Directors who are present at a meeting at which a quorum is present will constitute the required vote to effect any action taken by the Board of Directors.

Section 6. <u>Action Without Meeting</u>. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board of Directors. The action must be evidenced by one or more written consents signed by each Director, or an electronic transmission given by each Director, describing the action taken, and included in the minutes or filed with the corporate records. Action taken without a meeting is effective when the last Director signs the consent or gives an electronic transmission, unless the consent specifies a subsequent effective date.

Section 7. <u>Meeting by Communications Device</u>. The Board of Directors may permit Directors to participate in any meeting of the Board of Directors by, or conduct the meeting through the use of, any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 8. <u>Required Vote for Directors</u>

(a) Except as set forth below, election of Directors at all meetings of the Stockholders at which Directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of preferred shares to elect Directors under specified circumstances, a majority of the votes cast at any meeting for the election of Directors at which a quorum is present shall elect Directors. For purposes of these Bylaws, a majority of votes cast shall mean that the number of shares voted "for" a Director's election exceeds 50% of the number of votes cast with respect to that Director's election. Votes cast shall include direction to withhold authority in each case and exclude abstentions with respect to that Director's election. Notwithstanding the foregoing, in the event of a contested election of Directors, Directors shall be elected by the vote of a plurality of the votes cast at any meeting for the election of Directors at which a quorum is present. For

purposes of these Bylaws, a "contested election" shall mean any election of Directors in which the number of candidates for election as Directors exceeds the number of Directors to be elected, with the determination thereof being made by the Secretary as of the close of the applicable notice of nomination period set forth in Article 2, Section 9 of these Bylaws or under applicable law, based on whether one or more notice(s) of nomination were timely filed in accordance with Article 2, Section 9 of these Bylaws; provided, however, that the determination that an election is a contested election shall be determinative only as to the timeliness of a notice of nomination and not otherwise as to its validity. If, prior to the time the Corporation mails its initial proxy statement in connection with such election of Directors to be elected, the election shall not be considered a contested election, but in all other cases, once an election is determined to be a contested election. Directors shall be elected by the vote of a plurality of the votes cast at any meeting for the election of Directors at which a quorum is present.

(b) If a nominee for Director who is an incumbent Director is not elected and no successor has been elected at such meeting, the Director shall promptly tender his or her resignation to the Board of Directors. The Nominating and Governance Committee shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors shall act on the tendered resignation, taking into account the Nominating and Governance Committee's recommendation, and publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within ninety (90) days from the date of the certification of the election results. The Nominating and Governance Committee in making its recommendation, and the Board of Directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The Director who tenders his or her resignation shall not participate in the recommendation of the Nominating and Governance Committee or the decision of the Board of Directors shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier death, resignation or removal. If a Director's resignation is accepted by the Board of Directors, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of Article 3, Section 4 of these Bylaws or may decrease the size of the Board of Directors pursuant to the provisions of Article 3, Section 2 of these Bylaws.

## ARTICLE 5 — COMMITTEES

Section 1. <u>Election and Powers</u>. The Board of Directors may appoint such committees with such members who shall have such powers and authority as may be determined by the Board of Directors as provided in the Certificate. To the extent specified by the Board of Directors or in the Certificate, each committee shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation.

16

Section 2. <u>Removal; Vacancies</u>. Unless the Board of Directors by resolution determines otherwise in accordance with authority specified in the Certificate, any member of a committee may be removed at any time exclusively by the Board of Directors with or without cause, and vacancies in the membership of a committee as a result of death, resignation, disqualification or removal shall be filled by a majority of the whole Board of Directors. Unless the Board of Directors by resolution determines otherwise in accordance with authority specified in the Certificate, the Board of Directors may discharge any committee, either with or without cause, at any time.

Section 3. <u>Meetings</u>. The provisions of Article 4 governing meetings of the Board of Directors, action without meeting, notice, waiver of notice and quorum and voting requirements shall apply to the committees of the Board of Directors and its members to the extent not otherwise prescribed by the Board of Directors in the resolution authorizing the establishment of the committee.

Section 4. <u>Minutes</u>. Each committee shall keep minutes of its proceedings and shall report thereon to the Board of Directors at or before the next meeting of the Board of Directors.

Section 5. <u>Chairman</u>. The Chairman shall preside at meetings of the Board of Directors and the Stockholders and shall have such powers and perform such other duties as the Board of Directors may prescribe or as may be prescribed in these Bylaws. The Board of Directors may, in its discretion, designate a Chairman as "Executive Chairman." Such Executive Chairman shall have such powers and perform such other duties as the Board of Directors may prescribe or as may be prescribed in these Bylaws.

Section 6. <u>Vice Chairman</u>. The Vice Chairman shall have such powers and perform such duties as the Board of Directors or the Chairman (to the extent he or she is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed by these Bylaws.

# ARTICLE 6 — OFFICERS

Section 1. <u>Titles</u>. The Board of Directors shall have the power and authority to elect from time to time such officers of the Corporation, including a President, a Chief Executive Officer, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Chief Financial Officer, a General Counsel, a Controller, a Treasurer, a Secretary, one or more Assistant Controllers, one or more Assistant Treasurers, and one or more Assistant Secretaries, and such other officers as shall be deemed necessary or desirable from time to time. The officers shall have the authority

and perform the duties set forth herein or as from time to time may be prescribed by the Board of Directors. Any two or more offices may be held by the same individual, but no officer may act in more than one capacity where action of two or more officers is required.

The officers of the Corporation may appoint one or more individuals to hold a title which includes Assistant or Deputy together with one of the officer titles indicated above. An individual holding such title by virtue of being so appointed rather than by virtue of being elected

17

to such position by the Board of Directors shall not be an officer of the Corporation for purposes of the Certificate or these Bylaws.

Section 2. <u>Election; Removal</u>. The officers of the Corporation may be elected by the Board of Directors and shall serve at the pleasure of the Board of Directors as specified at the time of their election, until their successors are elected and qualify, or until the earlier of their death, resignation or removal. Any officer may be removed by the Board of Directors at any time with or without cause.

Section 3. <u>Compensation</u>. The compensation of the officers may be fixed by the Board of Directors or any duly authorized committee thereof.

Section 4. <u>General Powers of Officers</u>. Except as may be otherwise provided in these Bylaws or in the DGCL or by resolution of the Board of Directors, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the General Counsel, the Controller, the Treasurer, the Secretary, or any one of them, may (i) execute and deliver in the name of the Corporation, in the name of any division of the Corporation, or in both names, any agreement, contract, deed, instrument, power of attorney or other document pertaining to the business or affairs of the Corporation or any division of the Corporation, and (ii) delegate to any employee or agent the power to execute and deliver any such agreement, contract, deed, instrument, power of attorney or other document.

Section 5. <u>Chief Executive Officer</u>. The Chief Executive Officer of the Corporation shall report directly to the Board of Directors. Except in such instances as the Board of Directors may confer powers in particular transactions upon any other officer, and subject to the control and direction of the Board of Directors, the Chief Executive Officer shall manage the business and affairs of the Corporation and shall communicate to the Board of Directors and any committee thereof reports, proposals and recommendations for their respective consideration or action. He or she may do and perform all acts on behalf of the Corporation.

Section 6. <u>President</u>. The President shall have such powers and perform such duties as the Board of Directors and the Chief Executive Officer (to the extent he or she is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed by these Bylaws.

Section 7. <u>Executive Vice Presidents, Senior Vice Presidents and Vice Presidents</u>. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer (to the extent he or she is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed by these Bylaws.

Section 8. <u>Chief Financial Officer</u>. The Chief Financial Officer shall have powers and perform such duties as the Board of Directors or the Chief Executive Officer (to the extent he or she is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed in these Bylaws. The Chief Financial Officer shall present to the Board of Directors such balance sheets, income statements,

18

budgets and other financial statements and reports as the Board of Directors or the Chief Executive Officer (to the extent he or she is authorized by the Board of Directors to prescribe the authority and duties of other officers) may require and shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Chief Financial Officer.

Section 9. <u>Controller</u>. The Controller shall be responsible for the maintenance of adequate accounting records of all assets, liabilities, capital and transactions of the Corporation. The Controller shall prepare such balance sheets, income statements, budgets and other financial statements and reports as the Board of Directors or the Chief Executive Officer or the Chief Financial Officer (to the extent they are authorized by the Board of Directors to prescribe the authority and duties of other officers) may require, and shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Controller.

Section 10. <u>Treasurer</u>.

(a) The Treasurer shall have the care and custody of all funds and securities of the Corporation except as may be otherwise ordered by the Board of Directors, and shall cause such funds (i) to be invested or reinvested from time to time for the benefit of the Corporation as may be designated by the Board of Directors or by the Chairman, the Chief Executive Officer, the Vice Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors or by the Chairman, the Chief Executive Officer, the Vice Chairman, the Chief Executive Officer, the Corporation in such banks or depositories as may be designated by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations).

(b) The Treasurer or such other person or persons as may be designated for such purpose by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations) may endorse in the name and on behalf of the Corporation all instruments for the payment of money, bills of lading, warehouse receipts, insurance policies and other commercial documents requiring such endorsement.

(c) The Treasurer or such other person or persons as may be designated for such purpose by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), (i) may sign all receipts and vouchers for payments made to the Corporation; (ii) shall provide a statement of the cash account of the Corporation to the Board of Directors as often as it shall require the same; and (iii) shall enter regularly in the books to be kept for that purpose full and accurate account of all moneys received and paid on account of the Corporation and of all securities received and delivered by the Corporation.

(d) The Treasurer shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Treasurer.

Section 11. <u>Secretary</u>. The Secretary shall keep the minutes of all meetings of the Stockholders, the Board of Directors and the committees of the Board of Directors. The Secretary shall cause to be prepared and maintained (i) at the office of the Corporation a share ledger containing the names and addresses of all Stockholders and the number of shares held by each, and (ii) any list of the Stockholders required by law to be prepared for any meeting of the Stockholders. The Secretary shall be responsible for the custody of all share books and of all unissued share certificates. The Secretary shall be the custodian of the seal of the Corporation. The Secretary shall affix or cause to be affixed the seal of the Corporation, and when so affixed may attest the same and shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Secretary.

Section 12. <u>Voting upon Securities</u>. Unless otherwise ordered by the Board of Directors, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President or any Vice President shall have full power and authority on behalf of the Corporation to attend, act and vote at meetings of the security holders of any entity in which the Corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner, the Corporation might have possessed and exercised if present. The Board of Directors may by resolution from time to time confer such power and authority upon any person or persons.

Section 13. <u>Continuing Determination by Board</u>. All powers and duties of the officers shall be subject to a continuing determination by the Board of Directors.

# ARTICLE 7 — CAPITAL STOCK

Section 1. <u>Certificates</u>. The interest of each Stockholder may be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe or be uncertificated. The name and address of the persons to whom shares of capital stock of the Corporation are issued, with the number of shares and date of issue, shall be entered on the share transfer records of the Corporation. Certificates for shares of the capital stock of the Corporation shall be in such form not inconsistent with the Certificate as shall be approved by the Board of Directors. Each certificate shall be signed (either manually or by facsimile) by (a) the Chairman, the Chief Executive Officer, the President or any Vice President, and by the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer or (b) any two (2) officers designated by the Board of Directors. Each certificate may be sealed with the seal of the Corporation or facsimile thereof.

Section 2. <u>Transfer of Shares</u>.

(a) The shares of the capital stock of the Corporation shall be transferred on the books of the Corporation, in the case of certificated shares of stock, by the holder thereof in person or by such person's attorney duly authorized in writing, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the

20

signature as the Corporation or its agents may reasonably require; and, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney duly authorized in writing, and upon compliance with appropriate procedures for transferring shares in uncertificated form. No transfer of shares shall be valid as against the Corporation for any purpose until it shall have been entered in the share records of the Corporation by an entry showing from and to whom transferred.

(b) The share certificates shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

(c) Notwithstanding anything to the contrary in these Bylaws, at all times that the Corporation's shares are listed on a stock exchange, the shares of capital stock of the Corporation shall comply with all direct registration system eligibility requirements established by such exchange, including any requirement that shares of the Corporation's capital stock be eligible for issue in book-entry form. All issuances and transfers of shares of the Corporation's capital stock be eligible for issue in book-entry form. All issuances and transfers of shares of the Corporation's capital stock shall be entered on the books of the Corporation with all information necessary to comply with such direct registration system eligibility requirements, including the name and address of the person to whom the shares are issued, the number of shares issued and the date of issue. The Board of Directors shall have the power and authority to make such rules and regulations as it may deem necessary or proper concerning the issue, transfer and registration of shares of stock of the Corporation in both the certificated and uncertificated form.

Section 3. <u>Transfer Agent and Registrar</u>. The Board of Directors may appoint one or more transfer agents and one or more registrars of transfers and may require all share certificates to be signed or countersigned by the transfer agent and registered by the registrar.

Section 4. <u>Regulations</u>. The Board of Directors may make such rules and regulations as it deems expedient concerning the issue, transfer and registration of shares of capital stock of the Corporation.

Section 5. <u>Fixing Record Date</u>. For the purpose of determining the Stockholders entitled to notice of or to vote at any meeting of the Stockholders, or entitled to receive payment of any dividend, or in order to make a determination of the Stockholders for any other purpose, the Board of

Directors may fix in advance a date as the record date for the determination of Stockholders. The record date shall not be more than sixty (60) days before the meeting or action requiring a determination of Stockholders. A determination of the Stockholders entitled to notice of or to vote at a Stockholders' meeting shall be effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting. If no record date is fixed for the determination of Stockholders, the record date shall be

21

the day the notice of the meeting is mailed or the day the action requiring a determination of Stockholders is taken.

Section 6. <u>Lost Certificates</u>. In case of loss, theft, mutilation or destruction of any certificate evidencing shares of the capital stock of the Corporation, another may be issued in its place upon proof of such loss, theft, mutilation or destruction and upon the giving of an indemnity or other undertaking to the Corporation in such form and in such sum as the Board of Directors may direct.

## **ARTICLE 8 — GENERAL PROVISIONS**

Section 1. <u>Dividends and Other Distributions</u>. The Board of Directors may from time to time declare and the Corporation may pay dividends or make other distributions with respect to its outstanding shares in the manner and upon the terms and conditions provided by law.

Section 2. <u>Seal</u>. The seal of the Corporation shall be any form approved from time to time by the Board of Directors.

Section 3. <u>Waiver of Notice</u>. Whenever notice is required to be given to a Stockholder, Director or other person under the provisions of these Bylaws, the Certificate or applicable statute, a waiver in writing signed by, or an electronic transmission given by, the person or persons entitled to the notice, whether before or after the date and time stated in the notice, and delivered to the Corporation, shall be equivalent to giving the notice.

Section 4. <u>Depositaries</u>. The Chairman, the Chief Executive Officer, the President, the Chief Financial Officer and the Treasurer are each authorized to designate depositaries for the funds of the Corporation deposited in its name or that of a division of the Corporation, or both, and the signatories with respect thereto in each case, and from time to time, to change such depositaries and signatories, with the same force and effect as if each such depository and the signatories with respect thereto and changes therein had been specifically designated or authorized by the Board of Directors; and each depositary designated by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer shall be entitled to rely upon the certificate of the Secretary or any Assistant Secretary of the Corporation setting forth the fact of such designation and of the appointment of the officers of the Corporation or of other persons who are to be signatories with respect to the withdrawal of funds deposited with such depositary, or from time to time the fact of any change in any depositary or in the signatories with respect thereto.

Section 5. <u>Signatories</u>. Unless otherwise designated by the Board of Directors or by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer, all notes, drafts, checks, acceptances and orders for the payment of money shall be (a) signed by the Treasurer or any Assistant Treasurer, and (b) countersigned by the Controller or any Assistant Controller, or either signed or countersigned by the Chairman, the Chief Executive Officer, the Vice Chairman, the President, any Executive Vice President, any Senior Vice President or any Vice President in lieu of either the officers designated in (a) or the officers designated in (b) of this Section 5.

22

Section 6. <u>Proxies</u>. Unless otherwise provided for by a resolution of the Board of Directors, the Chief Executive Officer, or any Vice President or Secretary or Assistant Secretary designated by the Board of Directors, may from time to time appoint an attorney or attorneys or agent or agents of the Corporation to cast, in the name and on behalf of the Corporation, the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

Section 7. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 8. <u>Amendments</u>. Except as may be otherwise provided in the DGCL, these Bylaws may be amended or repealed by the Board of Directors, including any Bylaw adopted, amended, or repealed by the Stockholders generally. These Bylaws may be amended or repealed by the Stockholders even though the Bylaws may also be amended or repealed by the Board of Directors.

Page

#### MASTER LICENSE AGREEMENT

### Dated October 31, 2016

Between

### YUM! RESTAURANTS ASIA PTE. LTD.

And

#### YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

#### **TABLE OF CONTENTS**

1.	DEFINED TERMS	2
2.	GRANT OF LICENSE AND UNDERTAKING TO DEVELOP	8
3.	FEES, PAYMENTS AND REQUIRED EXPENDITURES	11
4.	OWNERSHIP, USE, PROTECTION AND SUBSTITUTION OF IP	13
5.	QUALITY ASSURANCE AND BRAND STANDARDS	19
6.	SUBLICENSES	22
7.	LEGAL COMPLIANCE	24
8.	RECORDKEEPING AND REPORTING	25
9.	CONFIDENTIALITY	26
10.	NON-COMPETITION	26
11.	INDEMNIFICATION AND INSURANCE	27
12.	ASSIGNMENT	28
13.	TERM AND RENEWAL	29
14.	BREACH	29
15.	ADDITIONAL REMEDIES	33
16.	POST-TERM OBLIGATIONS	34
17.	DISPUTE RESOLUTION	35
18.	REPRESENTATIONS AND WARRANTIES	37
19.	GENERAL PROVISIONS	38
EXHIBITS		
Exhibit A	— Brands and Brand Owners	
Exhibit A-1	<ul> <li>Taco Bell Brand Development Initiative</li> </ul>	

Exhibit B Categories and Sources of Brand Standards

Exhibit C Cross Licensed IP

Exhibit D

Licensor Purchase Right Procedures

Exhibit E Guaranty

i

#### MASTER LICENSE AGREEMENT

THIS MASTER LICENSE AGREEMENT (this "Agreement") is made and entered into this 31st day of October, 2016 (the "Effective Date") by and between Yum! Restaurants Asia Pte. Ltd., a private limited company organized and existing under the laws of Singapore, having its offices at 99 Bukit Timah Road, #06-00, Singapore 229835 as "master licensee" (for purposes of this Agreement, "Licensor"), and Yum Restaurants Consulting (Shanghai) Company Limited, a company organized under the laws of the People's Republic of China, having its offices at 16/F Two Grand Gateway, 3 Honggiao Road, Shanghai, the People's Republic of China as "master sublicensee" (for purposes of this Agreement, "Licensee"). Licensor and Licensee are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties".

# RECITALS

Prior to the Effective Date, the business division of Yum! Brands, Inc. ("Yum"), known as Yum! Restaurants China ("YumChina"), has Α been primarily responsible for the conduct of the Brand Restaurant Businesses within the People's Republic of China (the "PRC"), and YumChina, by virtue of its status as a business division of Yum and the various International Franchise Agreements entered into from time to time, has been entitled to use certain trademarks and other IP of Yum and its Subsidiaries in connection with such business activities.

Prior to or on the Effective Date, the businesses and assets of, and the Subsidiaries of Yum included in, YumChina will be contributed, B. assigned, transferred, conveyed and delivered to Yum China Holdings, Inc., a Delaware corporation ("SpinCo") and on or about the Effective Date, Yum will distribute to its stockholders the shares of SpinCo owned by Yum, making SpinCo a separate public company, independent from Yum.

C. In connection with such contribution, assignment, transfer, conveyance, delivery and distribution, the Parties desire to enter into a license of and to certain trademarks and other IP of Yum and its remaining Subsidiaries, as further described in this Agreement, in order for SpinCo and its Subsidiaries to continue the operation of the Brand Restaurant Businesses in the Territory.

D. Licensor is a wholly-owned indirect Subsidiary of Yum and has the right to license the trademarks and other IP of Yum and its Subsidiaries necessary for SpinCo and its Subsidiaries to continue to operate the Brand Restaurant Businesses in the Territory; Licensee is a wholly-owned indirect Subsidiary of SpinCo and the entity through which SpinCo intends to continue to operate the Brand Restaurant Businesses in the Territory from and after the Effective Date.

E. SpinCo shall guarantee the obligations of Licensee under this Agreement by executing the form of Guaranty set forth in Exhibit E.

F. The Parties desire that the scope of the license granted pursuant to this Agreement will include trademarks and other IP of Yum and its Subsidiaries used by YumChina in the conduct of the Brand Restaurant Businesses prior to the Effective Date, and will also include, as expressly set out in this Agreement, certain additional trademarks and other IP of Yum and its Subsidiaries that may come into existence after the Effective Date and during the Term.

In consideration of the foregoing and the mutual covenants and consideration set forth herein, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee agree as follows:

1. **DEFINED TERMS** As used in this Agreement, the following terms have the meanings set forth below. Additional terms used in this Agreement are defined as they appear in the body of this Agreement and are referenced in the chart at the end of this Section.

"Additional Brands" means any brand, other than the Brands, that Licensor may, in the future, develop, own or control and for which there exists a branded Restaurant System.

"<u>Affiliate</u>" means, with respect to any named person or entity, any other person or entity controlling, controlled by, or under common control with the named person or entity. As used in this Agreement, unless expressly noted otherwise, each applicable Affiliate of Licensor after giving effect to the separation of YumChina from Yum shall be deemed as included in the definition of Licensor for each provision where Licensor is granting rights pursuant to the terms and conditions hereof or where Licensor is acknowledged or agreed to be the owner of IP.

"<u>Annual Strategic Plan</u>" means Licensee's annual plan for the Brands in the Territory during the upcoming calendar year. Topics for the Annual Strategic Plan should include: (i) material changes to existing Brand Standards or Brand Products; (ii) an overview of proposed advertising and marketing programs for each Brand; (iii) development plans for new Restaurants; (iv) an overview of third party sublicensing for the Brands; (v) any recommendations or proposals from Licensee regarding New Business Opportunities and/or Additional Brands, subject to Section 2.4 (and in each case, the terms upon which it may, in Licensor's sole discretion, be licensed to Licensee); and (vi) Licensee's progress with respect to the Taco Bell Brand Development Initiative.

"<u>Anti-Terrorism Laws</u>" means Executive Order 13224 issued by the President of the U.S., the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future laws, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

"<u>Benchmark Year</u>" means each calendar year immediately preceding the corresponding Measurement Period. To illustrate, the first Benchmark Year is January 1, 2016 through December 31, 2016 (corresponding to the first Measurement Period of January 1, 2017 through December 31, 2021) and the second Benchmark Year is January 1, 2017 through December 31, 2017 (corresponding to the second Measurement Period of January 1, 2018 through December 31, 2022).

"<u>Brand</u>" means individually each, and "<u>Brands</u>" means collectively all, of the branded Restaurant Systems identified in <u>Exhibit A</u>, and which are primarily known by their respective brand and business names ("<u>Brand Names</u>") currently known separately as "KFC" (or "Kentucky Fried Chicken"), "Pizza Hut" including its icon, "the Red Roof", and "Taco Bell" including its icon, "the Bell" (including the Mandarin language equivalents and derivatives thereof).

"Brand Business IP" means the IP, other than the Core Brand IP, used in connection with the conduct of the Brand Restaurant Businesses.

"Brand Owners" means the entities that own the Brands as set forth in Exhibit A.

"Brand Restaurant Businesses" means the full range of business activities performed in the licensing and/or operation of businesses conducted through Restaurants, including all the related

2

development, promotional, and support activities. "Brand Restaurant Business" means any of the Brand Restaurant Businesses relating to a Brand.

"<u>Brand Standards</u>" means the standards, specifications and requirements for the commercial use of the Brand System IP in the conduct of the Brand Restaurant Businesses and in the development and operation of the Restaurants under the Brands (including Brand Trademark usage, maintenance and registration standards; food safety and other quality assurance processes; governance protocols; and Restaurant design, inspection and maintenance processes) as established by Licensor, all subject to updating and amendment, from time to time, as specified in Section 5.3. <u>Exhibit B</u> includes a list of categories of Brand Standards and the source of each.

"Brand System IP" means the collection of IP of Yum and its Subsidiaries used in connection with the conduct of the Brand Restaurant Businesses, comprised of the Core Brand IP, together with that portion of the Brand Business IP existing as of the Effective Date.

"Business Days" means all days that are not weekends or national holidays under the laws of the country in which the Party obligated to make the referenced payment, give the referenced notice, exercise the referenced right, or perform the referenced obligation resides.

"Change of Control" of Licensee or SpinCo means the occurrence of one or more of the following events:

(1) Licensee ceases to be a wholly-owned direct or indirect subsidiary of SpinCo;

(2) any direct or indirect, voluntary or involuntary, sale, lease, assignment, conveyance, gift, pledge, mortgage, encumbrance or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Licensee or SpinCo, determined together with its Subsidiaries on a consolidated basis, or a material portion of such assets related to any of the Brands, to any person or entity that is a Competitor or to any group of related persons or entities (as the term group is interpreted for purposes of Section 13(d) of the United States Securities Exchange Act of 1934, as amended (a "Group")) where any member of such Group is a Competitor;

(3) the consummation of any plan of merger, consolidation, share exchange, tender offer or combination (any such transaction, a "Business Combination") directly or indirectly involving Licensee or SpinCo and any Competitor;

(4) any person, entity or Group, alone or together with its Affiliates, is the beneficial owner, directly or indirectly, of capital stock or other securities of SpinCo representing twenty percent (20%) or more of SpinCo's then outstanding common stock or twenty percent (20%) or more of SpinCo's then outstanding capital stock or other securities having general voting rights and such person or entity, or any member of such Group, is a Competitor; or

(5) any person, entity or Group, alone or together with its Affiliates, has the power, directly or indirectly, to direct the business, management, operations or policies of Licensee or SpinCo, whether through the ownership of voting securities, by contract or otherwise, and such person or entity, or any member of such Group, is a Competitor.

"<u>Competing Business</u>" means (a) any business that offers for sale as a principal food product for consumption by consumers any food product (including pizza, pasta, ready-to-eat chicken and Mexican-style food) that is substantially similar to any of the Brand Products and any business that grants franchises, licenses or similar arrangements to others to operate such a business (as used in this definition, a product is a "principal food product" if the sale of such product generates more than twenty percent (20%) of all product revenues of the business either in the Territory or in the world) and (b) the following

3

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, and Popeye's Louisiana Kitchen. Licensor may reasonably update the list of Competing Businesses in (b) to reflect changes in Competing Businesses, but not more than once each calendar year during the Term, and provided, that no update which adds a new Competing Business shall be deemed to prohibit an interest in such Competing Business that pre-dates such update.

"<u>Competitor</u>" 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. In this context "<u>Engaged</u>" or "<u>Engages</u>" 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.

"Confidential Information" means trade secrets, know-how, and other proprietary knowledge or confidential information of a Party and its Affiliates, including (i) with respect to Licensor and its Affiliates, the Brand System IP and all confidential knowledge and information concerning the Restaurant Systems operating under the Brands or necessary or useful to the development or operation of Restaurants, including technology, designs, concepts, ideas, information, formulas, recipes, studies, plans, reports, analyses, compilations, strategies, programs, data, methods, techniques or processes regarding each Brand's services, products, methods of doing business, markets, customer data, profits, sales, or other financial information that derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use, and (ii) with respect to Licensee and its Affiliates, all confidential information needed to its operation of the Brand Restaurant Businesses (other than information constituting Confidential Information of Licensor). Confidential Information does not include information which: (i) the non-disclosing Party can demonstrate became known to the Party by proper means before the disclosure thereof by the disclosing Party or its Affiliates, (ii) at or after the time of such disclosure, had become or later becomes a part of the public domain other than in breach of this Agreement or any Sublicense, or (iii) the non-disclosing Party receives through proper publication or communication from an independent third party having the right to disclose the same.

"<u>Core Brand IP</u>" means the following IP of Yum and its Subsidiaries, including, for periods prior to the Effective Date, Subsidiaries of Yum which subsequently become Subsidiaries of SpinCo: (i) the "<u>Brand Trademarks</u>", which are comprised of the Brand Names, and versions thereof, incorporating all or a portion of a Brand Name, together with all trademarks, service marks, trade names, domain names, logos, commercial symbols and all other source indicators and other similar rights, whether registered or unregistered, authorized by Licensor now and in the future for use in connection with the conduct of the Brand Restaurant Businesses; (ii) the "<u>Brand Marketing Materials</u>", which are comprised of all the advertising, marketing, promotional and public relations materials in every medium, used directly or indirectly to promote the Brand Restaurant Businesses; (iii) the "<u>Brand Products</u>", which are comprised of all restaurant equipment modifications or customizations developed or commissioned for the production of products) and services authorized for sale or promotion at Restaurants; and (iv) the "<u>Brand Restaurant Designs</u>", which are comprised of the prototypical architectural plans, designs, layouts, design concepts, drawings and specifications for Restaurants. Core Brand IP includes Future Core IP.

"<u>Customer Data</u>" means (i) any information or data identifying, describing, concerning or generated by prospective, actual or past customers, website visitors or other social media contacts of any of the Brand Restaurant Businesses operating in the Territory, including all other customer information in any database, regardless of the source thereof, and (ii) any information or data related to any of the foregoing (including customer lists, reports, forms, methodologies, segmentations and statistical data,

whether individually or in the aggregate). For the purpose of this Agreement, Customer Data shall include only information or data that has been collected, generated, or used by a Brand Restaurant Business. The term "Customer Data" shall not include any customer information or data, including general market or customer insight research, that is generated, or used by the Licensee for purposes other than as described in the preceding sentence, above.

"<u>Future Brand Business IP</u>" means Brand Business IP, other than the Brand System IP, that is developed or acquired by Licensee or any of its Affiliates or any of the Sublicensees after the Effective Date for use in the conduct of the Brand Restaurant Businesses and that is an extension, derivative or new version of existing Brand System IP or is useable in the commercialization of the Core Brand IP.

"<u>Future Core IP</u>" means additional IP of the types described in clauses (i) through (iv) in the definition of Core Brand IP for use in the conduct of the Brand Restaurant Businesses that is modified, developed or acquired after the Effective Date.

"Good Standing" means that Licensee is in full compliance with all of its obligations under Applicable Laws, this Agreement, and each other agreement between Licensee and Licensor or any of its Affiliates (including all payment obligations), that each of Licensee's Affiliates is in full compliance with all of its obligations under Applicable Laws, each Sublicense and each agreement between such Affiliate and Licensor or any of its Affiliates, and that all such obligations have been satisfied on a timely basis.

"Governmental Authority" means any national, federal, provincial, state, county, municipal or local governmental and quasi-governmental agency, commission or authority, including any taxing authority.

"<u>IP</u>" means all trademarks, service marks, trade dress, look and feel rights, copyrights, database rights, patents, trade secrets, domain names, knowhow, show-how and proprietary information and Confidential Information, tangible and intangible, including all legally cognizable versions of any such intellectual property such as derivative works, colorable imitations, extensions, modifications, improvements, derivations, adaptations, localizations, translations, transliterations, or compilations of any kind.

"Lists" means the lists prepared by the U.S. government identifying those persons with whom U.S. parties are prohibited from doing business, including, and as they may change from time to time: (i) the Specially Designated Nationals List (http://www.treas.gov/offices/enforcement/ofac/sdn/sdnlist.txt); (ii) Executive Order 13324 (http://www.treasury.gov/offices/enforcement/ofac/programs/ terror/terror.pdf); (iii) Executive Order 13382 (http://www.state.gov/t/isn/c22080.htm); and (iv) Executive Order 12938 (http://www.state.gov/t/isn/c15233.htm).

"<u>Measurement Period</u>" means each rolling five (5) calendar year period throughout the Term, beginning January 1, 2017. To illustrate, the first Measurement Period is January 1, 2017 through December 31, 2021 and the second Measurement Period is January 1, 2018 through December 31, 2022.

"<u>Prime Rate</u>" shall mean the rate that Bloomberg displays as "Prime Rate by Country United States" at *http://www.bloomberg.com/quote/PRIME:IND* or on a Bloomberg terminal at PRIMBB Index or, in the absence of Bloomberg displaying such rate, such other rate as Licensor may reasonably determine as the equivalent rate.

"<u>Restaurant</u>" means each of the retail restaurant facilities that is primarily identified by a Brand Name and/or uses Brand System IP and that conducts the offer and sale of authorized products and services through dine-in, carry-out, catering, delivery, kiosk, on-line methods of distribution, centralized

kitchens/commissaries, and such other methods of distribution as the Parties may mutually agree, including the offer of premiums, and all other related promotional activities (but does not include the sale of any products for resale).

"<u>Restaurant System</u>" means the collection of procedures, policies, standards, specifications and other distinguishing elements, created or acquired in connection with the development and operation of a restaurant concept, but expressly excluding any test concept.

"Sublicense" means any agreement between Licensee and any Affiliate or third party (including any development agreement, trademark license contract or franchise agreement), granting such Affiliate or third party the right to operate one or more Restaurants under the applicable Brand in the Territory, including the Existing Sublicenses and the Future Sublicenses. Each Sublicense must be Brand-specific.

"Sublicensee" means any Affiliate of Licensee or any third party that is or becomes a party to an Existing Sublicense or a Future Sublicense.

"Sublicensee Change of Control" means, as to any Sublicensee, the occurrence of one or more of the following events:

(1) any direct or indirect, voluntary or involuntary, sale, lease, assignment, conveyance, gift, pledge, mortgage, encumbrance or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of such Sublicensee, determined together with its Subsidiaries on a consolidated basis, or a material portion of such assets related to any of the Brands, to any person or entity that is a Competitor or to any Group where any member of such Group is a Competitor;

(2) the consummation of any Business Combination directly or indirectly involving such Sublicensee and any Competitor;

(3) any person, entity or Group, alone or together with its Affiliates, is the beneficial owner, directly or indirectly, of capital stock or other securities of such Sublicensee representing twenty percent (20%) or more of such Sublicensee's then outstanding common stock (or other equity ownership interests) or twenty percent (20%) or more of such Sublicensee's then outstanding capital stock or other securities having general voting rights and such person or entity, or any member of such Group, is a Competitor; or

(4) any person, entity or Group, alone or together with its Affiliates, has the power, directly or indirectly, to direct the business, management, operations or policies of such Sublicensee, whether through the ownership of voting securities, by contract or otherwise, and such person or entity, or any member of such Group, is a Competitor.

5

"<u>Subsidiary</u>" means with respect to any entity, any corporation, limited liability company, joint venture, partnership or other entity, of which such first entity (a) beneficially owns, either directly or indirectly, more than 50% of (i) the total combined voting power of all classes of voting securities, (ii) the total combined equity interests, or (iii) the capital or profit interests, or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.

"Taco Bell Brand Development Initiative" means the specific development initiative for the Taco Bell Brand in the Territory set forth in Exhibit A-1, as such exhibit may be supplemented over time by agreement of the Parties in connection with the Annual Strategic Consultation, taking into consideration

new Taco Bell Restaurant development in comparable markets, projected Taco Bell Brand growth, the market environment and demand for the Taco Bell Brand in the Territory, and current Taco Bell performance in the Territory.

"Tax Matters Agreement" means the Tax Matters Agreement to be entered into by and between Yum and SpinCo in connection with the separation of YumChina from Yum and the distribution to Yum's stockholders of the shares of SpinCo owned by Yum.

"Taxes" means all taxes (including value added taxes), levies, imposts, duties, charges or fees, in each case in the nature of a tax and imposed by any Governmental Authority, whether collected by withholding or otherwise, and any interest, additions to tax or penalties applicable thereto.

"Territory" means the PRC, as geographically constituted on the Effective Date, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

"Term" means, collectively, the "Initial Term" and any "Renewal Term" as described in Sections 13.1 and 13.2.

"Transfer" means to sell, assign, convey, give away, pledge, mortgage, grant a security interest in or lien against, license, or otherwise transfer or encumber, or any sale, assignment, conveyance, gift, pledge, mortgage, grant of security interest, lien, license, or other transfer or encumbrance.

The following terms are defined in the referenced Section, paragraph, or Recital of this Agreement:

Defined Term	Section
Administered Rules	17.3
Advertising Assessment	3.2
Agreement	Preamble
Annual Strategic Consultation	5.4
Appeal Procedure	17.3.7
Applicable Laws	7.1
Arbitration Request	17.3
Assigned Payments	6.1.2
Bank	14.1.6.B
Clearance Activities	4.3.1
CPR	17.2.2
Cross Licensed IP	4.1.1
Effective Date	Preamble
Enforcement Activities	4.3.1
Existing Sublicenses	6.1
Future Sublicenses	6.2
Governmental Approvals	6.3.5
Grace Period	3.4.1
Gross Revenue	3.1
Indemnitees	11.1
Initial Term	13.1
Late Payment	14.1.6.B
Letter of Credit	14.1.6.B
Licensee	Preamble

Licensee Releasing Parties	4.1.2.B
Licensor	Preamble
Licensor Purchase Right	15.4.5
Licensor Released Parties	4.1.2.B
New Business Opportunity	2.4
Non-Restated Sublicense	6.1
Original Award	17.3.7
Party(ies)	Preamble
Payment Default	14.1.6.A
Payment Dispute Notice	14.1.6.C
PRC	Recital A
Registration Activities	4.3.1
Renewal Term	13.2
Restated Sublicense	6.1
ROFR Agreement	2.4.1

ROFR Notice	2.4.1
SGM Breach	2.1.3.A
SGM Calculation Statement	2.1.3.A
SGM Report	2.1.3.A
Sales Growth Metric	2.1.3
Secured Amount	14.1.6.B
SpinCo	Recital B
Transaction Tax	3.5.3
Underpayment	14.1.6.B
Yum	Recital A
YumChina	Recital A

## 2. GRANT OF LICENSE AND UNDERTAKING TO DEVELOP

2.1 <u>Grant of IP Licenses</u>. Licensor hereby grants Licensee the exclusive right and license, and Licensee hereby assumes the obligation, to use the Brand System IP to operate Brand Restaurant Businesses in the Territory, inclusive of the right to sublicense the Brand System IP needed in order to operate the Restaurants to Sublicensees under Sublicenses for the sole purpose of operating Restaurants in the Territory, provided that, except for Licensee's right to operate a limited number of Restaurants for test purposes in compliance with the terms of the form Sublicense as if Licensee were the Sublicensee and Licensor were the Sublicensor under such Sublicense, (i) Restaurants may be operated only by Sublicensees under Sublicenses; and (ii) only those Affiliates of Licensee that are Sublicensees have the right to use the Brand System IP and then only in compliance with the applicable Sublicense.

2.1.1 The license granted hereunder is separable as to each of the Brands, as identified by each separate Brand Name used to identify each of the Brand Restaurant Businesses, and the license for each Brand and the associated Brand System IP may be separately assigned, modified, renewed, terminated and enforced by Licensor, in all cases subject to the terms herein.

2.1.2 Licensee shall use its commercially reasonable best efforts to increase the revenues of the Brand Restaurant Businesses during the Term.

2.1.3 Without limitation of Section 2.1.2, subject to Sections 2.1.3.A, through 2.1.3.E, Licensee shall cause the average annual Gross Revenue for each Brand Restaurant Business for

8

each Measurement Period to exceed the Gross Revenue of such Brand Restaurant Business for the applicable Benchmark Year ("Sales Growth Metric").

A. Within sixty (60) days after the beginning of each calendar year during the Term, Licensee shall calculate the average annual Gross Revenue for the relevant Measurement Period and the Gross Revenue for the relevant Benchmark Year for each Brand Restaurant Business and prepare and deliver to Licensor a written statement setting forth in reasonable detail its determination of the average annual Gross Revenue for the relevant Measurement Period and the Gross Revenue for the relevant Benchmark Year with respect to each Brand Restaurant Business (each, an "<u>SGM Calculation Statement</u>"). In the event Licensee's SGM Calculation Statement indicates a Brand Restaurant Business has failed to meet the Sales Growth Metric (an "<u>SGM Breach</u>"), Licensee may include with the SGM Calculation Statement a report setting forth specific factors, if any, beyond its reasonable control as the predominant cause for such SGM Breach (the "<u>SGM Report</u>").

B. Without limitation of Licensor's rights under Section 8.3, Licensor and its representatives shall have the right to inspect Licensee's books and records with respect to each Brand Restaurant Business, upon reasonable prior notice to Licensee and for purposes reasonably related to the verification of the SGM Calculation Statement, the SGM Report, if any, and any additional information relating to the Sales Growth Metric.

C. In the event the SGM Calculation Statement indicates that the Sales Growth Metric has been satisfied and Licensor agrees with the SGM Calculation Statement, Licensor shall provide written notice to Licensee confirming that the Sales Growth Metric has been satisfied for that particular Measurement Period within thirty (30) days after receipt of the SGM Calculation Statement.

D. In the event an SGM Breach has occurred and Licensee has not included an SGM Report with the SGM Calculation Statement, Licensor shall provide written notice to Licensee confirming such SGM Breach within thirty (30) days after receipt of the SGM Calculation Statement. Failure to submit an SGM Report with the SGM Calculation Statement shall be deemed a waiver of Licensee's right to submit an SGM Report for the relevant Measurement Period.

E. In the event an SGM Breach has occurred and Licensee has included an SGM Report with the SGM Calculation Statement, Licensor shall consider the SGM Report in good faith, while also taking into account factors within Licensee's control, such as Licensee's use of free cash and the amount of capital investments for Brand development, judged on both an historical and competitive basis. If Licensor, in its reasonable discretion, determines that the SGM Breach was predominantly caused by factors beyond Licensee's reasonable control, Licensor shall waive the SGM Breach with respect to the relevant Brand Restaurant Business and shall provide written notice to Licensee so indicating within thirty (30) days after receipt of the SGM Calculation Statement. If Licensor, in its reasonable discretion, determines that the SGM Breach was *not* predominantly caused by factors beyond Licensee's reasonable control, Licensee's reasonable control, Licensee's reasonable control, beyond Licensee's reasonable control, Licensor shall provide written notice to Licensee confirming that an SGM Breach has occurred within thirty (30) days after receipt of the SGM Calculation Statement.

In the event of two (2) consecutive SGM Breaches for a Brand Restaurant Business, Licensor shall be entitled to exercise its rights under Section 15.4.4.

2.2 <u>Territorial Protections</u>. During the Term and provided that Licensee and its Affiliates remain in Good Standing (including in compliance with Sections 2.1.2 and 2.1.3), Licensor shall not establish or operate, or grant any other person or entity the right to establish or operate, a Brand Restaurant Business in the Territory or any rights to use the Brand System IP in Restaurants in the Territory.

2.3 <u>Licensor's Reserved Rights</u>. Licensee acknowledges and agrees that this Agreement grants Licensee only the right to operate the Brand Restaurant Businesses in the Territory during the Term. Licensor and its Affiliates have and retain all rights not granted to Licensee under this Agreement and may, without notice to Licensee: (a) establish and operate, or grant any person or entity the right to establish and operate, Brand Restaurant Businesses, and use the Brand System IP, outside the Territory or after the Term, and (b) engage in any business in the Territory provided the conduct of the business is not in conflict with the provisions of Section 2.2 and Section 2.4.

2.4 <u>Licensee's Rights of First Refusal</u>. Notwithstanding Section 2.3, if during the Term, (i) Licensor proposes to engage, directly or indirectly, in any business in the Territory unrelated to the Brand Restaurant Businesses but utilizing all or any part of the Core Brand IP (a "<u>New Business</u> <u>Opportunity</u>"), or (ii) Licensor develops or acquires an Additional Brand, then Licensor shall offer Licensee a right of first refusal in accordance with this Section 2.4.

2.4.1 Within a reasonable period of time following the occurrence of an event described in Section 2.4.(i) or (ii) (regardless of whether Licensor proposes to act on a unilateral voluntary basis or in response to an approach or offer from a third party) and subject to the conditions in Section 2.4.2, Licensor shall notify Licensee in writing of the New Business Opportunity or the Additional Brand (the "<u>ROFR Notice</u>"). The ROFR Notice will offer Licensee the first opportunity, on an exclusive basis, to negotiate rights to the New Business Opportunity or the Additional Brand in the Territory. Licensee shall accept or reject the offer to negotiate in writing within thirty (30) days following the date of the ROFR Notice. Licensee's failure to accept or reject the offer in writing within the stated time period shall be deemed to be a rejection of the offer. If Licensee accepts the offer to negotiate rights for a period of ninety (90) days following the date of Licensee's written acceptance notice, any such terms to be evidenced by a separate agreement between the Parties or their designees (a "<u>ROFR Agreement</u>"). If the Parties have not entered into a ROFR Agreement for the New Business Opportunity or Additional Brand within the ninety (90) day exclusivity period, then, unless the Parties mutually agree in writing to extend the exclusive negotiation period before the expiration of such exclusivity period, Licensee's rights with respect to the New Business Opportunity or Additional Brand in the Territory, without any further obligation to Licensee.

2.4.2 Licensee's right of first refusal shall be applicable: (i) only during such time that Licensee and its Affiliates are in Good Standing; (ii) on terms and conditions no less favorable to Licensee than those then offered by Licensor to other third parties, excluding, however (but, nonetheless, fully disclosing to Licensee on a timely basis for its overall appraisal) any one time "development incentives," such as for market entry, new units, test concepts or other forms of growth initiatives which may be offered, from time to time, for limited periods less than the full term of the applicable franchise or license grant; and (iii) with respect to any Additional Brand, only after the business of the Additional Brand is deemed by Licensor, using its reasonable

10

judgment, to be tested and fully operational. In the event Licensee believes Licensor has failed to provide the ROFR Notice in a timely manner, Licensee's sole remedy shall be to provide written notice to Licensor of such alleged failure. For the convenience of the Parties, the Parties will endeavor to discuss any applicable right of first refusal primarily during the Annual Strategic Consultation.

# 3. FEES, PAYMENTS AND REQUIRED EXPENDITURES

3.1 <u>Royalty</u>. In consideration for the license granted under Section 2.1, Licensee shall pay to Licensor a continuing royalty fee in an amount equal to three percent (3%) of the Gross Revenue of any kind derived from the operation of the Restaurants in the Territory. For purposes of this Agreement, the term "<u>Gross Revenue</u>" shall mean the total of all cash or other payments (including the fair value of an exchange and all payments by check, credit, or charge account, regardless of whether the checks, credits, or charge accounts are ultimately paid) paid or payable at the Restaurant level for the sale or use of any products, goods, or services that are sold at or from any Restaurant in the Territory, excluding value added taxes and governmental surcharges imposed with respect to such sales by Governmental Authorities, and then only if the amount of such value added taxes or governmental surcharges is taken into account in the selling price and is actually paid to the appropriate Governmental Authority). Royalty fee payments are due on the fifteenth (15th) day of the month with respect to Gross Revenue during the preceding month and, unless otherwise agreed by Licensor, are payable by Licensee to Licensor regardless of collection or non-collection by Licensee from the Sublicensees.

3.2 Required Advertising Expenditures. Annually, during the Term, Licensee shall collect and spend all Advertising Assessments to market, advertise and promote each of the Brands in the Territory in accordance with the Advertising and Marketing Standards set out in the Brand Standards; provided, that up to one percent (1%) of the Gross Revenue may be spent for Restaurant asset upgrades, menu board upgrades, directional signage, premiums, and limited-time offer discount promotion subsidies lasting for twelve (12) weeks or less. Licensee may allocate the Advertising Assessment between national and local store marketing and advertising initiatives and activities in its reasonable discretion. For purposes of this Agreement, "Advertising Assessment" means a minimum advertising fee or contribution under each Sublicense in an amount equal to four percent (4%) of Gross Revenue (including the one percent (1%) of Gross Revenue that may be spent for Restaurant asset upgrades, menu board upgrades, directional signage, premiums, and limited-time offer discount promotion subsidies lasting for twelve (12) weeks or less). The Parties acknowledge and agree that the nature of advertising is evolving and will continue to evolve during the Term. Therefore, upon request by either Party, the other Party will consider in good faith prospective adjustments to the Advertising Assessment, taking into consideration Brand sales, competitor marketing spend rates and trends, and marketing effectiveness (e.g., the availability of other channels or platforms of marketing promotion, such as social media and digital advertising, that may provide for reduced cost and equal or greater consumer reach and conversion) and the resulting impact on sales growth.

3.3 <u>Other Payments</u>. In addition to the royalty fees described in Section 3.1, Licensee shall pay to Licensor and to Licensor's Affiliates and to all third party suppliers promptly when due all other fees, charges and reimbursable amounts payable under this Agreement or other agreements between Licensee and Licensor, Licensor's Affiliates, or such third party suppliers. Such payments shall be made at such times and in such manner as may be specified in this Agreement or such other agreements and, in the absence of any specified time and manner of payment, as invoiced.

3.4 <u>Payment Terms; Currency</u>. All payments made by Licensee to Licensor under this Agreement shall be sent by electronic wire transfer of immediately available funds to the account designated by Licensor in writing from time to time.

3.4.1 Any payment not actually received within five (5) days after the date on which such payment was due ("<u>Grace Period</u>") shall accrue interest at a rate per annum equal to the Prime Rate plus three percent (3%) or the maximum rate permitted by Applicable Laws, whichever is less, from the end of the Grace Period until paid. Such interest charges are in addition to any other remedies available to Licensor. Additionally, during the first year of the Term, the Grace Period shall be extended to ten (10) days.

3.4.2 Licensee shall not be entitled to withhold payments due to Licensor or its Affiliates on grounds of alleged nonperformance by Licensor or its Affiliates, nor shall Licensee be entitled to set off any amounts that may be owed by Licensor or any of its Affiliates to Licensee or any of its Affiliates against amounts owed by Licensee or any of its Affiliates to Licensor or any of its Affiliates under this Agreement. Notwithstanding any designation Licensee might make, Licensor has sole discretion to apply any of Licensee's payments to any of Licensee's past due indebtedness to Licensor or its Affiliates. Licensor has the right to set off any amounts Licensee owes to Licensor or any of Licensor's Affiliates against any amounts Licensor or any of its Affiliates may owe to Licensee or any of Licensee's Affiliates.

3.4.3 All amounts payable to Licensor under this Agreement shall be paid in Chinese Yuan Renminbi (RMB).

3.4.4 If any Governmental Authority with jurisdiction over any of the Brand Restaurant Businesses or the Parties imposes restrictions on the transfer of funds or currencies to places outside the Territory and such restrictions result in Licensor not receiving payments in accordance with this Agreement in a timely fashion, Licensee shall cooperate with Licensor and use commercially reasonable efforts to effect such payments in a timely fashion by the transfer of funds in alternate currencies as Licensor may designate and/or the funding of such payments from sources outside the Territory, to the extent legally permissible. If, after thirty (30) days, such efforts fail to result in full payment to Licensor, then Licensor shall have the right at any time thereafter to the extent legally permissible to direct the deposit of any or all payments (including accumulated amounts) required hereunder into such accounts in the Territory as Licensor may designate. Nothing herein shall relieve Licensee from the obligation to pay to Licensor the amounts due hereunder.

3.5 <u>Taxes</u>. Licensee shall promptly pay when due all Taxes levied or assessed against Licensee by any Governmental Authority.

3.5.1 Any and all payments by Licensee to Licensor pursuant to this Agreement shall be made without deduction or withholding for any Taxes, except as required by Applicable Laws. If Applicable Laws require Taxes to be withheld or deducted from any payment to Licensor pursuant to this Agreement, Licensee shall withhold or deduct and pay to the applicable Governmental Authority the amount required to be withheld or deducted and shall promptly deliver to Licensor, at least annually or as otherwise reasonably requested by Licensor, receipts and tax forms issued by the applicable Governmental Authority showing that all Taxes were properly withheld or deducted and remitted in compliance with Applicable Laws. Without limiting the foregoing, Licensee shall cooperate with Licensor in any manner Licensor reasonably requires to facilitate Licensor in its efforts to obtain applicable tax credits based on such

withholdings or deductions, or to obtain any reduction in the amount of such withholding or deduction.

3.5.2 Except as otherwise provided in the Tax Matters Agreement, in the event of any bona fide dispute between Licensee or any of its Affiliates and any Governmental Authority as to liability for Taxes assessed, Licensee or such Affiliate may contest the validity or the amount of the Tax in accordance with procedures of the Governmental Authority or Applicable Laws; provided, however, that, to the extent within the control of Licensee, in no event shall Licensee or such Affiliate permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of any Restaurant, any improvements thereon, or any assets of Licensee or such Affiliate that are part of the Brand Restaurant Businesses or contain the Brand Trademarks.

3.5.3 Licensee bears sole and exclusive responsibility for the reporting, withholding and payment of all Taxes imposed upon it by any jurisdiction, including the responsibility to report to the applicable Governmental Authorities any payment made to Licensor to the extent required by Applicable Laws. The Parties acknowledge that Licensee may be responsible now or in the future to collect and remit sales tax, use tax, excise tax, withholding income tax, value added tax, franchise fee tax, governmental surcharges, stamp tax or consumer tax ("<u>Transaction Tax</u>") with respect to payments made by Licensee to Licensor pursuant to Section 3.1. Any such Transaction Taxes shall be borne by Licensor and such amounts shall not be added to any amounts payable by Licensee pursuant to Section 3.1.

3.5.4 If Licensee receives any refund or credit in respect of any Taxes withheld or deducted from, or any Transaction Tax paid by Licensor in respect of, any payment made to Licensor pursuant to this Agreement, Licensee shall promptly pay to Licensor an amount equal to the amount of such refund or credit, net of all out-of-pocket expenses (including Taxes) of Licensee with respect to the receipt of such refund or credit. For purposes of this Section 3.5.4, Licensee's ordinary course application of a value added tax credit against value added tax withheld from any payment made to Licensor pursuant this Agreement shall not be treated as a credit received by Licensee, provided, however, that any credit against value added tax obtained by Licensee as a result of a redetermination of the amount of value added tax due with respect to any such payment to Licensor shall be treated as a credit received by Licensee and payable to Licensor pursuant to this Section 3.5.4.

# 4. OWNERSHIP, USE, PROTECTION AND SUBSTITUTION OF IP

4.1 <u>Ownership</u>. Licensee represents and warrants to Licensor that, prior to the Effective Date, Licensee and YumChina have provided to Licensor and Yum all agreements and other documents relating to any and all Brand System IP licensed, used, or owned (or purported to be owned) by YumChina, SpinCo or any of their Affiliates, including Licensee. Licensor hereby represents that the scope of the license for the Brand System IP is expressly designed to include the IP of Yum and its Subsidiaries used to operate the Brand Restaurant Businesses in the Territory prior to the Effective Date, primarily under the direct management of and supervision of YumChina. To the extent any ambiguity exists in this Agreement concerning the scope of the license grant to the Brand System IP, this representation shall assist the Parties in determining the proper interpretation. As between Licensor and its Affiliates (as determined upon or after consummation of the separation of YumChina from Yum), on the one hand, and Licensee agrees (for itself and on behalf of its Affiliates and the Sublicensees) that the Brand System IP is, and shall remain, the sole property of Licensor. Licensor and Licensee (for itself and on behalf of its Affiliates and the

Sublicensees) further agree that any modification, development or acquisition of the IP of Yum and its Subsidiaries occurring prior to the Effective Date by or for Licensee or any of its Affiliates or any of the Sublicensees, whether by itself or in conjunction with Licensor or third parties, shall be deemed to have been commissioned by and for the benefit of Licensor, and Licensee has done or shall do at Licensor's request, all acts (including execution and delivery to Licensor of any and all such documentation) required in order to evidence, secure or perfect the vesting in Licensor of all rights, title and interest in and to such IP or any other Brand System IP or to otherwise give full effect to this Section 4.1 and shall cause its Affiliates and the Sublicensees and, to the extent commercially reasonable, its contractors and other third parties, to do so. The Parties hereby acknowledge and agree to the existence and sufficiency of consideration for the foregoing commissioning arrangements; such consideration including the right of YumChina to use certain IP of Yum and its Subsidiaries in connection with YumChina's business activities prior to the Effective Date. Nothing contained in this Agreement is, or shall be construed as, an assignment of any of the Brand System IP to Licensee or any other person or entity or as a grant to Licensee or any other person or entity of any right, title, or interest in or to any of the Brand System IP except for the express license granted to Licensee to use the Brand System IP under Section 2.1. Except for such license, Licensee acquires no right, title or interest in any of the Brand System IP or any associated past, present or future goodwill, all of which will inure solely to the benefit of Licensor and the Brand Owners.

4.1.1 Licensee represents and warrants to Licensor that, prior to the Effective Date, YumChina has not licensed or authorized the use of any of the Brand System IP by any person or entity other than Sublicensees under the Existing Sublicenses, and has only issued cross licensing rights for some of the Brand System IP to certain businesses of YumChina as set forth in <u>Exhibit C</u> (the "<u>Cross Licensed IP</u>"). During the Term, Licensee shall not provide any further cross licensing rights and shall cause the cross licensing rights to the current Cross Licensed IP to terminate within three (3) years after the Effective Date at Licensee's sole cost and expense and shall provide Licensor evidence of such termination(s) satisfactory to Licensor.

4.1.2 Other than as set forth in this Section 4.1, Licensee acknowledges and agrees that, to the extent permitted by Applicable Laws, the Brand System IP is being licensed "as-is" and without any further representations or warranties by Licensor or any of its Affiliates, including regarding the status, strength, validity, or enforceability of any of the Brand System IP in the Territory (including the status, strength, validity, or enforceability of any of the Brand System IP in the Territory). Licensee further acknowledges and agrees that:

A. Licensee shall not make any demand, assert any claim, or file any action against Licensor or any of its Affiliates (and that neither Licensor nor any of its Affiliates has any obligation to indemnify Licensee or any of its Affiliates or the Sublicensees for liability or damages) arising out of or in connection with the use by Licensee or any Sublicensee of the Brand System IP in the Territory, including demands, claims or actions (or liability or damages) based on the actual or threatened cancellations of Brand System IP registrations or refusals to register any of the Brand System IP by any Governmental Authority and any third party demands or claims related to the Brand System IP.

B. As of the Effective Date, Licensee, for itself and on behalf of all other persons and entities acting on its behalf or claiming under it (collectively, the "Licensee Releasing Parties"), hereby irrevocably and unconditionally releases, acquits and forever discharges Licensor, its Affiliates and their respective owners, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, parents and Subsidiaries, past and present, and all persons acting by, through, under or in concert with

14

them or any of them (collectively "<u>Licensor Released Parties</u>"), from all actions, causes of action, suits, debts, liens, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred), known or unknown, suspected or unsuspected, fixed or contingent, which they now have, own, hold, claim to have, claim to own, or claim to hold, or at any time heretofore had, owned, held, claimed to have, claimed to own, or claimed to hold against each or any of the Licensor Released Parties arising out of or related to the Brand System IP or any use thereof.

C. Without limiting the foregoing acknowledgements, agreements and release, Licensee agrees that the maximum possible remedy to which Licensee and its Affiliates and the Sublicensees may be entitled as a result of (i) any loss or impairment of the Brand System IP (including the Brand Trademarks) in the Territory or (ii) any breach by Licensor of any express or implied warranties related to the Brand System IP, including any technology/technical secrets, patents, or software, is for Licensor to authorize a replacement for the affected Brand System IP, and Licensee expressly acknowledges and agrees that Licensee's obligations under this Agreement, including its obligation to pay the royalty fees and other amounts due under this Agreement, shall not be relieved, limited, or otherwise modified as a result of any loss or change in the status or value of any of the Brand System IP in the Territory, including losses or changes attributable to actions by Governmental Authorities or third party claims. Licensor also has the right to replace any Brand System IP (including any Brand Trademark) that, in Licensor's belief, is or may be subject to a claim or determination that Licensee prohibited in the Territory, or that such Brand System IP is or may be cancelled or its use by Licensee prohibited in the Territory, or that such Brand System IP is or may be cancelled or its use by Licensee prohibited in the Territory, or that such Brand System IP is or may be subject to any ownership or rights challenge or any infringement allegation or action. Without limiting or altering the provisions set forth above, Licensee may request a review, during the Annual Strategic Consultation, of recent, material adverse changes in the Brand System IP where Licensee believes other types of remedies are more suitable, which suggestions Licensor shall consider and decide, in its sole discretion.

4.1.3 This Agreement expressly contemplates that Licensee (or any of its Affiliates and any of the Sublicensees) may, subsequent to the Effective Date and during the Term and in accordance with the terms hereof and the Brand Standards, develop or acquire Future Core IP and Future Brand Business IP.

A. Licensor shall solely own all Future Core IP (and, for the avoidance of doubt, Licensor and Licensee (for itself and on behalf of its Affiliates and the Sublicensees) agree that any modification, development or acquisition of Future Core IP by or for Licensee or any of its Affiliates or any of the Sublicensees, whether by itself or in conjunction with Licensor or third parties, shall be deemed to be commissioned by and for the benefit of Licensor, subject, however, to the right of use by Licensee during the Term for the purposes and in

the manner provided in this Agreement). Licensee shall inform Licensor in writing of any such modification, development or acquisition of Future Core IP. Licensee shall assign, transfer, and convey, and hereby assigns, transfers, and conveys, to Licensor all rights, title, and interest of Licensee in or to any Future Core IP modified, developed or acquired by or for Licensee and otherwise waives and/or releases all rights of restraint and moral rights therein and thereto, without compensation, recognizing that any Future Core IP modified, developed or acquired by or for Licensee shall simultaneously and by operation of law be included in the Brand System IP licensed

hereunder. Licensee shall also cause its Affiliates and the Sublicensees and, to the extent commercially reasonable and consistent with the Brand Standards, cause its contractors and other third parties, to assign, transfer, and convey all such rights, title, and interest in and to Future Core IP that may be modified, developed or acquired by or for those parties to Licensor (or its designated Affiliate). Licensee shall do all acts and execute and deliver to Licensor any and all such documentation required in order to evidence, secure or perfect the vesting in Licensor of all rights, title and interest in and to the Future Core IP or to otherwise give full effect to this Section 4.1.3 and shall cause its Affiliates and the Sublicensees and, to the extent commercially reasonable, its contractors and other third parties, to do so. If and to the extent any such assignment is determined to be invalid or unenforceable, Licensee hereby grants (and shall cause its Affiliates and the Sublicensees and, to the extent commercially reasonable and consistent with the Brand Standards, its contractors and other third parties to grant) to Licensor (or its designated Affiliate) an exclusive, worldwide, transferable, assignable, sublicensable, irrevocable, perpetual, non-terminable, royalty-free license in and to such Future Core IP. Neither Licensee nor any of its Affiliates, employees, contractors, or Sublicensees or any other third parties will be entitled to, or have any right or claim against Licensor or the Brand Owners or their respective Affiliates for, any royalty, fee, charge, compensation, or other payment or value of any kind for or in connection with any of the foregoing assignments, transfers, conveyances, or licenses or Licensor's or any of its Affiliates' use, utilization, commercialization, license, transfer, or exercise of any right in any such Future Core IP.

B. Licensee shall solely own all Future Brand Business IP; provided, that in consideration of the rights granted herein and in order to maintain and enhance Brand integrity and avoid Brand divergence, Licensee hereby grants (and shall cause its Affiliates and the Sublicensees and, to the extent commercially reasonable and consistent with the Brand Standards, its contractors and other third parties to grant) to Licensor a non-exclusive, worldwide (other than in the Territory during the Term), transferable, assignable, irrevocable, perpetual, non-terminable, royalty-free right and license to use any such Future Brand Business IP and to sublicense the use of any such Future Brand Business IP to Licensor's Affiliates and their licensees and franchisees operating under the Brands. Upon Licensor's request, Licensee shall reasonably cooperate with Licensor to effectuate this right and license (including executing all documents reasonably required by Licensor).

C. The Parties hereby acknowledge and agree to the existence and sufficiency of consideration for the foregoing commissioning arrangements, assignment, transfer, and conveyance, or license, to Licensor; such consideration including the license to Licensee of the Core Brand IP which may come into existence after the Effective Date and during the Term.

4.1.4 The parties acknowledge that Customer Data is derived, developed, accumulated and used directly through and in connection with Licensee's use of the Brand System IP, and as such, represents an essential element of the goodwill associated with the Brand System IP and the Brand Trademarks necessary to the operation of the Brand Restaurant Businesses. Accordingly, in consideration of the foregoing and subject to the limitations in this Section, Licensee (for itself and on behalf of its Affiliates) hereby grants Licensor and each of its Affiliates an unencumbered right to access and use, and a perpetual and sublicensable license in and to, the Customer Data. Licensor's right to access, use and sublicense the Customer Data may only be exercised: (i) in accordance with Applicable Laws; (ii) following the expiration, non-renewal, termination, or other winding-down of this Agreement or any Brand license granted hereunder; and (iii) in

16

connection with the continued operation of the Brand (or Brands) from which the Customer Data was obtained and compiled; provided that in the event of any material breach of this Agreement by Licensee, Licensor and its Affiliates may have the right of access, only, to the Customer Data upon written notice to Licensee, whereupon, Licensee shall provide Licensor with access to the Customer Data of the Brand (or Brands) concerned and/or derivatives thereof, according to such protocols as may be reasonably established for such purpose and set forth in Brand Standards. For the avoidance of doubt, Licensor may not use any Customer Data in connection with any restaurant system other than the Brand (or Brands) concerned.

4.2 <u>Use</u>. Licensee shall, and shall cause all of the Sublicensees to, use the Brand System IP only as authorized by this Agreement and in accordance with the Brand Standards. Without limitation of the foregoing, Licensee agrees that, during and after the Term, Licensee shall not, and shall cause all the Sublicensees not to:

4.2.1 Engage, directly or indirectly, in any conduct that would dilute, infringe upon, harm, prejudice, bring into disrepute, or interfere with the validity, ownership or enforceability of the rights of Licensor or any of its Affiliates in any of the Brand System IP or the associated goodwill, including any use of the Brand Trademarks in a derogatory, negative, or other inappropriate manner;

4.2.2 Contest the rights of Licensor or any of its Affiliates in any of the Brand System IP or the associated goodwill;

4.2.3 Take, or omit to take, any action that in any way would reflect adversely on, or injure or threaten to injure or diminish the name, image or reputation of, Licensor or any of its Affiliates, the Brand Names, the Brand Trademarks or other Brand System IP, including any action that may invalidate or jeopardize registration of any of the Brand Trademarks or other Brand System IP; or

4.2.4 Take or continue any action which Licensee (or any of the Sublicensees) knows or has reason to know would result in or cause a boycott of any Brand, Brand Product, Licensor, any of the Brand Trademarks, or any product or service bearing or associated with the Brand Trademarks. Notwithstanding the foregoing sentence, in the event any action taken or continued by Licensee or any of the Sublicensees results, or threatens to result, in any such injury, Licensee shall promptly take, and cause all of the Sublicensees to take, all steps necessary to avoid or stop the occurrence of such injury.

4.3 <u>Trademarks</u>.

4.3.1 Subject to Licensor's rights and obligations set forth in this Section 4.3 and in Section 4.5, Licensee shall, in accordance with the Trademark Maintenance and Registration Standards set out in the Brand Standards and at Licensee's expense, conduct the following activities in the Territory with respect to the Brand Trademarks (including those covered by Future Core IP but excluding any Brand Name): (i) select and clear the Brand Trademarks, providing to Licensor or its designee contemporaneous clearance reports and legal opinions in the English language and advising Licensor or its designee when a cleared Brand Trademark may be submitted for registration (collectively, "<u>Clearance Activities</u>"), and (ii) take any and all reasonable actions to police and defend the Brand Trademarks, including issuing any cease and desist demand, filing and prosecuting any administrative action and/or taking legal action, against any infringer or misappropriator, or reasonably suspected infringer or misappropriator, of any of the Brand Trademarks (collectively, "<u>Enforcement Activities</u>"). Notwithstanding the foregoing,

Licensor shall, in accordance with the Trademark Maintenance and Registration Standards set out in the Brand Standards and at Licensor's expense, conduct the following activities in the Territory with respect to the Brand Trademarks (including those covered by Future Core IP and including any Brand Trademark containing a Brand Name): (a) review and, after consultation with Licensee, approve or disapprove any Brand Trademark prior to its use, and (b) in the name of Licensor or its designee, apply for, prosecute the application for, register and maintain the registration of, the Brand Trademarks ("Registration Activities"). In addition, Licensor shall, at Licensor's expense: (x) conduct any and all Clearance Activities with respect to a Brand Trademark that is a Brand Name, (y) join any Enforcement Activities by Licensee under this Section 4.3.1 as necessary under Applicable Laws in the Territory to conduct such Enforcement Activities, and (z) have the right to monitor and participate in (and by written notice to Licensee, assume management or control of) any Clearance Activities and Enforcement Activities, Registration Activities or Enforcement Activities, or assist or be involved in any way with another's Clearance Activities, Registration Activities or Enforcement Activities, except if and to the extent expressly requested or approved in advance in writing by Licensor to Licensee. To the extent that any trademark license agreements or registered user agreements indicating the right of Licensee or any Sublicensee to use the Brand Trademarks in the Territory, or any confirmation or documentation related thereto, are required to be registered or recorded with any Governmental Authority, Licensee shall promptly file such documentation as provide or approved by Licensor and be responsible for the associated costs.

4.3.2 Licensee shall provide Licensor written notice, as set out in the Brand Standards, of any Brand Trademarks constituting Future Core IP (including changes in color or font or the translation of any of the Brand Trademarks into the local language). Licensee expressly agrees that it shall not use, and shall not permit the Sublicensees to use, any Brand Trademark within the category of Future Core IP (including any such Brand Trademark that includes a Brand Name) until it is approved by Licensor according to the procedures set out in the Brand Standards. Licensee further agrees that it shall not, and shall cause its Affiliates and Sublicensees not to, modify any Brand Trademark that includes a Brand Name until such modification is approved by Licensor according to the procedures set out in the Brand Standards. Without limitation of the foregoing, Licensee further expressly acknowledges and agrees that Licensor shall have sole discretion whether or not to approve any newly created or modified Brand Trademark that includes a Brand Name.

4.4 <u>Copyrights and Patents</u>. Licensee acknowledges and agrees that, as between Licensee and its Affiliates and the Sublicensees, on the one hand, and Licensor and its Affiliates, on the other hand, Licensor and its Affiliates own all patents, patent applications, copyrights and other intellectual property and industrial property rights in and to all materials including or evidencing any Brand System IP. Licensee shall use, and shall cause the Sublicensees to use, proper copyright, patent, and other proprietary notices in accordance with Applicable Laws in the Territory in connection with all such materials. The provisions in Section 4.3.1 regarding Enforcement Activities shall apply to all such Brand System IP materials, including the copyrights, patent rights, and other intellectual property rights contained therein. To the extent it is customary and advisable, to register the copyrights and/or patent rights contained in the Brand System IP materials, Licensee shall have the right, at its expense and upon advance written notice to Licensor or its designee, to conduct Registration Activities for such copyrights and patents, acknowledging its agreement that such Registration Activities shall reflect, and shall not alter, the ownership rights set forth herein.

18

4.5 Protection. Without limiting Section 4.3.1, Licensee shall (and shall cause its Affiliates and the Sublicensees to) assist Licensor in the protection and defense of the Brand Trademarks and other Brand System IP, including preventing the use of the Brand Trademarks or other Brand System IP by any unauthorized persons, that in the sole judgment of Licensor may be necessary or desirable under any Applicable Law. Licensee shall promptly notify Licensor of any use or infringement of the Brand Trademarks or other Brand System IP of which Licensee or any of its Affiliates or the Sublicensees become aware or any challenge or claim arising out of the use of any Brand Trademark or other Brand System IP by Licensee or the Sublicensees. Except to the extent Licensee will conduct any Enforcement Activities in accordance with Section 4.3.1, Licensor shall control all Enforcement Activities and any litigation and other proceeding related to any challenge to Licensee's or any Sublicensee's use of the Brand Trademarks or other Brand System IP (specifically including all Enforcement Activities with respect to any Brand Name), or the use or ownership of any of the Brand Trademarks or other Brand System IP by Licensor or any of its Affiliates. Except to the extent Licensee controls any Enforcement Activities under Section 4.3.1, Licensor shall have the right to determine whether and what Enforcement Activities will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken and may prosecute any claims or suits in its own name or join Licensee as a party thereto. Licensee shall be responsible for the fees and expenses of any Enforcement Activities by Licensee under Section 4.3.1. Licensor shall be responsible for the fees and expenses with any Enforcement Activities under this Section 4.5, unless the challenge or claim results from misuse of the Brand Trademarks or other Brand System IP by Licensee or any Sublicensee in violation of this Agreement or any of the Sublicenses, in which case Licensee shall reimburse Licensor and the Brand Owners for their respective fees and expenses (including legal fees and expenses). Upon Licensor's request, Licensee shall, and shall cause all of the Sublicensees to, promptly execute any summary or shortened agreement reflecting the licenses and rights under this Agreement, any confirmation of such licenses or rights, and any other document, and provide any other reasonable assistance to implement the provisions of this Agreement or as deemed necessary for compliance with Applicable Laws in the Territory, and to assist Licensor with any Registration Activities and any Enforcement Activities, all without compensation and without any right to any portion of amounts collected by Licensor in connection therewith, save and except that, in the event Licensor collects a monetary award, Licensor shall reimburse Licensee's costs and expenses incurred in connection with such assistance, pro rata with Licensor's costs and expenses, from such award. Licensee and its Affiliates and the Sublicensees shall not have any rights against Licensor or any of its Affiliates or for damages or other remedy by reason of the failure to prosecute any alleged infringements or imitations by others of any of the Brand Trademarks or for allegedly unauthorized third party use of any of the Brand System IP.

4.6 <u>Substitution</u>. Licensor reserves the right to add to, change or modify the Brand System IP, including the right to substitute different Brand Trademarks at any time. Upon receipt of written notice from Licensor to add, change, modify or substitute any of the Brand System IP (including the Brand Trademarks), Licensee shall implement such changes, using its commercially reasonable best efforts, and shall cause the Sublicensees to do the same. Licensee shall also have the same opportunity to discuss such changes or modifications with Licensor, as are set forth in the final sentence of Section 4.1.2.C.

## 5. <u>QUALITY ASSURANCE AND BRAND STANDARDS</u>

5.1 <u>Quality and Brand Standards</u>. Licensee acknowledges the importance to the reputation and goodwill of the Brands of maintaining high standards of quality in connection with the conduct of the Brand Restaurant Businesses and the associated use of Brand System IP. For that reason, Licensee shall maintain, and shall cause the Sublicensees to maintain: (i) compliance with the Brand Standards, and (ii) a standard of quality that is at least as high as the standard of quality maintained in the Brand Restaurant Businesses up to and upon the Effective Date in the Territory with regard to the goods and services offered and sold under the Brand Trademarks, and in connection with the use of other Brand System IP in

the Brand Restaurant Businesses. Licensee acknowledges that it is aware of this standard of quality and has experience with maintaining this standard of quality for the Brand Restaurant Businesses prior to, and up to, the Effective Date.

5.2 <u>Monitoring Compliance with Brand Standards</u>. From time to time (as further specified in the Brand Standards), Licensor shall have the right, directly or through its designated representatives, to visit, audit and review the Restaurants and the Brand Restaurant Businesses, including with reasonable advance written notice, market offices, shared services centers and logistics centers, as operated by Licensee and the Sublicensees, for compliance with this Agreement and the Brand Standards, including Brand Standards related to IP compliance, books and records, food safety processes and procedures and standards and governance protocols. To facilitate any such visit, audit or review, Licensee shall, and shall cause the Sublicensees to:

5.2.1 Allow Licensor or its representatives, with reasonable advance written notice, to sample representative products and services of the Brand Restaurant Businesses in which the Brand Trademarks and other applicable Brand System IP are utilized;

5.2.2 Permit Licensor or its representatives, with reasonable advance written notice, to visit, audit or review, in addition to Restaurants, any training center, test kitchen, and other facilities of the Brand Restaurant Businesses for purposes of compliance with such of the Brand Standards as may apply thereto;

5.2.3 Obtain permissions, consistent with Licensee's own rights, for Licensor or its representatives to conduct quality control audits or reviews of all vendors and suppliers material to the supply chain supporting the Brand Restaurant Businesses; and

5.2.4 Provide representative samples of the advertising and marketing materials using Brand Trademarks and any of the other Brand System IP in connection with the promotion of the Brand Restaurant Businesses in the prior twenty-four (24) months.

Upon written notice from Licensor, Licensee shall promptly remediate any non-compliance with the Brand Standards, and shall cause the Sublicensees to do the same. Licensee further agrees, in addition to the procedures set out in the Brand Standards, that: (a) if an audit (including a visit or review) results in Licensor's discovery of substantial non-compliance with any of the Brand Standards, Licensor may, without limitation of any other remedy available to it, conduct a re-audit (including a visit or review) within a reasonable time following the initial audit in order to determine whether the deficiencies have been corrected, and Licensee shall reimburse Licensor for all reasonable costs incurred by Licensor in connection with any such re-audit.

5.3 <u>Adaptation of Brand Standards</u>. The Parties recognize and acknowledge the need to periodically update the Brand Standards to maintain the quality and contemporary look and feel of Brand Restaurant Businesses. Accordingly, Licensor shall review annually the Brand Standards, taking into account its inspections and the monitoring reports, as described in this Agreement. Following consultation with Licensee, Licensor may publish and implement modifications to the Brand Standards, all of which shall take into account Licensor's use of the Brand System IP and associated Brand Standards in Brand Restaurant Businesses in regions other than the Territory, including the related costs, resources and standards in the industry. Following consultation with Licensee, Licensor may also prescribe an implementation schedule for any newly adopted and published Brand Standards, taking into account costs, resources, standards in the industry and conformity with Licensor's use of the Brand System IP in Brand Restaurant Businesses in regions other than the Territory. Licensee may also give Licensor written notice of any proposed change to the Brand Standards that Licensee wishes Licensor to

consider in order to adapt the Brand Standards to market conditions in the Territory. Licensor agrees to give good faith consideration to any such request, but Licensor shall have sole discretion whether to approve or disapprove (or approve with modifications) the proposed change. Licensee shall not implement any proposed change to the Brand Standards, and shall cause the Sublicensees not to implement any such change, unless and until Licensor has expressly approved the proposed change in writing. Unless otherwise agreed in writing by the Parties, Licensee and the Sublicensees shall bear the cost of compliance with existing Brand Standards and implementation of and compliance with any updated Brand Standards, which may include from time-to-time Brand Standards governing Restaurant assets, including requirements with respect to structural modifications and/or replacement of Restaurant furnishings, fixtures, and equipment.

5.4 <u>Annual Strategic Consultation</u>. Annually, unless otherwise re-scheduled by agreement of the Parties, between September 1 and October 31, representatives of Licensor and Licensee, together with senior management personnel of Yum and SpinCo, shall meet in person to review the Brand Restaurant Businesses (but not other businesses owned or operated by Licensee or its Affiliates unrelated to Licensor and its Affiliates), including: (i) Licensee's Annual Strategic Plan for the upcoming calendar year, (ii) any mutually beneficial opportunities to cross license some or all of each Party's intellectual property not otherwise licensed under this Agreement, and (iii) any other subject that the Parties agree is relevant to their continuing relationship ("<u>Annual Strategic Consultation</u>"). Within the preceding parameters, Licensor and Licensee will mutually agree when each Annual Strategic Consultation will be held. Unless otherwise agreed by the Parties, the location of the Annual Strategic Consultations will be at Licensee's headquarters in the Territory. Each Party will be responsible for any travel and living expenses incurred by its personnel attending such meetings. A reasonable period of time (not less than thirty (30) calendar days) prior to each Annual Strategic Consultation, Licensee shall provide a draft of Licensee's Annual Strategic Plan for the upcoming

<sup>20</sup> 

year to Licensor so that the representatives of Licensor may adequately prepare for the meeting. Licensor agrees that all such Annual Strategic Plans are a part of Licensee's Confidential Information and shall be treated as such in accordance with the terms of this Agreement.

# 6. <u>SUBLICENSES</u>

6.1 Assignment or Restatement of Existing Sublicenses. Prior to the Effective Date, YumChina caused a number of license agreements to be granted to Sublicensees, whether in the form of trademark license agreements, franchise agreements and other similar documents, providing the Sublicensees with the rights to operate Restaurants (or one Restaurant) in the Territory utilizing the Brand System IP (the "<u>Existing Sublicenses</u>"). Licensor is a party to some or all of the Existing Sublicenses. Licensee represents and warrants that prior to the Effective Date, (a) Licensee has entered into restated sublicenses, which sublicenses comply with the requirements for Future Sublicenses set forth in Section 6.2 and which shall become effective on the Effective Date ("<u>Restated Sublicenses</u>"), with each of its Affiliates that is a party to an Existing Sublicense for periods prior to the Effective Date (it being understood that references to Existing Sublicenses herein include references to Restated Sublicenses on the effective Date. For all Existing Sublicenses that are in effect as of the Effective Date and not represented by a Restated Sublicense (a "<u>Non-Restated Sublicense</u>"), Licensor hereby assigns to Licensor's rights (other than as to amounts owing to Licensor for periods prior to the Effective Date), and Licensee hereby assumes all of Licensor's obligations, under the Non-Restated Sublicenses (it being understood that references to Existing Sublicenses the context otherwise requires). The Parties agree to cooperate (and Licensee shall cause its Affiliates and, to the extent commercially reasonable, all third party Sublicensees to cooperate) in providing any required notice and in executing any documents and taking any other actions that may be necessary or appropriate in connection with such assignment and assumption.

6.1.1 All Existing Sublicenses shall be subject to this Agreement and Licensee shall perform the duties and obligations set forth in this Agreement with respect to the Existing Sublicenses. Following the Effective Date, Licensee shall use its best efforts to enter into a Restated Sublicense with each third party that is a party to a Non-Restated Sublicense.

6.1.2 All royalty fees and other amounts payable to Licensor under the Existing Sublicenses which accrue from and after the Effective Date (the "<u>Assigned Payments</u>") shall be the property of Licensee. Any Assigned Payments which come into Licensor's possession shall be delivered promptly to Licensee, and Licensor agrees to forward to Licensee all original documentation supplied by any Sublicensees under the Existing Sublicenses relating to any taxes withheld by them from the Assigned Payments.

6.1.3 From and after the Effective Date, Licensee shall have the responsibility in the Territory for managing, administering, protecting and enforcing, in accordance with this Agreement, all Sublicenses.

6.2 <u>Grant of Future Sublicenses</u>. Licensee shall be entitled to grant additional Sublicenses for the operation of Restaurants in the Territory during the Term ("<u>Future Sublicenses</u>"); provided, that (i) any Future Sublicense must be evidenced by a written license agreement, franchise agreement or development agreement, the form of which must be approved by Licensor as provided in the last three (3) sentences of this Section 6.2; (ii) no Future Sublicense may reduce or otherwise affect Licensee's obligations under this Agreement; and (iii) each Future Sublicense shall: (a) include representations and agreements to the effect that neither the Sublicensee nor any of its owners are, or will be, associated with a Competing Business during the term of the Sublicense e nor any of its owners are, or will be, agreement (applied mutatis mutandis to the Sublicense); and that the Sublicensee and its owners will adhere to confidentiality

22

provisions consistent with those in Section 9 of this Agreement, (b) include the obligation to pay the Advertising Assessment, (c) name Licensor a third party beneficiary of the Sublicense with an independent right (but without any obligation) to enforce the Sublicense in the event Licensee fails to do so, (d) grant Licensor an option (but without any obligation) to acquire and assume (directly or through a designee) Licensee's rights and obligations under the Sublicense upon the expiration or termination of this Agreement or any related interest herein (including any related Brand license granted hereunder), (e) be assignable by Licensee without the Sublicensee's consent, (f) contain provisions requiring that the Sublicensee and the Restaurants adhere to the Brand Standards, (g) include an immediate right of termination by Licensee upon a Sublicensee Change of Control or prohibited Transfer or a violation of any of the representations and agreements described in Section 6.2(iii)(a) and (h) include provisions regarding Licensor's ownership of IP consistent with the provisions of this Agreement. Licensor in advance of its use each form of Future Sublicense (together with a complete and accurate English translation thereof) and Licensor shall have the right, in its sole discretion, to approve, in advance, each such form of Future Sublicense. Licensee shall not enter into any Future Sublicense that differs from such pre-approved form of Future Sublicense. Licensee acknowledges and agrees that no such approval by Licensor shall constitute an assurance, representation or warranty of any kind, express or implied, that such agreements comply with Applicable Laws.

6.3 <u>Licensee's Obligations with Respect to the Sublicenses</u>. Licensee shall:

6.3.1 Recruit, screen and evaluate prospective Sublicensees for compliance with the minimum qualifications for Sublicensees operating under the Brands, as authorized from time to time by Licensor. At Licensor's request, Licensee shall prepare and submit to Licensor, in the form and at the times required by Licensor, a written report regarding each prospective Sublicensee deemed to be qualified by Licensee and shall retain, and upon Licensor's written demand produce for Licensor's inspection, a copy of each Sublicense and all related documents.

6.3.2 Fulfill its obligations under each Sublicense and cause each Sublicensee to operate its Restaurants in compliance with the Sublicense, this Agreement, the Brand Standards and Applicable Laws.

6.3.3 Monitor and enforce prompt and strict compliance by the Sublicensees with all duties and obligations under the Sublicenses. Such enforcement includes (i) delivering prompt written notice of default to any Sublicensee that is in material breach of its Sublicense; (ii) taking all commercially reasonable steps to ensure that the Sublicensee remedies the breach within the applicable cure period (if any); (iii) taking all action necessary to terminate the Sublicensee of any Sublicensee that does not remedy the breach; and (iv) initiating and prosecuting (at Licensee's expense) any legal proceedings necessary to achieve full compliance. Licensee's failure to perform in a diligent or timely manner any material obligation owed

to its Sublicensees or to take such action as may, in the reasonable judgment of Licensor, be necessary to ensure material compliance with the Sublicenses will constitute a material breach of this Agreement.

6.3.4 In addition to the reporting requirements set forth in the Brand Standards, within fifteen (15) Business Days from the end of each quarter, Licensee shall notify Licensor, in writing, of: (i) the execution of each Sublicense; (ii) the opening of each Restaurant under a Sublicense; and (iii) any Sublicensee or Restaurant that ceases to do business for any reason. Licensee also shall promptly provide Licensor such additional information as Licensor may request regarding the Sublicensees, Sublicenses and Restaurants to enable Licensor to reasonably determine that Restaurant operations are being conducted in accordance with the Sublicense, this Agreement, Brand Standards and Applicable Laws. The Parties agree to cooperate in good faith

to establish the formats for pro forma documents that set forth the information that will be shared for the purpose of reporting and other disclosures between the Parties.

6.3.5 Without limitation of Licensee's obligations under Section 7, comply with all Applicable Laws relating to the sublicensing of the Brand Trademarks and other Brand System IP, promoting or soliciting the sale of Sublicenses, offering and selling Sublicenses, and terminating or failing to renew any of the Sublicenses; prepare and timely file (if required) any and all documents required to comply with Applicable Laws; and timely obtain at its own cost any and all approvals and/or registrations necessary for the full and proper conduct of the Brand Restaurant Businesses. At Licensor's request, Licensee shall provide to Licensor, at Licensee's expense, copies of all governmental approvals, registrations, or filings required by Applicable Laws ("Governmental Approvals") and/or other approvals and registrations obtained pursuant to this Section 6.3.5.

6.4 <u>Release and Covenant Not to Sue</u>. Licensee, for itself and on behalf of all other Licensee Releasing Parties, hereby irrevocably and unconditionally releases, acquits and forever discharges the Licensor Released Parties, from all actions, causes of action, suits, debts, liens, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred), known or unknown, suspected or unsuspected, fixed or contingent, which they now have, own, hold, claim to have, claim to own, or claim to hold, or at any time heretofore had, owned, held, claimed to have, claimed to own, or claimed to hold against each or any of the Licensor Released Parties arising out of or related to the Sublicenses or the performance thereof or conduct thereunder prior to the Effective Date, and Licensee's obligations to administer the Sublicenses under this Agreement.

## 7. LEGAL COMPLIANCE

7.1 <u>Compliance with Applicable Laws</u>. Licensee shall comply with all Applicable Laws in connection with the performance of its obligations under this Agreement, including the operation of the Brand Restaurant Businesses. For purposes of this Agreement, the term "<u>Applicable Laws</u>" shall mean all applicable common law and all applicable statutes, laws, rules, regulations, ordinances, guidelines, standards, policies and procedures established by any Governmental Authority, including those governing the development, construction, operation and/or promotion of the Restaurants and the safety of the food and other products offered and sold at and from the Restaurants, as in effect on the Effective Date and as may be enacted, modified or amended from time to time thereafter. Licensee shall also require its Sublicensees, through provisions in the Sublicenses and regular monitoring activities, to comply with all Applicable Laws in the development and operation of the Restaurants and accompanying use of the Brand System IP. Without limitation of the foregoing, Licensee shall, and shall cause its Affiliates to:

7.1.1 Comply with all Applicable Laws and any multilateral international conventions against corrupt business practices or money laundering or relating to anti-bribery and anti-corruption, as they may be amended from time to time, including the Foreign Corrupt Practices Act (15 U.S.C. §78dd-2) and any successor statute; and, without limiting the generality of the foregoing, not offer, promise or pay any money, gift or any other thing of value to any person for the purpose of influencing official actions or decisions affecting this Agreement, any Sublicense, any Restaurant, or any of the Brand Restaurant Businesses, while knowing or having reason to know that any portion of this money, gift or thing will, directly or indirectly, be given, offered or promised to: (a) an employee, officer or other person acting in an official capacity for any government or its instrumentality; or (b) any political party, party official or candidate for political office.

24

7.1.2 Comply with, and assist Licensor and Licensor's Affiliates in their efforts to comply with, all Anti-Terrorism Laws. Licensee certifies, represents, warrants and agrees that: (a) neither Licensee nor any of its Affiliates nor anyone associated with them is included in any of the Lists; (b) Licensee shall not hire or permit any of its Affiliates to hire (or, if already employed, retain) any individual included in any of the Lists; (c) Licensee has no knowledge or information that it, any of its Affiliates, any of their respective management personnel, or anyone associated with any of them has engaged, are engaged or intends to engage in terrorist activities; and (d) neither the property nor interests of Licensee or any of its Affiliates are subject to being "blocked" under any of the Anti-Terrorism Laws.

7.1.3 Execute from time to time, as requested by Licensor, all documentation reasonably required by Licensor to evidence compliance with this Section 7.1.

7.2 <u>Notice Requirements</u>. Licensee shall notify Licensor in writing of any breach of Section 7.1 promptly upon learning of any such breach. In addition, Licensee shall immediately notify Licensor in writing following knowledge of the commencement of any action, suit or proceeding or of the issuance of any order, writ, injunction, award or decree of any court or other Governmental Authority, which may, or does, materially and adversely affect the operation or financial condition of any of the Brand Restaurant Businesses or any of the Restaurants.

# 8. **<u>RECORDKEEPING AND REPORTING</u>**

8.1 <u>Books and Records</u>. Licensee shall maintain, in a form suitable for prompt audit or review by Licensor, complete and accurate books of account and records regarding the operation of the Brand Restaurant Businesses and shall cause all of the Sublicensees to do the same with respect to all Restaurants operated by them. Such books and records shall conform to the requirements, and shall be maintained for the period, set forth in the Brand Standards.

8.2 <u>Reports</u>. In addition to any other reports required under this Agreement, Licensee shall submit to Licensor or its representatives, at Licensee's expense, all reports (including reports of Gross Revenue and information reasonably deemed necessary by Licensor to determine the success of the Brand Restaurant Businesses or Licensee's marketing efforts, such as total Restaurant development or customer or transaction counts for the Restaurants) and financial information required by the Brand Standards, at the time and in the form and manner set forth in the Brand Standards. Notwithstanding anything to the contrary herein, (a) Licensee acknowledges that Yum's securities are publicly owned and, accordingly, that Licensor and Yum may disclose the information included in any report or information (or otherwise obtained by Licensor in connection herewith) required by Applicable Law or the rules of any applicable stock exchange and (b) Licensee agrees that Licensor may use any such information for any valid business purpose, subject to the provisions of Article 9 and the foregoing clause (a).

8.3 <u>Audits</u>. Upon reasonable notice and during normal business hours, Licensor or its representatives may conduct an audit or review (and may make copies) of the books and records of the Brand Restaurant Businesses and of any Restaurant. Licensee shall cooperate, and shall require the Sublicensees to cooperate, fully with Licensor in any such audit or review, including reasonable sharing of translation costs. If an audit or review reveals that Licensee has understated Gross Revenue, then Licensee shall pay Licensor any amount due on the understated Gross Revenue, plus interest at the rate set forth in Section 3.4.1 on any overdue amount from the date payment was due until paid in full. In addition, if an audit or review reveals that Gross Revenue was understated by two percent (2%) or more, then Licensee shall reimburse Licensor for all costs and expenses incurred by Licensor in connection with the audit or review, including a reasonable allocation for any use of Licensor's internal audit resources. Licensor's receipt and acceptance of any financial statement or report furnished and/or any royalties paid

25

by Licensee shall not preclude Licensor from questioning the correctness thereof at any time. The remedies in this Section 8.3 shall be in addition to any other remedies available to Licensor under this Agreement or Applicable Laws.

# 9. <u>CONFIDENTIALITY</u>

9.1 <u>Restrictions on Use of Confidential Information</u>. Each Party acknowledges that the unauthorized use, publication or disclosure of the other Party's Confidential Information may cause incalculable and irreparable injury to the other Party. Accordingly, each Party agrees to use all commercially reasonable efforts to keep the other Party's Confidential Information confidential and (except as authorized by this Agreement) not to, directly or indirectly, at any time during or after the Term publish, disclose, use or permit the use of (other than as contemplated in this Agreement) the other Party's Confidential Information, in whole or in part, or otherwise make the other Party is Confidential Information available to any unauthorized person without the other Party's prior written consent, which may be granted or withheld by such other Party in its sole and absolute discretion. Disclosure of Confidential Information in response to a valid order by a court or Governmental Authority which seeks to compel the production of Confidential Information, or as otherwise required by Applicable Law or the rules of any internationally recognized stock exchange on which the securities of Yum or SpinCo are traded, shall not be a breach of this Agreement or a waiver of confidentiality for other purposes; provided, that the Party required to make any such disclosure shall provide prompt written notice to the other Party to enable the other Party to seek a protective order or otherwise prevent such disclosure.

9.1.1 Each Party shall grant its employees and representatives access to the other Party's Confidential Information only to the extent such employees and representatives need-to-know the Confidential Information in order to discharge the Party's obligations or exercise the Party's rights under this Agreement, and shall, to the extent permitted by Applicable Law, prohibit its employees and representatives from communicating, divulging, or using the other Party's Confidential Information, except as may be required by Applicable Law or authorized by this Agreement.

9.1.2 If a Party has any reason to believe that a violation of its confidentiality obligations set forth herein has occurred, that Party shall promptly notify the other Party and shall cooperate, at its expense, with the other Party in any action or proceeding deemed necessary or reasonably advisable by the other Party to protect itself against infringement or other unlawful use, including the prosecution of any lawsuit.

#### 10. NON-COMPETITION

10.1 <u>In-Term Exclusive Relationship</u>. Licensee acknowledges that Licensor has entered into this Agreement in consideration of and in reliance upon Licensee's agreement to deal exclusively with Licensor during the Term in connection with the offer and sale of the categories of food products represented by the Brands. Licensee therefore agrees that, without Licensor's prior written consent, during the Term Licensee shall not, and shall cause its Affiliates not to, directly or indirectly, Engage in any Competing Business located or operating anywhere within (i) the Territory, or (ii) any other country, province, state or other geographic area in which Licensor or any of its Affiliates (a) have used or registered any of the Brand Trademarks (or similar trademarks) or (b) operate or license others to operate under the Brand Trademarks (or similar trademarks).

10.2 <u>Post-Term Restriction on Competition</u>. In order to protect the goodwill and other business interests of Licensor and its Affiliates, Licensee also agrees that for a period of twelve (12) months following the expiration, termination or transfer of this Agreement, and for a period of twelve (12)

26

months following the expiration, termination or transfer by Licensee of any interest herein (including any Brand license granted hereunder), Licensee shall not, and shall cause its Affiliates not to, directly or indirectly, Engage in any Competing Business located or operating anywhere within (i) the Territory, or (ii) within a ten (10) mile radius of any Restaurant operating under any Brand (in the case of expiration, termination or transfer of this Agreement) or the applicable Brand (in the case of expiration, termination or transfer.

## 10.3 <u>Ancillary Agreements</u>. Licensee further agrees that:

10.3.1 The covenants in Sections 10.1 and 10.2 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Licensor and its Affiliates.

10.3.2 The covenants in Sections 10.1 and 10.2 will be construed as independent of any other covenant or provision of this Agreement and the existence of any claims Licensee may have against Licensor or any of its Affiliates, whether or not arising from this Agreement, will not

#### constitute a defense to the enforcement by Licensor of such covenants.

10.3.3 If all or any portion of a covenant in Section 10.1 or Section 10.2 is held unreasonable or unenforceable by a court, arbitrator or agency having valid jurisdiction in an unappealed final decision to which Licensor is a party, (a) Licensee and Licensee's Affiliates shall be bound by any lesser covenant (including any lesser time period) subsumed within the terms of such covenant that imposes the maximum duty permitted by Applicable Laws, as if the resulting covenant were separately stated in and made a part of this Agreement, and (b) such decision shall not affect the application of the covenants in any jurisdiction to which such decision does not expressly apply. In addition, Licensor has the right, in Licensor's sole discretion, to reduce the scope of any obligation set forth in Section 10.1 or Section 10.2 without Licensee's consent, effective immediately upon notice to Licensee and Licensee shall comply, and shall cause Licensee's Affiliates to comply, with any obligations as so modified.

#### 11. INDEMNIFICATION AND INSURANCE

11.1 Indemnity. Licensee shall indemnify, defend, and hold harmless Licensor, its Affiliates (including the Brand Owners), their respective officers, directors, owners, employees, agents, successors, and assigns, and each of them, in their corporate and individual capacities (collectively, the "Indemnitees") from any and all losses, expenses, liabilities and damages any of them may suffer or incur, including reasonable attorneys' fees, as a result of claims, demands, costs, awards or judgments of any kind or nature, by anyone whomever, and regardless of cause or any concurrent or contributing fault or negligence of any Indemnitee, arising out of or otherwise connected with: (i) any of the Sublicenses; (ii) the ownership, development, construction, maintenance, operation or promotion of Restaurants or the Brand Restaurant Businesses in the Territory; (iii) any act of omission or commission by YumChina, Licensee, any of Licensee's Affiliates, any of the Sublicensees, or any of their respective officers, directors, employees, or agents before and after the Effective Date, including any act of omission or commission in connection with the ownership, maintenance, administration, protection and enforcement of the Brand System IP or intellectual property of any kind developed by Licensee or any of its Affiliates or any of the Sublicensees in the Territory on behalf of Licensee's obligation to promptly cause its Affiliates and the Sublicensees and, to the extent commercially reasonable, its contractors and other third parties, to do all acts and execute and deliver to Licensor any and all such documentation required in order to evidence, secure or perfect the vesting in Licensor of all rights, title and interest in and to the Brand System IP or

27

Future Core IP pursuant to Sections 4.1 and 4.1.3); (iv) any demands or claims by third parties with respect to the use, licensing or sublicensing of the Brand System IP in the Territory, whether such demands or claims relate to the use, licensing or sublicensing of such Brand System IP before or after the Effective Date, <u>excluding</u> demands or claims arising out of or connected with Licensor's acts or omissions pursuant to Sections 4.3.1 and 4.5 with respect to Brand Trademarks that include a Brand Name; and (v) any breach of any representation or warranty by Licensee under this Agreement. Licensee's obligation to indemnify and the right of the Indemnitees to indemnification under this Section 11.1 shall survive the assignment, transfer, termination or expiration of this Agreement or any interest herein.

11.1.1 Licensee shall promptly undertake the defense of any legal action related to any of the matters described in Section 11.1, and shall retain, and notify Licensor not less than forty-eight (48) hours prior to retaining, reputable, competent and experienced counsel to represent the interests of any Indemnitee. Licensor shall have the right to approve any counsel engaged to represent the interests of any Indemnitee but shall not unreasonably withhold or condition that approval. If Licensee or any of its Affiliates and the Indemnitees (or any one of them) are named as co-defendants, and there is a conflict of interest between them such that they cannot be represented by common counsel, then the Indemnitees may retain separate counsel at Licensee's expense and Licensee shall promptly reimburse the Indemnitees for all costs and attorneys' fees incurred upon request and as they are incurred. The Indemnitees also shall have the right to obtain separate counsel at their own expense, and shall have the right to participate in the defense of the action and any discussions regarding compromise or settlement. No Indemnitee shall be required to seek recovery from any litigant or any other third party to recover its indemnified losses, expenses and other amounts.

11.1.2 Licensee shall not settle or compromise any legal action in which Licensor or any other Indemnitee is a defendant without the prior written consent of Licensor, which Licensor may grant or withhold in its sole discretion.

11.2 Insurance. In addition to the obligations set forth in Section 11.1, at all times during the Term, Licensee shall keep in effect the minimum types and amounts of insurance required by the Brand Standards, all of which shall satisfy the requirements set forth in the Brand Standards. Licensee shall provide Licensor evidence of such coverage at the times and in the manner set forth in the Brand Standards. Licensee acknowledges that the insurance coverage required by the Brand Standards does not necessarily represent all possible insurable risks or amounts of loss that may arise out of Licensee's operation of the Brand Restaurant Businesses, and it is Licensee's responsibility to obtain any other or additional insurance in connection with the operation of the Brand Restaurant Businesses as Licensee determines to be appropriate.

#### 12. ASSIGNMENT

12.1 <u>By Licensor</u>. Licensor and any of its Affiliates may Transfer to any person or entity, without Licensee's consent: (i) this Agreement, (ii) all or any part of Licensor's rights or obligations under this Agreement (including any Brand license granted hereunder), and (iii) with respect to any or all of the Brands, their rights in and to the assets of the Brand(s), including any Brand System IP and/or Brand Business IP; provided, that in all cases Licensee's rights and obligations as set forth in this Agreement shall remain in full force and effect following any such Transfer and, as necessary, will be evidenced by a separate agreement on the same terms and conditions as are in this Agreement. Without limiting the foregoing, Licensor and any of its Affiliates may offer their securities privately or publicly; may merge with and acquire, or be acquired by, other persons or entities; and may undertake refinancings, recapitalizations, leveraged buyouts or other economic or financial restructurings. The transferee or

assignee shall be solely responsible for the obligations of Licensor arising after the effective date of any such Transfer and Licensor shall be released from any obligations under this Agreement related to the subject of the Transfer that accrue after such date. Licensee agrees promptly to execute any documents reasonably required in connection with any such Transfer. Licensor shall provide advance written notice to Licensee of any such Transfer, as and when such notice is permitted under any applicable legal and contractual restrictions by which Licensor may be bound and, to the extent reasonably possible and

permitted by Applicable Laws and any binding commitments imposed by the proposed acquirer, will consult with Licensee in advance regarding any proposed Transfer of any of the Brands if the acquirer is a Competing Business as to the Brand which is the subject of the Transfer.

12.2 By Licensee. Except for Licensee's right to sublicense the use of the Brand System IP to Sublicensees in accordance with this Agreement, Licensee shall not Transfer any interest in, or rights or obligations under, this Agreement or any Sublicense without Licensor's prior written consent, nor shall Licensee Transfer to any Competitor any Future Brand Business IP used solely in the development or operation of the Restaurants. Licensor may impose any reasonable condition to the granting of its consent to such a Transfer, and in no event shall Licensor be required to consent to such a Transfer if such conditions are not met. Licensee shall notify Licensor in writing prior to any proposed Transfer of any interest in, or rights or obligations under, this Agreement or any Sublicense and shall provide such information related thereto as Licensor may require. Any such purported Transfer occurring by operation of law or otherwise without Licensor's rights against Licensee, or to any right or remedy to which Licensor is entitled by reason of any breach or default that occurred before the Transfer. Without limiting the foregoing, it is expressly agreed that Licensor's consent to such a Transfer shall not waive (i) any payment or other obligation owed by Licensee to Licensor under this Agreement before the Transfer; or (ii) Licensee's duty of indemnification and defense as set forth in Section 11.1, whether before or after such Transfer; or (iii) Licensee's obligation to obtain Licensor's consent to any subsequent Transfer.

## 13. TERM AND RENEWAL

13.1 <u>Initial Term</u>. This Agreement and each Brand license granted hereunder will become effective on the Effective Date, and, unless sooner terminated as provided in this Agreement, will expire on the fiftieth (50<sup>th</sup>) anniversary of the Effective Date (the "<u>Initial Term</u>").

13.2. <u>Renewal</u>. Following the expiration of the Initial Term and each subsequent Renewal Term and provided that Licensee is then in Good Standing, this Agreement and each Brand license granted hereunder shall automatically be renewed for additional consecutive successive renewal terms of fifty (50) years each (each, a "<u>Renewal Term</u>"), unless Licensee gives written notice of its intent not to renew not less than thirty-six (36) months or more than sixty (60) months before the end of the then-current Term.

## 14. **BREACH**

14.1 <u>Breach of Agreement</u>. A material breach shall be, as determined by Licensor, in its sole discretion, any failure by Licensee to comply with any term or condition in this Agreement where, due to such failure, there is an actual, likely or imminent and material harm to any of the Brands, the Brand System IP or the financial or other material benefits or rights of Licensor hereunder. For purposes of clarity, a material breach shall include, though shall not be limited to, any of the events listed in Sections 14.1.1 through 14.1.6. Upon the occurrence of a material breach by Licensee under this Agreement, Licensor may issue to Licensee a written notice of breach identifying the then-known circumstances giving rise to the breach. To the extent that Licensor determines in its sole discretion that the applicable

29

breach is curable (i.e., capable of correction within the time periods set forth in this Agreement or the relevant notice of breach), then Licensor shall provide Licensee an opportunity to cure. Breaches referred to in Sections 14.1.1 through 14.1.4 are non-curable. Breaches referred to in Section 14.1.5 may be curable or non-curable as determined by Licensor depending on the circumstances. The following events shall be deemed a material breach:

14.1.1 <u>Dissolution or Liquidation</u>. If either Licensee or SpinCo is dissolved or liquidated.

14.1.2 <u>Insolvency and Bankruptcy</u>. To the extent permitted by Applicable Law, if either Licensee or SpinCo becomes insolvent, generally does not pay its debts as they become due, or files a voluntary petition (or consents to an involuntary petition or an involuntary petition is filed and is not dismissed within sixty (60) days) under any bankruptcy, insolvency, or similar law, and Licensee cannot prove that such bankruptcy or insolvency has no material adverse effect on Licensee's operation of the Brand Restaurant Businesses or Licensor or any of Licensor's Affiliates or any of the Sublicensees.

14.1.3 <u>Unauthorized Assignment</u>. If there is a breach of Section 12.2.

14.1.4 <u>Change of Control</u>. If Licensee or SpinCo permits or undergoes a Change of Control of Licensee or SpinCo.

14.1.5 <u>Breaches That May be Curable or Non-Curable</u>. Licensor may determine in its sole discretion that any breach in Sections 14.1.5.A. though G. is curable or non-curable.

A. <u>Criminal Conviction/Adverse Publicity</u>. If Licensee or any of its Affiliates or any of their respective principal officers is convicted of a felony or other similar crime or offense or engages in a pattern or practice of acts or conduct that, as a result of the attendant adverse publicity, is likely to have or has had a material adverse effect on the Restaurants, any of the Brand Restaurant Businesses, any of the Brand System IP, including any of the Brand Trademarks, or the reputation of any of the Brands, Licensor or any of the Brand Owners;

B. <u>Unauthorized Disclosure of Confidential Information; Violation of Non-Compete</u>. If Licensee or any of its Affiliates, or any officer, director, employee, or agent of Licensee or any of its Affiliates, discloses, or causes or fails to exercise commercially reasonable efforts to prevent the disclosure of, or otherwise uses in an unauthorized manner, any Confidential Information in breach of this Agreement, or if Licensee or any Affiliate of Licensee breaches any covenant against competition set forth in Section 10.1;

C. <u>Failure to Comply with Brand Standards or Enforce the Sublicenses</u>. Without limiting Licensor's rights under Section 14.1.5.E., if Licensee or any of the Sublicensees fails to comply with any of the Brand Standards or if Licensee fails to enforce any of the Sublicenses and such failure has, or is reasonably expected to have, a material adverse effect on any of the Brand Restaurant Businesses, any of the Brand Trademarks or other Brand System IP, or the reputation of the Brands, Licensor or any of the Brand Owners;

D. Loss of Rights in Brand System IP. If Licensee, directly or through the Sublicensees, takes any action that causes, or fails to take any action and such failure causes, or in either case is reasonably likely to cause, in whole or in part, the loss, or imminent loss, of a Brand Owner's ownership rights in all or any part of the Brand System IP that is material to the conduct of the Brand Restaurant Businesses or the operation of the Restaurants

(including any Brand Trademark that includes a Brand Name) and which Licensor has not approved in writing;

E. <u>Threat or Danger to Public Health or Safety</u>. If Licensee or any of the Sublicensees fails to adhere to the Brand Standards, Applicable Laws, or other generally accepted public health and safety standards, and such failure causes, or is reasonably likely to cause, in whole or in part, a threat or danger, or imminent threat or danger, to public health or safety, then, in addition to Licensor's rights as set forth in this Section 14 and without prejudice to the remedies set forth in Section 15, in the event of such breach and upon written notice from Licensor, which Licensor may give Licensee in its sole discretion, Licensee shall, and shall cause the Sublicensees to, immediately close any affected Restaurant(s), and shall not reopen, or permit the Sublicensees to reopen, such Restaurant(s) until the threat or danger is remedied. The Parties agree that operation of the Restaurants and the Brand Restaurant Businesses without endangering the public health or safety is the sole responsibility of Licensee. Licensor does not assume and shall not have any responsibility or obligation therefor by reserving or exercising the rights granted to Licensor hereunder;

F. <u>Failure to Meet Sales Growth Metric</u>. If, consistent with Section 2.1.3, two (2) consecutive SGM Breaches occur (in which case, the Parties rights and remedies shall be subject to the terms set forth in Section 2.1.3); and

G. <u>Failure to Meet the Taco Bell Brand Development Initiative</u>. If Licensee fails to comply with the Taco Bell Brand Development Initiative (in which case, Licensor's remedy shall be limited to that set forth in Exhibit A-1).

14.1.6 Financial Breach.

A. <u>Failure to Pay Amounts Owed</u>. If Licensee or any of its Affiliates fails to pay any amounts due under this Agreement to Licensor or any of its Affiliates in whole or in part and when such payment becomes due and payable ("<u>Payment Default</u>"), then Licensor may issue a notice of breach to Licensee with respect to such Payment Default. Licensee shall have twenty (20) Business Days following notice of breach to cure the failure to pay.

B. <u>Chronic Late Payment or Underpayment</u>. Without limiting Licensor's other remedies hereunder for any Payment Default, (a) if Licensee fails to make any payment when required under this Agreement (including any applicable Grace Period) ("<u>Late Payment</u>") (excluding any Late Payment attributable solely to the application of Chinese foreign exchange controls outside Licensee's control) on three (3) or more occasions during any twenty-four (24) month period, or (b) if any payment made is less than 90% of the amount due ("<u>Underpayment</u>") on more than one occasion during any twenty-four (24) month period and Licensee fails to comply with Section 14.1.6.C., Licensor may:

(i) Exercise any of the remedies set forth in Section 15 in its sole discretion, including terminating this Agreement and all rights granted to Licensee hereunder immediately upon notice to Licensee, regardless of whether Licensee cured the relevant Late Payments or Underpayment. Should Licensor elect to terminate this Agreement as a result of a Payment Default, all amounts payable under this Agreement then owed and outstanding, together with accrued interest thereon, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Licensee; or

31

(ii) Upon written notice to Licensee, require Licensee to establish and provide to Licensor an irrevocable standby letter of credit in favor of Licensor and in the form required by Licensor (the "Letter of Credit") from a financial institution accepted and approved by Licensor in its sole discretion ("<u>Bank</u>") in the minimum amount of projected fees due and owing for the upcoming twenty-four (24) months (the "<u>Secured Amount</u>"). Evidence of the establishment of the Letter of Credit must be provided to Licensor within ten (10) days following the date of Licensor's written notice to Licensee of the requirement to obtain the Letter of Credit. The term of the Letter of Credit shall be for a period of five (5) years, unless Licensor otherwise agrees in writing to a shorter term, subject to Licensor's right to require an extension of such term in its reasonable discretion. Licensor shall be permitted to draw upon the Letter of Credit at any time and from time to time during the Term in the event of a Payment Default lasting ten (10) Business Days after Licensor issues a demand for payment to Licensor submitting to the Bank a dated statement signed by a duly authorized representative or officer of Licensor certifying that Licensee is in default of its payment obligations to Licensor under this Agreement in the amount then-owed as of the date of such statement. In the event the Letter of Credit is ever drawn upon by Licensor, Licensee shall replenish the amount of such Letter of Credit is at all times no less than the Secured Amount.

C. Good Faith Disputes Regarding Amounts Due. If Licensee, in good faith, disputes any amounts due and payable to Licensor or any of its Affiliates then, on the due date, Licensee shall (i) pay the entire amount owed to Licensor or its Affiliate (without regard to such dispute), and (ii) submit to Licensor a written statement identifying in reasonable detail the basis for the dispute ("Payment Dispute Notice"). If it is finally determined in accordance with this Section 14.1.6.C. and Section 17.3. that Licensee is entitled to all or any portion of the disputed amount, Licensor shall refund such amount within ten (10) Business Days following such final determination. The Parties shall promptly attempt to resolve the dispute and failing resolution within thirty (30) days following the earlier of Licensee's Payment Dispute Notice or Licensor's notice of breach, either Party may submit the dispute directly to arbitration pursuant to Section 17.3; provided, that the arbitration shall be limited to a determination of whether the disputed amount is owed, and the arbitration panel shall consist of one (1) accounting professional designated by Licenser, one (1) accounting professional designated by Licensee, and one (1) arbitrator experienced in resolving payment disputes that is appointed by CPR. If the arbitration panel determines that any or all of the disputed amount is owed to Licensor or any of its Affiliates, then Licensee shall pay the disputed amount determined to be owed, to the extent not previously paid to Licensor (and any past due interest owed thereon) within ten (10) Business Days following the panel's determination and Licensor shall retain any such disputed amount previously paid to it. If the disputed amount previously paid by Licensee to Licensor exceeds the amount determined by the arbitration panel to be owed to Licensor, such excess shall be repaid by Licensor to Licensee. If the arbitration panel determines that none of the disputed amount is owed to Licensor or its Affiliates, then Licensee shall not be required to pay the disputed amount and the disputed amount previously paid by Licensee to Licensor shall be repaid by Licensor to Licensee. If Licensee fails to cure a Payment Default, Licensor may exercise any of the remedies set forth in Section 15.

14.2 <u>Licensee's Right to Request Early Termination of Brand License</u>. Licensee may request an early termination of the license for a particular Brand if Gross Revenue for that Brand has declined for each year during any five (5) consecutive year period during the Term, and Licensee can demonstrate with evidence satisfactory to Licensor that such decline was proximately caused by Licensor's willful

32

failure to maintain that Brand outside of the Territory, which willful failure results in material, irreparable damage to that Brand in the Territory, or was proximately caused by a materially adverse change in the Applicable Laws. Licensee must make such request for early termination and provide such evidence in writing to Licensor within ninety (90) days following any such five (5) consecutive year period of Gross Sales declines for the affected Brand. Licensor shall consider this request for early termination in good faith. Any early termination pursuant this Section 14.2 shall be subject to Licensee's obligations under Section 16.1.1 through Section 16.1.6.

## 15. ADDITIONAL REMEDIES

15.1 <u>Acknowledgments Regarding Breach, Default, and Remedies Provisions</u>. The Parties acknowledge the importance of the relationship between Licensor and Licensee and the difficulties and complexities associated with unwinding that relationship in the event this Agreement should be terminated. In recognition of the foregoing, the Parties further acknowledge and agree that the provisions related to breaches, defaults and remedies under this Agreement, including Sections 14 and 15, were written in a manner intended to both protect Licensor's interests in the Brands and the Brand System IP and to preserve the relationship between Licensor and Licensee for the Term, by, among other things, affording Licensor a variety of remedies commensurate with the nature, scope, and severity of a particular breach or default and permitting Licensor to elect alternative remedies to termination in the event of a breach or default by Licensee. However, the Parties expressly acknowledge and agree that certain breaches and defaults may be so severe that Licensor has no reasonable alternative other than to terminate the entire relationship between the Parties, and that it is the Parties' express intent that Licensor be afforded such discretion.

15.2 Defaults. Licensor shall be entitled to give notice of default to Licensee, which shall give rise to the remedies set forth in this Section 15, upon the occurrence of any of the following: (i) any breach by Licensee listed in Sections 14.1.1 through 14.1.4 (as such events are non-curable by their nature); (ii) Licensee's failure to cure a material breach within the cure period as set forth in the notice of breach; or (iii) Licensor's determination, prior to the expiration of the applicable cure period, that there exists reasonable evidence that Licensee does not intend to cure, or is unable to cure, the material breach identified in the notice of breach. Any notice of breach with respect to a curable breach shall set forth an applicable cure period that is reasonably tailored to the applicable breach, provided that the cure period for any SGM Breach shall be at least one (1) year) and in the event that a notice of breach fails to specify a cure period, then the cure period shall be thirty (30) days unless otherwise set forth in this Agreement (for example, as in Section 14.1.6 pertaining to Payment Defaults).

15.3 <u>Brand Specific Enforcement</u>. Notwithstanding anything in this Agreement to the contrary and for the avoidance of doubt, Licensor may exercise the rights set forth in Section 14.1 and the remedies set forth in this Section 15 as to one or more, but fewer than all, of the Brand licenses. This includes, without limitation and for illustration purposes only, the right of Licensor to terminate Licensee's right to operate a particular Brand Restaurant Business for a single Brand, in which event, Licensee would be permitted and required, following the termination, to continue operating the Brand Restaurant Business(es) for the remaining Brand(s) in accordance with the terms and conditions of this Agreement. Licensee expressly acknowledges and agrees that Licensee's obligation to pay the royalty fees and other amounts due for the remaining Brand(s) under this Agreement shall not be relieved, limited, or otherwise modified as a result of the expiration and non-renewal or termination of one or more, but fewer than all, of the Brand licenses.

33

15.4 <u>Available Remedies</u>. Upon Licensor giving Licensee a notice of default under Section 15.2, Licensor may, in its sole discretion, terminate this Agreement and all rights granted to Licensee hereunder immediately upon notice to Licensee. Licensor may also, in its sole discretion, exercise any one or more of the following additional remedies:

15.4.1 Institute any and all proceedings permitted by Applicable Laws or in equity with respect to such default, including actions for injunctive and/or declaratory relief (including specific performance) and/or damages;

15.4.2 Suspend or limit Licensee's rights to develop any Restaurant or grant any Sublicenses as determined by Licensor its sole discretion until the default is cured;

15.4.3 Prohibit any Restaurant from opening or operating until the default is cured;

15.4.4 Eliminate or modify the exclusivity granted in Section 2.2 and immediately conduct and further develop the Brand Restaurant Businesses in the Territory or license one or more third parties to do so;

15.4.5 (i) Purchase from Licensee and its Affiliates (which purchase right shall be transferable) the Brand Restaurant Businesses, or any of them, at fair market value, less any damages to Licensor and its Affiliates resulting from Licensee's default and (ii) in connection with such purchase, at Licensor's option and for no additional consideration, require the assignment by Licensee to Licensor (or its designee) of all rights of Licensee under any or all Sublicenses then in effect, in which case Licensor (or its designee) shall assume all obligations of Licensee arising thereunder after such assignment and Licensee shall promptly terminate and enforce the termination of all Sublicenses which Licensor elects not to acquire (collectively, the "Licensor Purchase Right"). Licensor and Licensee will attempt in good faith to agree on the purchase price under subsection 15.4.5(i) and terms and procedures for the exercise of Licensor's rights hereunder, but if they are unable to agree within a reasonable period of time (not to exceed sixty (60) days), the purchase price, terms and procedures will be determined in accordance with <u>Exhibit D</u>. Licensee shall, and shall cause its Affiliates to, effect the transfers and assignments contemplated by this Section 15.4.5 upon such date as Licensor determines, including executing such further documents as may be required; and

15.4.6 Submit the matter directly to arbitration in accordance with Section 17.3 for the sole purpose of determining the amount of damages or other relief to which Licensor is entitled as a result of the default.

15.5 <u>Remedies Cumulative</u>. In addition to the remedies set forth in this Agreement, the Parties may pursue whatever other remedies are available at law or in equity, and all remedies provided under this Agreement are cumulative and not exclusive of other remedies, unless otherwise expressly stated.

#### 16. **POST-TERM OBLIGATIONS**

16.1 <u>Obligations Following Expiration or Termination</u>. Licensee shall comply, and shall cause any Sublicensee as to which Licensor (or its designees) does not assume the Sublicense under Section 15.4.5(ii) to comply, with the following provisions upon the expiration and non-renewal or termination of this Agreement or of any Brand license granted hereunder. If one or more (but fewer than all) of the Brand licenses expire without renewal or are terminated, the provisions set forth below will apply only with respect to those Brands as to which licenses have expired or been terminated.

16.1.1 Licensee's right to use and sublicense the use of the Brand System IP shall end and Licensee shall (and shall cause the Sublicensees as to which Licensor does not exercise its subrogation rights to) immediately cease all use of the Brand System IP, including the Brand Trademarks.

16.1.2 Licensee shall promptly pay to Licensor all fees and other amounts due under this Agreement.

16.1.3 Licensee shall (and shall cause the Sublicensees as to which Licensor (or its designees) does not assume the Sublicense under 15.4.5(ii) to) cease representing itself as a licensee of Licensor and shall promptly cancel all trade name or other registrations relating to its use of any Brand Trademark, and shall notify all third parties (including Internet domain name authorities and directory publishers) of the termination or expiration of Licensee's right to use any listing, Internet domain name, uniform resource locator, website name, electronic mail address, and search engine metatags and keywords associated with the Brand(s), and shall authorize the transfer of the same to Licensor or its designee.

16.1.4 Licensee, at its sole expense, shall (and shall cause the Sublicensees as to which Licensor does not exercise its subrogation rights to) immediately return to Licensor any and all written materials incorporating Licensor's Confidential Information or shall dispose of such materials as directed by Licensor.

16.1.5 Licensee shall comply with its confidentiality and other obligations under Section 9, its post-term non-competition obligations under Section 10.2 and all other obligations under this Agreement that expressly or by their nature survive expiration or termination.

16.1.6 Licensee and its Affiliates shall not be entitled to receive any compensation or payment from Licensor as a result of the termination or expiration of this Agreement, whether for actual, consequential, indirect, special, incidental or other damages, costs or expenses, whether foreseeable or unforeseeable (including loss of profits, investments or goodwill), any right to which Licensee hereby waives and disclaims. Licensee recognizes that any enhancement of the Brand goodwill or customer base will be primarily attributable to the Brand Trademarks and other Brand System IP and that Licensee has no right to compensation for any contribution it may have made to any such enhancement of goodwill or customer base. Notwithstanding the foregoing, nothing herein shall require Licensee to waive or disclaim any claim which it may have that is derived from a prior breach of this Agreement.

16.1.7 Licensor may exercise the Licensor Purchase Right.

#### 17. **DISPUTE RESOLUTION**

17.1 <u>Governing Law</u>. This Agreement shall be interpreted and construed under the laws of the United States of America and the State of Texas, U.S.A. (without regard to, and without giving effect to, their conflict of laws rules).

17.2 Pre-Arbitration Dispute Resolution. Subject to Section 14.1.6.C.,

17.2.1 Prior to submitting any dispute under this Agreement (with the exception of any disputes concerning breaches which Licensor has determined not to be curable) to mediation, arbitration or any court or other tribunal, a Party shall provide written notice of the dispute to the other Party. Upon

such notice appropriate executives of Licensee and Licensor who have authority to resolve the dispute will meet either in person or by video conference or similar means and shall discuss and use good faith efforts to resolve the dispute. If the dispute cannot be resolved within thirty (30) days of such notice, then the Parties shall submit the claim for resolution to non-binding mediation in accordance with Section 17.2.2.

17.2.2 If the Parties are unable to resolve a dispute under this Agreement in accordance with Section 17.2.1, the Parties agree to submit the dispute (with the exception of any disputes concerning breaches which Licensor has determined not to be curable) to non-binding mediation before bringing such dispute to arbitration in accordance with Section 17.3. The Parties shall select a mediator within twenty (20) days of the date the dispute is submitted to mediation by either Party. The mediation shall be conducted in English by a mediator mutually and jointly approved by both Parties, and failing agreement of the Parties within the twenty (20) day period, by a mediator appointed by the International Institute for Conflict Prevention and Resolution ("<u>CPR</u>") in accordance with its mediation shall be conducted at a location mutually and jointly selected by both Parties within ten (10) days following the date on which the mediator is appointed, and failing agreement of the Parties within such time period, then the mediation will be held in Dallas, Texas, U.S.A. The costs and expenses of any such mediation, including compensation and expenses of the mediator (and except for the lawyers' fees incurred by either Party), shall be borne by both Parties equally.

17.3 <u>Arbitration</u>. If the Parties are unable to resolve a dispute under this Agreement by mediation in accordance with Section 17.2.2, then such dispute and any other controversy or claim arising out of or relating to this Agreement, or the breach hereof, including the determination of the scope or applicability of this agreement to arbitrate, shall, upon written request of either Party (the "<u>Arbitration Request</u>"), be determined by arbitration administered by CPR in accordance with the CPR Rules for Administered Arbitration ("<u>Administered Rules</u>"). Subject to Section 14.1.6.C, details of the arbitration are as follows:

17.3.1 There shall be three (3) arbitrators. The panel of three (3) arbitrators will be chosen as follows: (i) within fifteen (15) days from the date of the receipt of the Arbitration Request, each Party will name an arbitrator; and (ii) the two (2) Party-appointed arbitrators will thereafter name a third, independent arbitrator who will act as chairperson of the arbitral tribunal. In the event that either Party fails to name an arbitrator within fifteen (15) days following the date of receipt of the Arbitration Request, then upon written application by either Party, that arbitrator shall be appointed pursuant to the Administered Rules. In the event that, within thirty (30) days from the date on which the second of the two (2) arbitrators was named, the two (2) Party-appointed arbitrators fail to appoint the third, then the third arbitrator will be appointed pursuant to the Administered Rules.

17.3.2 The arbitration shall be conducted in English. Any document that a Party seeks to use that is not in English shall be provided along with an English translation.

17.3.3 The place of arbitration shall be Dallas, Texas, U.S.A.

17.3.4 The arbitrators shall establish procedures under which each Party will be entitled to conduct discovery.

17.3.5 The arbitrators shall award to the substantially prevailing party (as determined by the arbitrators) the costs and expenses of the proceeding, including reasonable attorneys' and experts' fees.

36

17.3.6 The arbitrators will issue a reasoned award.

17.3.7 Notwithstanding any language herein to the contrary, the Parties agree that the award rendered by the arbitrators (the "<u>Original</u> <u>Award</u>") may be appealed under the CPR Arbitration Appeal Procedure ("<u>Appeal Procedure</u>"). Appeals must be initiated within thirty (30) days of receipt of an Original Award, in accordance with Rule 2 of the Appeal Procedure, by filing a written notice with CPR. The Original Award shall not be considered final until after the expiration of the time for filing the notice of appeal pursuant to the Appeal Procedure. Following the appeal process, either (i) the Original Award, if no changes have been made by the appellate Tribunal, or (ii) the appellate award, if the Original Award has been changed by the appellate tribunal, may be entered in any court having jurisdiction thereof. Unless otherwise agreed by the parties, the appeal shall be conducted at the place of the original arbitration.

17.3.8 Any award rendered by the arbitrators that is not appealed in accordance with the foregoing provisions or that is not modified by the appeal tribunal, and any award as modified or established by the appeal tribunal, shall be final and judgment may be entered thereon in any court having jurisdiction thereof.

17.3.9 Each Party retains the right to apply to any court of competent jurisdiction for provisional and/or conservatory relief, including prearbitral attachments or injunctions, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate. In any action or arbitration, the Party who is aggrieved by any actual or threatened breach of this Agreement shall have the right to specific performance and injunctive or other equitable relief, in addition to any and all other rights and remedies, and the Parties agree the monetary damages are inadequate compensation for any loss.

17.3.10 The existence and content of the arbitral proceedings and any rulings or award shall be kept confidential by the Parties and members of the arbitral tribunal except (i) to the extent that disclosure may be required of a Party to comply with Applicable Laws or the rules of any applicable stock exchange, protect or pursue a contractual right or perform a contractual obligation, or enforce or challenge an award in bona fide legal proceedings before a court or other judicial authority, (ii) with the consent of all Parties, (iii) where needed for the preparation or presentation of a claim or defense in arbitration, (iv) where such information is already in the public domain other than as a result of a breach of this Section, or (v) by order of the arbitral tribunal upon application of a Party.

17.4 <u>Limitations Period</u>. Any claim arising out of or relating to this Agreement shall be governed by the statute of limitations under the governing law set forth in Section 17.1.

17.6 <u>Enforcement Costs</u>. Each Party shall bear its own legal costs (including attorneys' and experts' fees, and all other expenses) incurred in enforcing this Agreement or in otherwise pursuing, or defending against, a claim, demand, action, or proceeding under or in connection with this Agreement

## 18. **<u>REPRESENTATIONS AND WARRANTIES</u>**

18.1 <u>By Licensor</u>. Licensor represents, warrants and covenants that:

18.1.1 It has the full right, power and authority to enter into this Agreement, to grant the rights granted herein and to perform its obligations hereunder.

37

18.1.2 Neither its execution of this Agreement nor the performance of its obligations hereunder: (i) violates any provision of Applicable Laws or any judgment, writ, injunction, order, or decree of any court or other Governmental Authority having jurisdiction over it or any of its Affiliates; (ii) results in or constitutes a material breach or material default under any indenture, contract, commitment, or restriction to which it or any of its Affiliates is a party or by which it or any of its Affiliates is bound; or (iii) requires any consent, vote, or approval which has not been given or taken.

18.2 <u>By Licensee</u>. Licensee represents, warrants and covenants that:

18.2.1 It has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder.

18.2.2 Neither its execution of this Agreement nor the performance of its obligations hereunder: (i) violates any provision of Applicable Laws or any judgment, writ, injunction, order, or decree of any court or other Governmental Authority having jurisdiction over it or any of its Affiliates; (ii) results in or constitutes a material breach or material default under any indenture, contract, commitment, or restriction to which it or any of its Affiliates is a party or by which it or any of its Affiliates is bound; or (iii) requires any consent, vote, or approval which has not been given or taken.

## 19. **GENERAL PROVISIONS**

19.1 Independent Contractor. Licensor and Licensee are independent contractors. Neither Party shall hold itself out as a partner, joint-venturer, affiliate, associate, agent, employee, or legal representative of the other. Neither Party is authorized (and shall not represent that it has the right) to act for or on behalf of the other, to legally bind the other, or to make any agreement, warranty, covenant, or other representation or create any express or implied obligation on behalf of the other. Without limiting the foregoing, Licensee and the Sublicensees are solely responsible for the hiring, firing, supervision, compensation and training of all employees of the Brand Restaurant Businesses and no employment relationship shall exist between Licensor and any employees of Licensee or any Sublicensee. Licensee and the Sublicensees are solely responsible for collecting and paying when due all applicable employment taxes, workers' compensation contributions, employees.

19.2 <u>Severability</u>. If any provision of this Agreement is finally determined by a court of competent jurisdiction or by an arbitration panel authorized to make such a determination under Section 17.3 to be void, invalid or unenforceable for any reason, then that provision shall be reformed to the minimum extent required to render it legal, valid, and enforceable and to preserve the Parties' original intent and the validity and enforceable provision shall be deemed to be severable and the remainder of this Agreement shall be and remain valid and in full force and effect; provided, that the terms of this Agreement shall be equitably adjusted so as to compensate the appropriate Party for any consideration lost because of the elimination of any such void, invalid or unenforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable. Notwithstanding the foregoing, if any arbitration panel or court or other Governmental Authority determines that one or more provisions is invalid, illegal or unenforceable, and such determination would, in the reasonable opinion of Licensor, frustrate any of the essential purposes of this Agreement as determined by Licensor,

38

then Licensor may terminate this Agreement immediately upon notice to Licensee. Without limiting what Licensor may determine to be an essential purpose of this Agreement, each of the following Sections (and any defined term to the extent used in that Section) is agreed to be an essential purpose of this Agreement: Sections 2.1 (other than 2.1.1), 2.3, 3.1, 3.2, 3.4, 4.1 through 4.6, 5.1, 5.2, 6.1 through 6.3, 9, 10, 12.2, 14, 15, 16, and 17.

19.3 <u>Waiver; Consents and Approvals; Discretion</u>. A Party's waiver of any particular right or breach or default shall not affect or impair that Party's later exercise of that right or the remedies relating to a breach or default of the same or a different kind, nor shall any delay, forbearance or omission of either Party to exercise any right arising out of this Agreement or any remedies relating to a breach or default, affect or impair that Party's rights as to the same or any future exercise of that right or breach or default. A Party's acceptance of any payment due to it shall not be deemed a waiver of any preceding breach of this Agreement. Any consent, approval, authorization or waiver granted under this Agreement will be valid only if in writing and signed by the Party to be charged. Licensor makes no warranties or guaranties and assumes no liability or obligation by providing any waiver, approval, or consent under this Agreement, or by reason of any neglect, delay, or denial of any request therefor. Without limitation of the foregoing, Licensor shall have no liability in connection with or related to the products or services offered or sold at and from any of the Restaurants, even if Licensor required, approved or consented to the product or service. Any provision of this Agreement that grants a Party the right to exercise its discretion shall be construed, unless otherwise conditioned or limited, to mean that Party's sole and absolute discretion.

19.4 Notices and Other Material Communications. Any notice, demand, report or other communication between the Parties with respect to this Agreement or provided for herein must be in writing, in the English language and signed by the Party serving the same and delivered by hand with receipt or by a reputable courier service with tracking capability to the other Party at its address listed on the signature page to this Agreement. Notices will be deemed to have been received if delivered as provided in this Section 19.4. The Party serving the notice shall have the burden of establishing that the notice was received by the other Party, but receipt shall be deemed proven by any third-party carrier's written verification (including a standard form receipt in paper or electronic form) of its delivery of the notice to the other Party at the address listed on the signature page. Each Party may change its address by delivering written notice to the other Party identifying the new address.

19.5 <u>Amendments</u>. Except as otherwise expressly provided in this Agreement, this Agreement and the Brand licenses granted hereunder may be modified or amended only in writing executed by an authorized representative of each Party.

19.6 <u>Binding Effect</u>. The terms of this Agreement shall inure to the benefit of and be binding upon each Party and each Party's permitted successors and assigns.

19.7 <u>Governmental Approvals</u>. If any Governmental Approvals must be obtained to enable the Parties to enter into and perform this Agreement, then Licensee will, at Licensee's expense and with Licensor's reasonable assistance (as needed), use its best efforts to obtain any such Governmental Approval, including Government Approvals with respect to the operation of the Brand Restaurant Businesses, payment of amounts required under this Agreement, and the offer and sale of Future Sublicenses. Neither Party shall apply for any Governmental Approval until the other Party has had an opportunity to review, comment on and consent (not to be unreasonably withheld) to all materials to be filed with any Governmental Authority. Neither Party shall be obligated to consent to any modification of this Agreement pursuant to or in order to obtain any discretionary Governmental Approval, and the Parties agree that the rights, licenses and privileges granted to Licensee under this Agreement are not meant to be increased or expanded by any Governmental Approval. If the consequence of any

Governmental Approval is to alter or increase the rights or economic benefits of one Party to the detriment of the other, then the Parties shall cooperate in good faith to amend this Agreement as necessary to restore their respective rights and benefits to the status that existed prior to the implementation of such Governmental Approval.

19.8 <u>Entire Agreement</u>. This Agreement and all schedules, exhibits, and information incorporated into this Agreement by reference, collectively constitute the entire agreement between the Parties in respect to the subject matter hereof, and supersede all prior understandings or agreements between them in connection with the subject matter of this Agreement. There are no representations, arrangements, understandings or agreements, oral or written, between the Parties relating to the subject matter of this Agreement except those fully expressed herein and each Party disclaims any reliance on any such representations, arrangements, understandings, or agreements except those expressed herein, and no officer, employee, representative or agent of either Party has been or is authorized to make any representation, warranty, or promise not contained in this Agreement.

19.9 <u>Survival</u>. The limitations and obligations under this Agreement that, expressly or by their terms, extend beyond the transfer, expiration, or termination of this Agreement or any Brand license granted hereunder shall survive that transfer, expiration, or termination, including the obligation to pay all amounts due (including fees and related obligations pursuant to Section 3), and the provisions of Section 9 (confidentiality), Section 10 (non-competition), Section 11.1 (indemnity), Section 14 (breach), Section 15 (additional remedies), Section 16 (post-term obligations), Section 17 (dispute resolution), and Section 19 (general provisions).

19.10 <u>Construction</u>. A reference in this Agreement to "including" (or "include" or like term) will not be construed restrictively but will mean "including (or "include" or like term) without prejudice to the generality of the foregoing" and "including (or "include" or like term) but without limitation". The term "shall" is a term of obligation. References to this Agreement will include any Recitals and Exhibits to it, and references to Sections are (unless otherwise indicated) to the sections of this Agreement. The headings are for convenience only and will not affect the interpretation of this Agreement. Unless the context otherwise requires or permits, references to the singular number will include references to the plural number and *vice versa*; references to a "person" will include any company, limited liability partnership, association, partnership, business trust, unincorporated association or other entity; references to a company will include any company, corporation or any body corporate, wherever incorporated; and words denoting any gender will include all genders.

19.11 <u>Counterparts</u>. This Agreement may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Party (it being agreed that delivery of a manual, stamp or mechanical signature, whether in person, by courier, by facsimile or by e-mail in portable document format, shall be effective).

19.12 <u>Sublicensees Not Third Party Beneficiaries</u>. The provisions of this Agreement do not and are not intended to confer upon any Sublicensee any rights or remedies hereunder.

[Signature page follows]

40

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement to be effective as of the Effective Date.

# LICENSOR: Yum! Restaurants Asia Pte. Ltd.

By:/s/ Vinod MahboobaniName:Vinod MahboobaniTitle:Director

Address: Yum! Restaurants Asia Pte. Ltd. 99 Bukit Timah Road, #06-00 Singapore 229835 Attention: Vinod Mahboobani

LICENSEE: Yum Restaurants Consulting (Shanghai) Company Limited

By: /s/ Mark Chu Name: Mark Chu Title: Legal Representative

Address: Yum Restaurants Consulting (Shanghai) Company Limited

16/F Two Grand Gateway, 3 Hongqiao Road Shanghai, the People's Republic of China Attention: Mark Chu

[Signature Page to Master License Agreement]

## EXHIBIT A

Name and Address of Brand Owner KFC Kentucky Fried Chicken International Holdings, Inc. Pizza Hut International, L.L.C. Pizza Hut (including Pizza Hut Dine-In and Pizza Hut Home Service) Taco Bell Taco Bell Corp.

# **EXHIBIT A-1**

#### TACO BELL BRAND DEVELOPMENT INITIATIVE

The Parties acknowledge and agree that the following provisions regarding the Taco Bell Brand are part of the Master License Agreement (the "Agreement"):

1. Notwithstanding anything in the Agreement to the contrary, the license covering the Taco Bell Brand and associated Brand System IP is expressly conditioned on Licensee's fulfillment of the Taco Bell Brand Development Initiative set forth below:

There shall be at least 100 Restaurants open and operating in the Territory under the Taco Bell Brand as of December 31, 2022.

2. If Licensee fails to satisfy the Taco Bell Brand Development Initiative set forth in this Exhibit A-1, Licensor may, at its option upon written notice to Licensee, terminate Licensee's right to enter into new Taco Bell Sublicenses (including new single unit franchise agreements under any then-existing multi-unit development arrangement) and the territorial protections set forth in Section 2.2 of the Agreement with respect to the Taco Bell Brand. However, in such event, Licensee would continue to have the right and obligation to support the Taco Bell Sublicenses in effect as of the effective date of the termination, in accordance with the terms of the Agreement and such Sublicenses. Licensee acknowledges and agrees that any multi-unit development rights for Taco Bell Restaurants granted to a Sublicensee shall be expressly contingent upon Licensee's possession of development rights for Taco Bell Restaurants under the Agreement at the time the Sublicensee seeks to exercise its rights.

# EXHIBIT B

#### **CATEGORIES AND SOURCES OF BRAND STANDARDS**

This Exhibit B refers to categories and sources of Brand Standards currently published by Licensor and accessible to Licensee. The Brand Standards may be amended by Licensor from time to time in accordance with this Agreement.

- Trademark Standards (including Trademark Maintenance and Registration Standards) as set forth in the Brand Standards Manual provided to Licensee by Licensor
- Quality Assurance Standards as set forth in the Brand Standards Manual provided to Licensee by Licensor Advertising and Marketing Standards as set forth in the Brand Standards Manual provided to Licensee by Licensor
- Asset Standards as set forth in the Brand Standards Manual provided to Licensee by Licensor
- Governance Standards as set forth in the Brand Standards Manual provided to Licensee by Licensor
- Reports and Financial Information as set forth in the Brand Standards Manual provided to Licensee by Licensor

# EXHIBIT C

#### **CROSS LICENSED IP**

Trademark	Class 32	Registration No. 4417760	Registrant Kentucky Fried Chicken International Holdings, Inc.	Note This mark has been licensed to East Dawning and Little Sheep. It is subject to the three-year remaining use period.
	30	6444522	Yum! Restaurants Asia Pte Ltd	This mark has been licensed to KFC China. It has just been assigned to East Dawning on July 4, 2016. It is not subject to the three-year remaining use period.

Brand

#### EXHIBIT D

#### LICENSOR PURCHASE RIGHT PROCEDURES

# 1. **INITIAL AGREEMENTS**

1.1 <u>No Frustration of Purpose</u>. From and after the Effective Date and throughout the Term, Licensee shall not, and shall cause each of its Affiliates not to, take any action that, or fail to take any action if such failure, would adversely affect the ability of any such Person to perform such Person's obligations under this <u>Exhibit D</u> or the consummation of the transactions contemplated by this <u>Exhibit D</u> with respect to all or any of the Assets.

# 2. **DEFINED TERMS; DESIGNEE; INTERPRETATION**

2.1 <u>Defined Terms</u>. As used in this <u>Exhibit D</u>, any terms defined herein have the meanings set forth herein and all other capitalized terms are defined as they appear in the body of the Agreement to which this <u>Exhibit D</u> is attached.

2.2 Designee. Licensee acknowledges and agrees that Licensor shall have the right to designate one or more Persons to exercise any or all of Licensor's rights pursuant to Section 15.4.5 of the Agreement, pursuant to this <u>Exhibit D</u> or otherwise in respect of the Purchase Right, including to purchase any or all of the Selected Assets. For purposes hereof, "<u>Designee</u>" means the Person or Persons designated by Licensor to exercise any or all of such rights. If the Designee includes more than one Person, when exercising a right of Licensor under the Agreement or under this <u>Exhibit D</u>, such Persons shall act collectively through a designated representative.

2.3 Interpretation. Where any right, determination or other decision of Licensor (or its Designee) is granted, required, authorized or otherwise permitted under this Exhibit D, Licensor (or its Designee) shall have the right to exercise such right, make such determination or decide such matter in its sole and absolute discretion. For the avoidance of doubt, no exercise by Licensor (or its Designee) of the Purchase Right with respect to a default (or subsequent abandonment thereof) shall waive or be deemed to waive any further exercise by Licensor of its rights under Section 15.4.5 of the Agreement in respect of any other default by Licensee or any exercise by Licensor of its rights under any other provision of Section 15.4 of the Agreement in respect of the default that resulted in Licensor's exercise of the Purchase Right.

#### 3. LICENSOR PURCHASE RIGHT

3.1 <u>General</u>. The provisions of this <u>Exhibit D</u> shall apply to establish the purchase price, terms and procedures applicable in the event Licensor (or its Designee) exercises its right to purchase one or more Brand Restaurant Businesses pursuant to Section 15.4.5 of the Agreement (the Brand Restaurant Businesses to be so purchased, the "<u>Selected Brand Restaurant Businesses</u>") and Licensor (or its Designee) and Licensee are unable to agree upon the purchase price therefor pursuant to Section 15.4.5 (i) of the Agreement or the terms and procedures contemplated by Section 15.4.5 of the Agreement on or before the Negotiation End Date. For purposes hereof, the "<u>Negotiation End Date</u>" means the date that is sixty (60) days after Licensor (or its Designee) gives notice to Licensee of Licensor's (or its Designee's) exercise of Licensor's (or its Designee's) right to purchase the Selected Brand Restaurant Businesses pursuant to Section 15.4.5 of the Agreement.

3.2 <u>Purchase Right</u>. From and after the applicable Negotiation End Date, Licensor (or its Designee) shall have the right (the "<u>Purchase Right</u>") to purchase, free and clear of any liens (other than immaterial liens incurred in the ordinary course of business), all right, title and interest of Licensee and its Affiliates in, to and under all or any of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired, that are used or held for use in connection with, or otherwise related to, the Selected Brand Restaurant Businesses (collectively, the "<u>Assets</u>"). Licensee acknowledges and agrees that Licensor (or its Designee) may, in connection therewith and under this <u>Exhibit D</u>, purchase all or any of the Assets of the Selected Brand Restaurant Businesses, as determined in accordance with this <u>Exhibit D</u> (the Assets to be so purchased, the "<u>Selected Assets</u>").

#### 4. STRUCTURE AND PRICE

4.1 <u>Due Diligence</u>. In addition to the continuing rights to audit and review the books and records of the Brand Restaurant Businesses contemplated by Section 8.1 of the Agreement, the Licensor Parties shall have the right to perform reasonable due diligence on each of the Brand Restaurant Businesses. For purposes hereof, "<u>Licensor Parties</u>" means Licensor and its Affiliates and any of their respective representatives and designees (including any Designee and its representatives). Licensee shall, and shall cause its Affiliates to, provide information to, and reasonably cooperate with, the Licensor Parties in connection with such due diligence (including by responding to any due diligence requests and promptly including requested information and documents in a data room, in each case as reasonably requested by any Licensor Party). In furtherance of and without limiting the foregoing, should any Licensor Party at any time request a financial institution to extend credit to it in connection with the exercise of the Purchase Right, and should such financial institution request access to information regarding any of the Brand Restaurant Businesses, then Licensee shall, and shall cause its Affiliates to, grant such financial institution the same access to the books and records of the Brand Restaurant Businesses as is granted to Licensor in Section 8.1 of the Agreement and access to the due diligence information responsive to any Licensor Party's requests under this Section 4.1 of this Exhibit D.

4.2 <u>Structure</u>. Provided that Licensee has complied with its obligations under Section 4.1 of this <u>Exhibit D</u>, Licensor (or its Designee) shall deliver to Licensee within ninety (90) days after the Negotiation End Date written notice (the "<u>Structure Notice</u>") of Licensor's (or its Designee's) determination of the Selected Assets to be purchased in connection with the exercise of the Purchase Right and the structure for the purchase of the Selected Assets, which may be a purchase of shares or other equity interests of Licensee or any of its Affiliates that owns Selected Assets, a purchase of Selected Assets or a combination thereof (the date of delivery of such notice, the "<u>Structure Determination Date</u>"); provided, in the event that Licensee has breached its obligations under Section 4.1 of this <u>Exhibit D</u>, the Structure Determination Date shall be extended by one day for each day Licensee was in breach of such obligations. For the avoidance of doubt, Licensor (or its Designee) may exclude Assets (including contracts or employees), as determined in its sole discretion, and no structure shall require (and Licensee shall not be entitled to require) the purchaser of any Selected Assets to assume or be liable for any Excluded Liabilities. From and after consummation of the purchase of the Selected Brand Restaurant Businesses, other than those liabilities (if any) Licensor (or its Designee) agrees to assume in connection with the exercise of the Purchase Right as set forth in the Structure Notice (such liabilities, if any, the "<u>Assumed Liabilities</u>"). For purposes hereof, "<u>Excluded Liabilities</u>" means any and all liabilities, duties, responsibilities, assessments, costs, expenses, losses, expenditures, charges, fees, penalties, fines, contributions, premiums and obligations of any kind of Licensee or any of its Affiliates, whether known or

unknown, asserted or unasserted, liquidated or unliquidated, to the extent relating to or arising during any period of time prior to the closing of the purchase of the Selected Assets. As set forth in Section 15.4.5 of the Agreement, as part of the exercise

of the Purchase Right, Licensor (or its Designee) may, for no additional consideration, require the assignment by Licensee to Licensor (or its Designee) of all rights of Licensee under any or all Sublicenses then in effect, in which case Licensor (or its Designee) shall assume all obligations of Licensee under the Sublicenses so assigned (the "<u>Selected Sublicenses</u>") to the extent arising after such assignment (which shall be included as Assumed Liabilities) and Licensee shall promptly terminate and enforce the termination of all Sublicenses which Licensor (or its Designee) elects not to have assigned to Licensor (or its Designee).

4.3 <u>No Obligation to Purchase</u>. Licensee acknowledges and agrees that nothing in this <u>Exhibit D</u> or the Agreement requires any Licensor Party to purchase any or all of the Assets of any Brand Restaurant Business, and any Licensor Party's obligations to purchase any or all of such Assets shall be contained in, and subject to execution by such Licensor Party of, a definitive purchase agreement, which any such Licensor Party may decline to do at any time for any reason.

#### 4.4 <u>Price Determination</u>

Each of Licensor (or its Designee) and Licensee shall, within twenty (20) days after the Structure Determination Date, designate 4.4.1(and notify the other of the designation of) an investment banking firm of recognized international standing to determine the Fair Market Value of the Selected Assets (the date on which each of Licensor (or its Designee) and Licensee has notified the other of such designation, the "Banking Firm Appointment Date") and shall instruct such investment banking firms to jointly designate the Designated Valuation Firm within thirty (30) days after the Banking Firm Appointment Date. For a period of thirty (30) days after the Banking Firm Appointment Date, each investment banking firm shall consult with the other investment banking firm to determine its initial view as to the Fair Market Value of the Selected Assets. For purposes hereof, "Fair Market Value" means the cash price that an unaffiliated third party would pay to acquire the Selected Assets (after giving effect to the assumption by Licensor (or its Designee) of the Assumed Liabilities) in an arm's-length transaction as an on-going concern; provided, that such determination shall be made (i) assuming Licensor (or its Designee) would be required to pay to an unaffiliated third party a royalty of 3% of gross revenues in order to continue the operation of the Selected Assets and (ii) on the basis of the structure for the purchase designated by Licensor (or its Designee) in the Structure Notice, and "Designated Valuation Firm" means the investment banking firm jointly designated by the investment banking firms initially appointed pursuant to this Section 4.4 of this Exhibit D (or otherwise designated in accordance herewith) to determine the Fair Market Value, which is neither an Affiliate of Licensee or Licensor (or its Designee) nor has performed any significant work for Licensee or Licensor (or its Designee) or any of their respective Affiliates within the prior two (2) years. Notwithstanding the foregoing and the other provisions of this Section 4.4 of this Exhibit D, in the event (x) either Licensor (or its Designee) or Licensee fails to notify the other of its selected investment banking firm within the time period specified in this Section 4.4.1 of this Exhibit D, such Person shall have waived its rights to appoint an investment banking firm and the determination of the Fair Market Value shall be made solely by the investment banking firm of the Party which did appoint an investment banking firm within such time period (which banking firm shall, in such case, constitute the Designated Valuation Firm) or (y) the two investment banking firms selected by Licensor (or its Designee) and Licensee do not appoint the Designated Valuation Firm within thirty (30) days after the Banking Firm Appointment Date, the Designated Valuation Firm shall be selected pursuant to the Administered Rules. Each of Licensee and Licensor (or its Designee) shall execute an engagement letter with the Designated Valuation Firm in customary form reasonably acceptable to Licensee, Licensor (or its Designee) and the Designated Valuation Firm.

4.4.2 Within forty-five (45) days after the Banking Firm Appointment Date, each investment banking firm shall determine its final calculation of the Fair Market Value and shall deliver such final calculation to each of Licensor (or its Designee), Licensee and the Designated Valuation Firm.

Upon receipt of such final calculations, the Designated Valuation Firm shall, within fifteen (15) days, determine its final calculation of the Fair Market Value by selecting either the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Market Value as calculated by the investment banking firm selected by Licensor (or its Designee) or the Fair Mar

4.4.3 Licensee shall, and shall cause its Affiliates to, provide reasonable access by each of the designated investment banking firms and the Designated Valuation Firm to members of management of Licensee and its Affiliates and to the books and records of the Selected Brand Restaurant Businesses so as to allow such investment banking firms and the Designated Valuation Firm to conduct due diligence examinations in scope and duration as are customary in valuations of this kind.

4.4.4 Each of Licensee and Licensor agrees to (and agrees to cause its Affiliates and, with respect to Licensor, its Designee to) cooperate with each of the investment banking firms and the Designated Valuation Firm and to provide to them such information as may reasonably be requested. Costs of the Designated Valuation Firm provided for in this Section 4.4 of this <u>Exhibit D</u> shall be borne equally by Licensee, on the one hand, and Licensor (or its Designee), on the other hand, with each of Licensee and Licensor (or its Designee) bearing the cost of its own selected investment banking firm.

# 5. CERTAIN COVENANTS

# 5.1 <u>Purchase Agreement</u>.

5.1.1 From and after the Structure Determination Date, Licensee and Licensor (or its Designee) shall each use its commercially reasonable efforts acting in good faith to negotiate and enter into a definitive purchase agreement (the "<u>Purchase Agreement</u>") and other reasonably necessary or appropriate definitive agreements, including assignment agreements, bills of sale and/or other instruments of conveyance and assignment (collectively, with the Purchase Agreement, the "<u>Definitive Agreements</u>"), with regard to the purchase of the Selected Assets. For the avoidance of doubt, the Purchase Agreement shall: (a) contain customary representations, warranties, covenants and conditions, including representations and warranties regarding organization and qualification, authority, no conflicts, consents, financial statements, absence of liabilities, absence of certain changes/events, material contracts, title to the Selected Assets, condition of the Selected Assets, real property, inventory, accounts receivable and payable, insurance, legal proceedings, governmental orders, compliance with laws (including employee-related laws and laws relating to corrupt business practices, money laundering, anti-bribery and anti-corruption), permits, environmental matters, tax matters, employee matters and brokers and, if the purchase involves the purchase of shares or other equity interests, title to equity interests, capitalization and subsidiaries; (b) contain customary provisions regarding the indemnification of the Licensor Parties

in respect of the Excluded Liabilities as contemplated by Section 4.2 of this <u>Exhibit D</u> and breaches of representations, warranties and covenants; (c) be governed by the law of the State of Texas, U.S.A.; and (d) be consistent with the provisions of this <u>Exhibit D</u>.

5.1.2 If Licensee and Licensor (or its Designee) are unable to negotiate and enter into the Purchase Agreement within forty-five (45) days after the Structure Determination Date, then Licensor (or its Designee) may either (x) abandon pursuit of its Purchase Right (it being understood that such abandonment shall not waive or be deemed to waive any further exercise by Licensor of its rights under Section 15.4.5 of the Agreement in respect of any other default by Licensee or any exercise by Licensor of its rights under any other provision of Section 15.4 of the Agreement in respect of the default that resulted in Licensor's exercise of the Purchase Right so abandoned) or (y) have any outstanding provisions within the Definitive Agreements determined by arbitration administered by CPR in accordance with the Administered Rules as modified by the procedures set forth in this Section 5.1 of this Exhibit D as follows:

(a) If Licensor (or its Designee) elects to have the Definitive Agreements determined by arbitration, it shall so notify Licensee. Within thirty (30) days after the date such notice is given (the date such notice is given, the "<u>Definitive Agreement Arbitration Notice Date</u>"), each of Licensee and Licensor (or its Designee) shall designate (and notify the other of the designation of) an arbitrator and shall instruct such arbitrators to jointly designate the Mutually Designated Arbitrator. In the event that either Licensee or Licensor fails to notify the other of its selected arbitrator within thirty (30) days after the Definitive Agreement Arbitration Notice Date, then upon written application by either Licensee or Licensor (or its Designee), that arbitrator shall be appointed pursuant to the Administered Rules. In the event that the two (2) arbitrators selected as provided in this Section 5.1.2(a) of this <u>Exhibit D</u> fail to appoint the Mutually Designated Arbitrator within forty-five (45) days after Definitive Agreement Arbitration Notice Date, then the Mutually Designated Arbitrator initially appointed pursuant to the Administered Rules. For purposes hereof, "<u>Mutually Designated Arbitrator</u>" means the arbitrator jointly designated by arbitrators initially appointed pursuant to this Section 5.1 of this <u>Exhibit D</u> (or otherwise designated in accordance herewith), which is neither an Affiliate of Licensee or Licensor (or its Designee) nor has performed any significant work for Licensee or Licensor (or its Designee) or any of their respective Affiliates within the prior two (2) years.

(b) Licensee and Licensor (or its Designee) shall each have the right to submit for resolution pursuant hereto all (but not less than all) of the Definitive Agreements and may each provide the Mutually Designated Arbitrator copies of the proposed Purchase Agreement and other Definitive Agreements marked to indicate the provisions that are and are not mutually agreed upon as of such date. Such right to submit materials to the Mutually Designated Arbitrator (or its Designee), as applicable, no later than twenty (20) days after the date on which it is notified of the identity of the Mutually Designated Arbitrator (the last date after which either Licensee or Licensor (or its Designee) may submit proposed Definitive Agreements being the "Submission Cutoff Date"). A copy of all materials submitted to the Mutually Designated Arbitrator pursuant to this Section 5.1.2(b) shall be provided by Licensee or Licensor (or its Designee), as applicable, to the other concurrently with submission thereof to the Mutually Designated Arbitrator.

(c) The Mutually Designated Arbitrator shall consider the positions of Licensee and Licensor (or its Designee) in any materials submitted prior to the Submission Cutoff Date and shall, within thirty (30) days after the Submission Cutoff Date, deliver to each of Licensee and Licensor (and its Designee) a Purchase Agreement and other Definitive Agreements to govern the purchase of the Selected Assets and which: (i) effectuate the purchase of the Selected Assets in accordance with the Structure Notice, incorporate the Fair Market Value (as determined in accordance with this <u>Exhibit D</u>), provide for the assumption of the Assumed Liabilities by Licensor (or its Designee) and the retention of the Excluded Liabilities by Licensee and otherwise conform to, and are not inconsistent with, the other mechanisms and principles agreed by the Parties or set forth in this <u>Exhibit D</u>; and (ii) are determined by the Mutually Designated Arbitrator to be otherwise commercially reasonable and to reflect market terms for transactions of a similar nature to the purchase of the Selected Assets. Subject to the foregoing, in determining the Purchase Agreement and other Definitive Agreements, the Mutually Designated Arbitrator may incorporate provisions and documents recommended by Licensor (or its Designee) or by Licensee or other provisions and documents determined to be appropriate by the Mutually Designated Arbitrator.

(d) The arbitration shall be conducted in English. Any document that a Party seeks to use that is not in English shall be provided along with an English translation.

(e) The place of arbitration shall be Dallas, Texas, U.S.A.

(f) The costs and expenses of any such arbitration, including compensation and expenses of the Mutually Designated Arbitrator (but excluding lawyers' fees incurred by either Party (or its Designee)), shall be borne by both Licensee and Licensor (or its Designee) equally.

(g) The Purchase Agreement and other Definitive Agreements determined by the Mutually Designated Arbitrator in accordance with this <u>Exhibit D</u> shall be final and binding upon Licensee and Licensor (and its Designee), absent manifest error and subject to Section 4.3 of this Exhibit D; <u>provided</u>, that no determination shall, or shall be deemed to, waive (and each of Licensee and Licensor (and its Designee) shall retain, regardless of any determination by the Mutually Designated Arbitrator) the right to seek any and all remedies in the event of any breach by either Party of its covenants set forth in this <u>Exhibit D</u>; <u>provided further</u>, that after any determination, Licensee and Licensor (or its Designee) may (but shall have no right or obligation to) modify the Purchase Agreement or other Definitive Agreements upon mutual agreement.

5.2 <u>Required Consents and Approvals</u>. During and after the negotiation of the Purchase Agreement, Licensee and Licensor (or its Designee) shall each use its commercially reasonable efforts acting in good faith to obtain such governmental and third party consents as may be required in order to consummate the closing of the purchase of the Selected Assets. In the event that a relevant governmental authority or third party refuses to grant any necessary consent, Licensee and Licensor (or its Designee) shall consult with each other and negotiate in good faith an arrangement to provide that the objectives set out in this <u>Exhibit D</u> are met to the fullest extent permissible under Applicable Laws.

5.3 Interim Operations. Subject to compliance with Applicable Laws (as advised in writing by outside counsel), from and after the date on which Licensor (or its Designee) gives notice to Licensee of its exercise of the right to purchase the Selected Brand Restaurant Businesses pursuant to Section 15.4.5 of the Agreement, Licensee shall not, and shall cause its Affiliates not to, engage in any practice, take any action or enter into any transaction outside of the ordinary course of business with respect to the Assets, and Licensee shall, and shall cause its Affiliates to, use commercially reasonable efforts to preserve, intact, all of their respective rights with respect to the Assets and the Selected Brand Restaurant Businesses. In furtherance of the foregoing, and subject to compliance with Applicable Laws (as advised in writing by outside counsel), Licensee shall not, and shall cause its Affiliates not to, except with the prior written consent of Licensor (or its Designee): (a) Transfer any material Assets; (b) enter into any material contract, including any material amendment,

modification or termination of any existing material contract, with respect to the Assets, other than in the ordinary course of business consistent with past practice; (c) change any customary methods of operation in any material respect; (d) settle or compromise any material legal proceeding or investigation, or enter into any consent, decree, injunction or similar restraint or form of equitable relief in settlement of any material proceeding or investigation, with respect to the Assets, other than in the ordinary course of business consistent with past practice; or (e) impose or permit to be imposed any lien upon any material Assets, other than in the ordinary course of business consistent with past practice.

#### <u>EXHIBIT E</u>

#### **GUARANTY**

Yum China Holdings, Inc., a Delaware corporation ("<u>Guarantor</u>"), hereby executes this Guaranty (this "<u>Guaranty</u>"), which shall be deemed a part of the Master License Agreement (including, for the avoidance of doubt, the Exhibits thereto, the "<u>Agreement</u>") between Yum! Restaurants Asia Pte. Ltd., a private limited company organized and existing under the laws of Singapore ("<u>YRAPL</u>"), and Yum Restaurants Consulting (Shanghai) Company Limited, a company organized under the laws of the People's Republic of China ("<u>YCCL</u>"), for purposes of making the following guaranty in favor, and for the benefit, of YRAPL.

Capitalized terms used herein without definition shall have the meaning ascribed thereto in the Agreement.

#### A. <u>Guaranty</u>

Guarantor, intending to be legally bound, hereby absolutely, irrevocably and unconditionally guarantees, as primary obligor and not merely as a surety, to YRAPL the prompt and complete performance of each and all of the obligations of YCCL under the Agreement, including prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, upon demand or otherwise, and at all times thereafter, of any and all of the payment obligations, whether for principal, interest, premiums, fees, indemnities, damages, costs, expenses or otherwise, of YCCL to YRAPL under the Agreement (each such obligation, a "Guarantee Obligation," and collectively, the "Guarantee Obligations"). Upon failure by YCCL to perform any Guarantee Obligation, Guarantor shall forthwith without demand perform such obligation in the manner specified herein. Guarantor hereby agrees that its obligations hereunder shall be an absolute, irrevocable and unconditional guarantee of payment and performance and not merely a guaranty of collection.

All payments made of a Guarantee Obligation will be paid free and clear of and without deduction or withholding for or on account of any Tax (as defined in the Tax Matters Agreement), except as may be required by Law. If Guarantor shall be required by Applicable Law to deduct or withhold any Taxes from such payments, then (i) Guarantor shall make such deductions or withholdings as are required by Applicable Law, (ii) Guarantor shall timely pay the full amount deducted or withheld to the applicable Tax Authority (as defined in the Tax Matters Agreement) and provide YRAPL with receipts or other proof of such payment promptly upon receipt, and (iii) if the amount received by YRAPL is less than the amount it would have received had the applicable payment been made by YCCL (after making any deductions or withholdings as YCCL would have been required to make under Applicable Law), Guarantor shall gross up the payment to YRAPL so that the net amount that YRAPL receives is the same as the amount it would have received (after making any deductions or withholdings) had the applicable payment been made by YCCL.

Guarantor hereby agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by any renewal, extension, adjustment or modification of any of the Guarantee Obligations, including the time, place or manner of payment or performance thereof, and Guarantor hereby consents to any changes in the terms of any of the Guarantee Obligations as agreed to by YRAPL and YCCL, and to any settlement or adjustment with respect to any of the Guarantee Obligations entered into between YRAPL and YCCL. Guarantor hereby acknowledges that it will receive substantial benefits from the transactions contemplated by the Agreement, and this Guaranty, including the waivers set forth herein, is knowingly made in contemplation of such benefits. The Guarantee Obligations shall conclusively be deemed to have been created, contracted or incurred in reliance on this Guaranty.

No failure or delay on the part of YRAPL in the exercise of any right or remedy with respect to any of the Guarantee Obligations shall operate as a waiver thereof or any obligations of Guarantor hereunder, and no single or partial exercise by YRAPL of any right or remedy with respect to any of the Guarantee Obligations shall preclude any other or further exercise thereof or the exercise of any other right or remedy. YRAPL shall not have any obligation to proceed at any time or in any manner against, or to exhaust any or all of YRAPL's rights against, YCCL or any other Person liable for any of the Guarantee Obligations prior to proceeding against Guarantor hereunder. Without limiting the foregoing, YRAPL shall not be obligated to file any claim relating to the Guarantee Obligations in the event that YCCL becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of YRAPL to so file shall not affect the Guarantee Obligations or the obligations of Guarantor. Guarantor's obligations hereunder shall remain in full force and effect until all Guarantee Obligations shall have been performed in full. If at any time any performance of any Guarantee Obligation is rescinded or must be otherwise restored or returned upon YCCL's insolvency, bankruptcy or reorganization or otherwise, Guarantor's obligations hereunder with respect to such performance shall be reinstated as though such performance had been due but not made at such time.

Guarantor hereby acknowledges and agrees that its obligations hereunder shall not be released, discharged or affected by (a) any change in corporate existence, structure or ownership of YCCL or any other Person, (b) any insolvency, bankruptcy, reorganization or similar proceeding affecting YCCL or any other Person, (c) the addition, substitution or release of any Person now or hereafter liable with respect to the Guarantee Obligations, (d) any rescission, waiver or amendment of the Agreement, (e) the existence of any claim, set-off or other right that Guarantor may have against any Person, (f) the adequacy of any other means of YRAPL obtaining payment or performance related to any of the Guarantee Obligations, (g) the validity or enforceability of the Agreement, or (h) any other act or omission to act or delay of any kind by YRAPL, YCCL or any other Person or any other circumstance which might, but for the provisions hereof, constitute a legal or equitable discharge of or defense to Guarantor's obligations hereunder (other than to the extent such act, omission, delay or circumstance gives rise to a defense available to YCCL under the Agreement to performance of the Guarantee Obligations).

Guarantor hereby waives any and all rights or defenses which would otherwise require an election of remedies by YRAPL, and further waives promptness, diligence, presentment, demand for payment, default, dishonor and protest, notice of any Guarantee Obligations incurred and all other notices of any kind (other than those expressly required by the Agreement), all defenses that may be available by virtue of any valuation, stay, moratorium or similar Applicable Law now or hereafter in effect, any right to require the marshalling of assets of YCCL or any other Person and all suretyship defenses generally (other than fraud and defenses that are available to YCCL under the Agreement to performance of the Guarantee Obligations). Guarantor hereby

waives and agrees not to exercise any rights that it may have or acquire against YCCL that arise from the existence, payment, performance or enforcement of the Guarantee Obligations (other than any such rights that YCCL has against YRAPL under the Agreement), including any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of YRAPL against YCCL, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including the right to take or receive from YCCL, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until the Guarantee Obligations shall have been performed in full (including, with respect to any payment obligations, all such amounts due having been paid to YRAPL in cash in full). If any amount shall be paid to Guarantor in violation of the immediately preceding sentence at any time prior to the performance in full of the Guarantee Obligations, such amount shall be received and held in trust for the benefit of YRAPL, shall be segregated from other property and funds of Guarantor and shall forthwith be paid or delivered to YRAPL in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guarantee Obligations.

Guarantor hereby acknowledges and agrees that this Guaranty is a primary obligation of Guarantor, and that YRAPL shall be entitled to make a demand hereunder, and pursue all of its rights and remedies against Guarantor, whether or not YRAPL has made any demand or pursued any remedies, or during the pendency of any demand made or remedies pursued, against YCCL or any other Person. Guarantor represents and warrants to YRAPL that (a) Guarantor has the financial capacity to pay and perform the Guarantee Obligations, (b) Guarantor has all requisite power and authority to execute, deliver and perform this Guaranty, (c) the execution, delivery and performance of this Guaranty has been duly authorized by all necessary action by Guarantor, (d) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, (e) this Guaranty does not contravene any provision of Guarantor's organizational documents or violate, in any material respect, any Applicable Laws or contractual restriction binding on Guarantor or any of its assets and (f) all consents, approvals, authorizations and permits of, and all filings with and notifications to, any Governmental Authority necessary for the due execution, delivery and performance of this Guaranty by Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any Governmental Authority is required in connection with the execution, delivery or performance of this Guaranty.

## B. <u>Dispute Resolution</u>

- (1) <u>Certain Definitions</u>. For purposes of this Guaranty, the term "<u>Parties</u>" means YRAPL, YCCL and Guarantor and the term "<u>Party</u>" means any of them.
- (2) <u>Governing Law</u>. This Guaranty shall be interpreted and construed under the laws of the United States of America and the State of Texas, U.S.A. (without regard to, and without giving effect to, their conflict of laws rules).
- (3) Pre-Arbitration Dispute Resolution. Subject to Section 14.1.6.C. of the Agreement,
  - (a) Prior to submitting any dispute under the Agreement (with the exception of any disputes concerning breaches thereof which YRAPL has determined not to be curable) or this Guaranty to mediation, arbitration or any court or other tribunal, YRAPL or YCCL (in the case of the Agreement) or YRAPL or Guarantor (in the case of this Guaranty) shall provide written notice of the dispute to the other Parties. Upon such notice appropriate executives of YCCL and YRAPL who have authority to resolve the dispute will meet either in person or by video conference or similar means and shall discuss and use good faith efforts to resolve the dispute. If the dispute cannot be resolved within thirty (30) days of such notice, then the Parties shall submit the claim for resolution to non-binding mediation in accordance with Section B(3)(b).
  - (b) If the Parties are unable to resolve a dispute under the Agreement or this Guaranty accordance with Section B(3)(a), the Parties agree to submit the dispute (with the exception of any disputes concerning breaches of the Agreement which YRAPL has determined not to be curable) to non-binding mediation before bringing such dispute to arbitration in accordance with Section B(4). The Parties shall select a mediator within twenty (20) days of the date the dispute is submitted to mediation by a Party. The mediation shall be conducted in English by a mediator mutually and jointly approved by YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, and failing agreement of the Parties within the twenty (20) day period, by a mediator appointed by

the International Institute for Conflict Prevention and Resolution ("<u>CPR</u>") in accordance with its mediation rules. The mediation shall be conducted at a location mutually and jointly selected by YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, within ten (10) days following the date on which the mediator is appointed, and failing agreement of the Parties within such time period, then the mediation will be held in Dallas, Texas, U.S.A. The costs and expenses of any such mediation, including compensation and expenses of the mediator (and except for the lawyers' fees incurred by any Party), shall be borne by YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, equally.

- (4) <u>Arbitration</u>. If the Parties are unable to resolve a dispute under the Agreement or this Guaranty by mediation in accordance with Section B(3)(b), then such dispute and any other controversy or claim arising out of or relating to the Agreement or this Guaranty, or the breach hereof, including without limitation the determination of the scope or applicability of this agreement to arbitrate, shall, upon written request of a Party (the "<u>Arbitration Request</u>"), be determined by arbitration administered by CPR in accordance with the CPR Rules for Administered Arbitration ("<u>Administered Rules</u>"). Subject to Section 14.1.6.C of the Agreement, details of the arbitration are as follows:
  - (a) There shall be three (3) arbitrators. The panel of three (3) arbitrators will be chosen as follows: (i) within fifteen (15) days from the date of the receipt of the Arbitration Request, each of YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, will name an arbitrator; and (ii) the two (2) arbitrators so appointed will thereafter name a third, independent arbitrator who will act as chairperson of the arbitral tribunal. In the event that YRAPL, on the one hand, or YCCL and Guarantor, on the other, fails to name an arbitrator within fifteen (15) days following the date of receipt of the Arbitration Request, then upon written application by a Party, that arbitrator shall be appointed pursuant to the Administered Rules. In the event that, within thirty (30) days from the date on which the second of the two (2) arbitrators was named, the two (2) appointed arbitrators fail to appoint the third, then the third arbitrator will be appointed pursuant to the Administered Rules.

- (b) The arbitration shall be conducted in English. Any document that a Party seeks to use that is not in English shall be provided along with an English translation.
- (c) The place of arbitration shall be Dallas, Texas, U.S.A.
- (d) The arbitrators shall establish procedures under which each Party will be entitled to conduct discovery.
- (e) The arbitrators shall award to the substantially prevailing Party (as determined by the arbitrators) the costs and expenses of the proceeding, including reasonable attorneys' and experts' fees.
- (f) The arbitrators will issue a reasoned award.
- (g) Notwithstanding any language herein to the contrary, the Parties agree that the award rendered by the arbitrators (the "<u>Original Award</u>") may be appealed under the CPR Arbitration Appeal Procedure ("<u>Appeal Procedure</u>"). Appeals must be initiated within thirty (30) days of receipt of an Original Award, in accordance with Rule 2 of the Appeal Procedure, by filing a written notice with CPR. The Original Award shall not be considered final until after the expiration of the time for filing the notice of appeal pursuant to the Appeal Procedure. Following the appeal process, either (i) the

Original Award, if no changes have been made by the appellate Tribunal, or (ii) the appellate award, if the Original Award has been changed by the appellate tribunal, may be entered in any court having jurisdiction thereof. Unless otherwise agreed by the Parties, the appeal shall be conducted at the place of the original arbitration.

- (h) Any award rendered by the arbitrators that is not appealed in accordance with the foregoing provisions or that is not modified by the appeal tribunal, and any award as modified or established by the appeal tribunal, shall be final and judgment may be entered thereon in any court having jurisdiction thereof.
- Each Party retains the right to apply to any court of competent jurisdiction for provisional and/or conservatory relief, including
  prearbitral attachments or injunctions, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver
  of the right to arbitrate.
- (j) The existence and content of the arbitral proceedings and any rulings or award shall be kept confidential by the Parties and members of the arbitral tribunal except (i) to the extent that disclosure may be required of a Party to comply with Applicable Laws or the rules of any applicable stock exchange, protect or pursue a contractual right or perform a contractual obligation, or enforce or challenge an award in bona fide legal proceedings before a court or other judicial authority, (ii) with the consent of all Parties, (iii) where needed for the preparation or presentation of a claim or defense in arbitration, (iv) where such information is already in the public domain other than as a result of a breach of this Section, or (v) by order of the arbitral tribunal upon application of a Party.
- (5) <u>Limitations Period</u>. Any claim arising out of or relating to the Agreement or this Guaranty shall be governed by the statute of limitations under the governing law set forth in Section B(2).
- (6) <u>Enforcement Costs</u>. Each Party shall bear its own legal costs (including attorneys' and experts' fees, and all other expenses) incurred in enforcing the Agreement or this Guaranty or in otherwise pursuing, or defending against, a claim, demand, action, or proceeding under or in connection with the Agreement or this Guaranty.

#### C. <u>Miscellaneous</u>

If any term or other provision of this Guaranty is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, provisions and conditions of this Guaranty shall nevertheless remain in full force and effect. No Party hereto shall assert, and each Party shall cause its respective Affiliates not to assert, that this Guaranty or any part hereof is invalid, illegal or unenforceable. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Guaranty so as to effect the original intent of the Parties as closely as possible to the fullest extent permitted by Applicable Law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

This Guaranty, together with the Agreement, constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof. No amendment, modification or waiver of any provision hereof shall be enforceable unless approved by each Party in writing.

The provisions of this Guaranty are solely for the benefit of the Parties and do not and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and there are no third-party beneficiaries of this Guaranty and this Guaranty shall not provide any third Person with any remedy, claim, liability, reimbursement or other right in excess of those existing without reference to this Guaranty.

This Guaranty shall remain in full force and effect and shall be binding on Guarantor, and its successors and assigns, until all the Guarantee Obligations have been performed in full.

Section 19.10 (Construction) of the Agreement is hereby incorporated in this Guaranty as if fully set forth herein. This Guaranty may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Parties (it being agreed that delivery of a manual, stamp or mechanical signature, whether in person, by courier, by facsimile or by email in portable document format, shall be effective).

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

## YUM CHINA HOLDINGS, INC.

By:

Name: Title:

Address: Yum China Holdings, Inc. 16/F Two Grand Gateway, 3 Hongqiao Road Shanghai, the People's Republic of China

Accepted and agreed to by:

YUM! RESTAURANTS ASIA PTE. LTD.

Name: Title:

Address: Yum! Restaurants Asia Pte. Ltd. 99 Bukit Timah Road, #06-09 Singapore 229835

YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

Name: Title:

Address:

Yum Restaurants Consulting (Shanghai) Company Limited 16/F Two Grand Gateway, 3 Hongqiao Road Shanghai, the People's Republic of China

# TAX MATTERS AGREEMENT

# BY AND AMONG

# YUM! BRANDS, INC.,

# YUM CHINA HOLDINGS, INC.

## AND

# YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

# DATED AS OF OCTOBER 31, 2016

# TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS	2
ARTICLE II	TAX LIABILITIES AND TAX BENEFITS	8
Section 2.1	Responsibility for Taxes	8
Section 2.2	Allocation of Taxes	9
Section 2.3	Special Rules	10
ARTICLE III	PREPARATION AND FILING OF TAX RETURNS	12
Section 3.1	Tax Returns	12
Section 3.2	Special Rules Relating to the Preparation of Tax Returns	13
Section 3.3	Financial Accounting Reports	14
ARTICLE IV	TAX PAYMENTS	14
Section 4.1	Payment of Taxes to Tax Authorities	14
Section 4.2	Indemnification Payments	15
Section 4.3	Initial Determinations and Subsequent Adjustments	15
Section 4.4	Interest on Late Payments	16
Section 4.5	Payments by or to Other Group Members	16
Section 4.6	Procedural Matters	16
Section 4.7	Tax Consequences of Payments	16
Section 4.8	No Duplication	17
ARTICLE V	TAX CONTESTS	17
Section 5.1	Notices	17
Section 5.2	Control of Tax Contests	18
ARTICLE VI	ASSISTANCE AND COOPERATION	19
Section 6.1	Cooperation and Exchange of Information	19
Section 6.2	Reliance on Exchanged Information	20
Section 6.3	Private Letter Rulings and Supplemental Tax Opinions	20
Section 6.4	Withholding and Reporting	20
Section 6.5	Retention of Tax Records	21
ARTICLE VII	RESTRICTION ON CERTAIN ACTIONS OF THE GROUPS	21
Section 7.1	General Restrictions	21
Section 7.2	Restricted Actions Relating to Tax Materials	21
Section 7.3	Certain SpinCo Actions Following the Distribution	21
Section 7.4	Year of Distribution Restrictions	22
Section 7.5	Little Sheep	23
ARTICLE VIII	MISCELLANEOUS	23
Section 8.1	Entire Agreement	23
Section 8.2	Governing Law	23
Section 8.3	Termination	23

# TABLE OF CONTENTS

(continued)

Page

		- Tuge
Section 8.4	Notices	23
Section 8.5	Counterparts	23
Section 8.6	Binding Effect; Assignability	23
Section 8.7	No Third Party Beneficiaries	24
Section 8.8	Severability	24
Section 8.9	Waivers of Default; Remedies Cumulative	24
Section 8.10	Amendments	24
Section 8.11	Authority	24
Section 8.12	Specific Performance	24
Section 8.13	Mutual Drafting	25
Section 8.14	Performance	25
Section 8.15	Limitations of Liability	25
Section 8.16	Predecessors or Successors	25
Section 8.17	Expenses	25
Section 8.18	Change in Law	25
Section 8.19	Disputes	25
Section 8.20	Employment Tax Overlap	26
Section 8.21	Incorporation	26

ii

#### TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT (this "<u>Agreement</u>"), dated as of October 31, 2016, is by and among Yum! Brands, Inc., a North Carolina corporation ("<u>YUM</u>"), Yum China Holdings, Inc., a Delaware corporation ("<u>SpinCo</u>"), and Yum Restaurants Consulting (Shanghai) Company Limited, a company organized under the Laws of the People's Republic of China ("<u>YCCL</u>").

## RECITALS

WHEREAS, the board of directors of YUM (the "<u>YUM Board</u>") has determined that it is in the best interests of YUM and its shareholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the YUM Board has determined that it is appropriate and desirable to separate the SpinCo Business from the YUM Business (the "Separation") and, following the Separation, make a distribution, on a pro rata basis and in accordance with a distribution ratio to be determined by the YUM Board, to holders of YUM Shares on the Record Date of all the outstanding SpinCo Shares owned by YUM (the "Distribution");

WHEREAS, YCCL is an indirect wholly-owned subsidiary of SpinCo and the principal management company for the SpinCo Business;

WHEREAS, YUM, SpinCo and YCCL are entering into the Separation and Distribution Agreement (the "<u>Separation and Distribution</u> <u>Agreement</u>"), dated as of the date hereof, in order to carry out, effect and consummate the Separation and the Distribution and set forth the principal arrangements between them regarding the terms of the Separation and the Distribution;

WHEREAS, for U.S. federal income tax purposes, the Distribution is intended to qualify as a transaction that is generally tax-free under Sections 355 and 361 of the Code to YUM, its shareholders (except with respect to cash received in lieu of fractional shares) and SpinCo and, for purposes of China Capital Gains Tax, the Distribution is intended to qualify as a non-taxable transaction; and

WHEREAS, the Parties desire to provide for and agree upon the allocation between the Parties of Taxes and Tax Benefits arising prior to, as a result of, and subsequent to the Separation and the Distribution, and to provide for and agree upon other matters relating to Taxes.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

#### ARTICLE I

## DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings, and capitalized terms used herein and not otherwise defined in this <u>Article I</u> shall have the respective meanings assigned to them in the Separation and Distribution Agreement.

"<u>Affiliate</u>" shall mean, when used with respect to a specified Person, a Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, "<u>control</u>" (including with correlative meanings, "<u>controlled by</u>" and "<u>under common control with</u>"), when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by Contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, prior to, at and after the Effective Time, for purposes of this Agreement, (a) no member of the SpinCo Group shall be deemed to be an Affiliate of any member of the YUM Group, and (b) no member of the YUM Group shall be deemed to be an Affiliate of any member of the SpinCo Group.

"After-Tax Basis" shall mean, with respect to any liability indemnified in this Agreement, the actual amount of any payment to be made with respect to such liability, after increasing such payment by the cost of any Tax Detriment actually incurred by the recipient in respect of such payment, and reducing such payment by the value (as a reduction in Taxes payable for the Tax Year of such payment or as an increase in, or creation of, the amount of any Tax refunds for the Tax Year of such payment or any prior Tax Year) of any Tax Benefit actually realized by the recipient in respect of the payment of the indemnified liability, in each case such that the recipient is in the same after-tax position as it would have been in had no such Tax Detriment or Tax Benefit applied, which Tax Detriments and Tax Benefits shall be treated as actually incurred or actually realized, as the case may be, based on a with-and-without Tax calculation and assuming that all other Tax Items are taken into account prior to taking into account any such Tax Detriment or Tax Benefit.

"Agreement" shall have the meaning set forth in the Preamble.

"Ancillary Agreements" shall have the meaning set forth in the Separation and Distribution Agreement, but excluding this Agreement.

"Business" shall mean the YUM Business or the SpinCo Business, as the context requires.

"China Capital Gains Tax" shall mean any Tax arising from SAT Bulletin 7.

"<u>China Tax Opinion</u>" shall mean, with respect to a specified action, an opinion (or opinions) from a Tax Advisor (or Tax Advisors), at a "should" level of comfort, substantially to the effect that (subject to the assumptions, qualifications and limitations set forth therein) such

2

action should not result in the Distribution or an Internal Distribution being subject to China Capital Gains Tax.

"<u>China Taxable Property</u>" shall mean property of an "establishment or place" situated in the PRC, real estate situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise the transfer of which results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the *Enterprise Income Tax Law of the PRC*.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Controlling Party" shall mean the Party that has primary responsibility, control and discretion in handling, settling or conducting a Tax Contest pursuant to Section 5.2.

"<u>Covered Separation Taxes</u>" shall mean any Tax resulting from (i) any fact that constitutes a breach by any member of the SpinCo Group of any of the representations provided by any member of the SpinCo Group in the Tax Materials, (ii) any breach by any member of the SpinCo Group of any covenant of the SpinCo Parties under this Agreement (including <u>Article VII</u>) or (iii) any Section 355(e) Event.

"Distribution" shall have the meaning set forth in the Recitals.

"Due Date" shall have the meaning set forth in Section 4.4.

"Governmental Authority" shall mean any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, provincial, local, domestic, foreign, supranational or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, a government and any executive official thereof.

"Group" shall mean either the SpinCo Group or the YUM Group, as the context requires.

"Intermediate Entities" shall mean those entities listed in Schedule D.

"Internal Distributions" shall mean the transactions described in Schedule B.

"IRS" shall mean the U.S. Internal Revenue Service.

"Joint Return" shall mean any Tax Return that includes Tax Items attributable to both the YUM Business and the SpinCo Business; provided, that (x) Tax Items described in Section 2.2(d)(ii) shall be ignored for purposes of this determination and (y) any (i) U.S. income Tax Return that includes a member of the YUM Group and (ii) Specified Company Return shall not be a Joint Return. For the avoidance of doubt, no Tax Return of a YUM Intermediate Entity shall be a Joint Return solely as a result of YUM's responsibility for YUM Intermediate Entity Taxes pursuant to Section 2.1(a)(y). "Joint Taxes" shall mean any Taxes shown on a Joint Return or otherwise attributable to both the YUM Business and the SpinCo Business; provided, that (x) all U.S. income Taxes and U.S. income Tax Items (including U.S. credits for foreign Taxes paid) attributable to the Pre-Spin Period (based on an interim closing of the books as of and including the day of the Distribution Date) shall be deemed solely attributable to the YUM Business, except to the extent allocable to SpinCo pursuant to Section 3.1(c), and (y) any Taxes shown on a Specified Company Return shall be deemed solely attributable to the SpinCo Business.

"<u>Law</u>" shall mean any national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

"<u>Non-Controlling Party</u>" shall mean the Party that does not have primary responsibility, control and discretion in handling, settling or conducting a Tax Contest pursuant to <u>Section 5.2</u>.

"<u>Non-Preparer</u>" shall mean the Party not responsible for the preparation and filing of a Joint Return or a Separate Return, as applicable, pursuant to <u>Section 3.1</u>.

"Parties" shall mean YUM and the SpinCo Parties.

"Party" shall mean YUM, on the one hand, or the SpinCo Parties, on the other hand, as the context requires.

"Person" shall mean an individual, a general or limited partnership, a company, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

"Post-Spin Period" shall mean any Tax Year (or portion thereof) beginning after the Distribution Date.

"PRC" shall mean the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

"Pre-Spin Period" shall mean any Tax Year (or portion thereof) ending on or before the Distribution Date.

"Preparer" shall mean the Party responsible for the preparation and filing of a Joint Return or a Separate Return, as applicable, pursuant to

Section 3.1.

"Prime Rate" shall mean the rate that Bloomberg displays as "Prime Rate by Country United States" at

http://www.bloomberg.com/quote/PRIME:IND or on a Bloomberg terminal at PRIMBB Index or, in the absence of Bloomberg displaying such rate, such other rate as YUM may reasonably determine as the equivalent rate.

4

"Regarded Internal Distributions" shall mean the transactions described in Schedule C.

"Related Separation Transactions" shall mean the transactions described in Schedule 2.1(a) of the Separation and Distribution Agreement.

"Requesting Party" shall have the meaning set forth in Section 6.3.

"<u>SAT Bulletin 7</u>" shall mean the Tax notice issued by the PRC State Administration of Taxation titled *the State Administration of Taxation's* Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises ([]\_\_\_\_\_] []\_\_\_\_](State Administration of Taxation Bulletin [2015] No. 7 ([]\_\_\_\_]2015[]7])), as may be amended or supplemented from time to time and including any similar or replacement Law or regulation on the Tax treatment of offshore indirect transfers of any China Taxable Property including any applicable Laws in the PRC against the avoidance of PRC Tax.

"Section 355(e) Event" shall mean, with respect to SpinCo or a member of the SpinCo Group, any event involving the stock of SpinCo or an Affiliate of SpinCo or assets of any member of the SpinCo Group that causes the Distribution or a Regarded Internal Distribution to be a taxable event to any member of the YUM Group as the result of the application of Section 355(e) of the Code.

"Separate Return" shall mean any Tax Return that is not a Joint Return. For purposes of this Agreement, (i) a Separate Return of a member of the YUM Group includes any U.S. income Tax Return that includes a member of the YUM Group and (ii) a Separate Return of a member of the SpinCo Group includes any Specified Company Return.

"Separation" shall have the meaning set forth in the Recitals.

"Separation and Distribution Agreement" shall have the meaning set forth in the Recitals.

"Specified Company Return" shall mean any Tax Return filed or required to be filed by a Person listed on Schedule A.

"Specified Tax Returns" shall mean (x) any Tax Return relating to any Pre-Spin Period (including, for the avoidance of doubt, any Tax Return with respect to YUM Intermediate Entity Taxes), (y) any Tax Return relating to any payment made pursuant to the Master License Agreement and (z) any Tax Return relating solely to the YUM Business.

"SpinCo" shall have the meaning set forth in the Preamble.

"<u>SpinCo Group</u>" shall mean (a) with respect to any Pre-Spin Period, SpinCo, YCCL and each Person that will be a Subsidiary of SpinCo as of immediately after the Effective Time, including the Transferred Entities, even if, prior to the Effective Time, such Person is not a Subsidiary of SpinCo;

and (b) with respect to any Post-Spin Period, SpinCo, YCCL and each Person that is a Subsidiary of SpinCo.

5

"<u>SpinCo Market Capitalization</u>" shall mean the product of (i) the volume-weighted average trading price per share of shares of SpinCo common stock for the thirty (30) consecutive trading days beginning on and following the first (1<sup>st</sup>) trading day following the Distribution Date, as quoted by Bloomberg Financial Services through its "Volume at Price" function, rounded to the nearest whole cent, multiplied by (ii) the arithmetic average of the number of shares of SpinCo common stock outstanding, on a fully-diluted basis, on each of such thirty (30) trading days, rounded to two (2) decimal points.

"SpinCo Parties" shall mean SpinCo and YCCL.

"SpinCo Party Liability Percentage" shall mean the result, expressed as a percentage and rounded to two (2) decimal places, of (i) one hundred percent (100%) minus (ii) the YUM Liability Percentage.

"SpinCo Party Taxes" shall have the meaning set forth in Section 2.2(b).

"Subsidiary" shall mean, with respect to any Person, any corporation, company, limited liability company, joint venture, partnership or other entity of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (x) the total combined voting power of all classes of voting securities, (y) the total combined equity interests or (z) the capital or profit interests, in the case of a partnership, or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body. For purposes of this Agreement, with respect to SpinCo, "Subsidiary" shall also include Hangzhou KFC Co., Ltd., Suzhou KFC Co., Ltd. and Wuxi KFC Co., Ltd.

"Supplemental Tax Opinion" shall mean, with respect to a specified action, an opinion (or opinions) (other than the Tax Opinions) from a Tax Advisor (or Tax Advisors), at a "will" level of comfort, substantially to the effect that (subject to the assumptions, qualifications and limitations set forth therein) (i) such action will not preclude the Distribution from qualifying for U.S. federal income Tax purposes as a tax-free transaction under Sections 355 and 361 of the Code to YUM, its shareholders (except with respect to cash received in lieu of fractional shares) and SpinCo and (ii) such action will not increase the amount of any Tax imposed on the Distribution or any of the Related Separation Transactions.

"<u>Tax</u>" or "<u>Taxes</u>" shall mean any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, escheat, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other similar tax (including any fee, assessment or other charge in the nature of or in lieu of any tax) imposed by any Governmental Authority and any interest, penalties, additions to tax or additional amounts in respect of the foregoing.

"<u>Tax Advisor</u>" shall mean (i) with respect to the Tax Opinions, Mayer Brown LLP and PricewaterhouseCoopers LLP or (ii) with respect to a Supplemental Tax Opinion or a China Tax Opinion, a law firm or accounting firm, nationally recognized in the applicable jurisdiction, mutually agreed by the Parties.

6

"<u>Tax Authority</u>" shall mean, with respect to any Tax, the Governmental Authority that imposes such Tax, and the Governmental Authority (if any) charged with the assessment, determination or collection of such Tax for such Governmental Authority.

"Tax Benefit" shall mean any credit, deduction or other attribute (e.g., net operating loss or net capital loss) that may have the effect of decreasing any Tax.

"<u>Tax Contest</u>" shall mean an audit, review, examination or any other administrative or judicial proceeding with the purpose or effect of redetermining or recovering Taxes of any member of either Group (including any administrative or judicial review of any claim for refund).

"Tax Detriment" shall mean any income, gain or other attribute that may have the effect of increasing any Tax.

"Tax Item" shall mean any Tax Benefit or Tax Detriment.

"Tax Law" shall mean the Law of any Governmental Authority, and any controlling judicial or administrative interpretations of such Law, relating to any Tax.

"<u>Tax Materials</u>" shall mean (i) the representation letters delivered to any Tax Advisor in connection with the delivery of any Tax Opinion or Supplemental Tax Opinion and (ii) any other materials delivered or deliverable by YUM, either of the SpinCo Parties or any other Person in connection with any Tax Opinion or Supplemental Tax Opinion.

"<u>Tax Opinion</u>" shall mean any opinion to be delivered by any Tax Advisor to YUM in connection with the Distribution or the Related Separation Transactions, including (i) opinions from Mayer Brown LLP and PricewaterhouseCoopers LLP substantially to the effect that (subject to the assumptions, qualifications and limitations set forth therein) the Distribution will qualify for U.S. federal income tax purposes generally as a tax-free transaction under Sections 355 and 361 of the Code to YUM, its shareholders (except with respect to cash received in lieu of fractional shares) and SpinCo or (ii) one or more opinions of one or more of YUM's tax advisors regarding certain other tax matters relating to the Distribution and the Related Separation Transactions.

"<u>Tax Return</u>" shall mean any report of Taxes due (including estimated Taxes), any claims for refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration or document required to be filed (by paper, electronically or otherwise) under any applicable Tax Law, including any attachments, exhibits or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing. "Tax Year" shall mean, with respect to any Tax, the year, or other period, if applicable, for which the Tax is reported as provided under applicable Tax Law.

"Treasury Regulations" shall mean the regulations promulgated from time to time under the Code as in effect for the relevant Tax Year.

7

"YCCL" shall have the meaning set forth in the Preamble.

"<u>YCCL Monthly Withholding Reports</u>" shall mean any reports required to be filed by YCCL on a monthly basis with the applicable PRC Tax Authority with respect to withholding of PRC income Taxes on payments made pursuant to the Master License Agreement.

"YUM" shall have the meaning set forth in the Preamble.

"YUM Board" shall have the meaning set forth in the Recitals.

"YUM Group" shall mean YUM and each Person that is a Subsidiary of YUM (other than SpinCo and any other member of the SpinCo

Group).

"<u>YUM Intermediate Entity Taxes</u>" shall mean all Taxes of the Intermediate Entities allocable to any Pre-Spin Period, but excluding any Taxes resulting from the Distribution or any of the Related Separation Transactions.

"<u>YUM Liability Percentage</u>" shall mean the quotient, expressed as a percentage and rounded to two (2) decimal points, of (i) the YUM Market Capitalization, divided by (ii) the sum of the YUM Market Capitalization plus the SpinCo Market Capitalization.

"<u>YUM Market Capitalization</u>" shall mean the product of (i) the volume-weighted average trading price per share of shares of YUM common stock for the thirty (30) consecutive trading days beginning on and following the first (1<sup>st</sup>) trading day following the Distribution Date, as quoted by Bloomberg Financial Services through its "Volume at Price" function, rounded to the nearest whole cent, multiplied by (ii) the arithmetic average of the number of shares of YUM common stock outstanding, on a fully-diluted basis, on each of such thirty (30) trading days, rounded to two (2) decimal points.

"YUM Taxes" shall have the meaning set forth in Section 2.2(a).

## ARTICLE II

#### TAX LIABILITIES AND TAX BENEFITS

Section 2.1 <u>Responsibility for Taxes</u>.

(a) For any Tax Year (or portion thereof), YUM shall be liable for and indemnify the SpinCo Group on an After-Tax Basis, against the following Taxes (and any reasonable attorneys' fees and other costs incurred in connection therewith), in each case excluding any Covered Separation Taxes:

(i) Taxes imposed on a member of the YUM Group or the SpinCo Group resulting from the Distribution or any of the Related Separation Transactions, except for any China Capital Gain Tax (which is covered in <u>Section 2.1(a)(iv)</u>);

8

(ii) Taxes shown on a Separate Return of a member of the YUM Group or relating solely to the YUM Business (in each case, other than Taxes resulting from the Distribution or any of the Related Separation Transactions);

(iii) Taxes that are Joint Taxes allocable to YUM as determined under <u>Section 2.2</u> (other than Taxes resulting from the Distribution or any of the Related Separation Transactions);

(iv) the YUM Liability Percentage of any Taxes resulting from the imposition of China Capital Gains Tax with respect to the Distribution or the Internal Distributions; and

(v) YUM Intermediate Entity Taxes.

(b) For any Tax Year (or portion thereof), the SpinCo Parties shall jointly and severally be liable for and indemnify the YUM Group, on an After-Tax Basis, against the following Taxes (and any reasonable attorneys' fees and other costs incurred in connection therewith):

(i) Taxes shown on a Separate Return of a member of the SpinCo Group or relating solely to the SpinCo Business (in each case, other than YUM Intermediate Entity Taxes and Taxes resulting from the Distribution or any of the Related Separation Transactions);

(ii) Taxes that are Joint Taxes allocable to the SpinCo Parties as determined under <u>Section 2.2</u> (other than YUM Intermediate Entity Taxes and Taxes resulting from the Distribution or any of the Related Separation Transactions);

(iii) the SpinCo Party Liability Percentage of any Taxes resulting from the imposition of China Capital Gains Tax with respect to the Distribution or the Internal Distributions; and

(iv) Taxes that are Covered Separation Taxes.

Section 2.2 <u>Allocation of Taxes</u>.

(a) *YUM.* The portion of any Joint Taxes allocable to YUM ("<u>YUM Taxes</u>") shall be determined by taking into account the following Tax Items on a pro forma stand-alone basis (as determined pursuant to <u>Section 2.3</u>):

(i) Tax Detriments (other than Tax Detriments resulting from the Distribution or any of the Related Separation Transactions) arising from the operation or ownership of the YUM Business,

(ii) Tax Benefits (other than Tax Benefits resulting from the Distribution or any of the Related Separation Transactions) arising from the operation or ownership of the YUM Business, and

9

(iii) Tax Benefits (other than Tax Benefits resulting from the Distribution or any of the Related Separation Transactions) arising from the operation or ownership of the SpinCo Business, but only to the extent such Tax Benefits are not taken into account in calculating SpinCo Party Taxes under <u>Section 2.2(b)(ii)</u>.

(b) *SpinCo Parties*. The portion of any Joint Taxes allocable to the SpinCo Parties ("<u>SpinCo Party Taxes</u>") shall be determined by taking into account the following Tax Items on a pro forma stand-alone basis (as determined pursuant to <u>Section 2.3</u>).

(i) Tax Detriments (other than Tax Detriments resulting from the Distribution or any of the Related Separation Transactions) arising from the operation or ownership of the SpinCo Business,

(ii) Tax Benefits (other than Tax Benefits resulting from the Distribution or any of the Related Separation Transactions) arising from the operation or ownership of the SpinCo Business, and

(iii) Tax Benefits (other than Tax Benefits resulting from the Distribution or any of the Related Separation Transactions) arising from the operation or ownership of the YUM Business, but only to the extent such Tax Benefits are not taken into account in calculating YUM Taxes under <u>Section 2.2(a)(ii)</u>.

(c) YUM shall pay SpinCo for any Tax Benefit that is taken into account in calculating the amount of Joint Taxes allocable to YUM pursuant to Section 2.2(a)(iii); provided, however, that payment for any such Tax Benefit arising in a Pre-Spin Period and utilized in a Tax Year beginning before the Distribution Date shall be required only if the creation or use of such Tax Benefit results from a Tax Contest resolved after the Distribution Date. The SpinCo Parties shall pay YUM for any Tax Benefit that is taken into account in calculating Joint Taxes allocable to the SpinCo Parties pursuant to Section 2.2(b)(iii); provided, that payment for any such Tax Benefit arising in a Pre-Spin Period and utilized in a Tax Year beginning before the Distribution Date shall be required only if the creation or use of such Tax Benefit arising in a Pre-Spin Period and utilized in a Tax Year beginning before the Distribution Date shall be required only if the creation or use of such Tax Benefit results from a Tax Contest resolved after the Distribution Date.

(d) Rules for Determining from which Business a Tax Item Arises:

(i) Except to the extent otherwise provided in this <u>Section 2.2</u>, Tax Items shall be deemed to arise from the operation or ownership of the Business to which such items are most closely related.

(ii) Income and similar Taxes collected by withholding shall be deemed to arise solely from the Business of the recipient of the applicable payment.

(e) YUM shall be entitled to any refund relating to Taxes for which YUM is responsible pursuant to <u>Section 2.1(a)</u>. The SpinCo Parties shall be entitled to any refund relating to Taxes for which the SpinCo Parties are responsible pursuant to <u>Section 2.1(b)</u>.

Section 2.3 Special Rules.

10

(a) Preparation of Pro Forma Calculations. YUM shall be responsible for preparing, in its reasonable discretion, all pro forma stand-alone basis computations and allocations provided for in this <u>Article II</u> (including, for the avoidance of doubt, the allocations provided for in <u>Section 2.2(b)</u> and the determinations pursuant to <u>Section 2.2(d)</u>. YUM shall make available to SpinCo, and provide SpinCo with a reasonable opportunity to review, all such pro forma stand-alone basis computations and allocations and shall consider in good faith any comments relating to such computations and allocations that are provided in writing by SpinCo, which comments shall be provided by SpinCo no later than thirty (30) days after such computations and allocations are made available to SpinCo.

(b) *Pro Forma Stand-Alone Basis*. For purposes of computing YUM Taxes and SpinCo Party Taxes on a pro forma stand-alone basis for purposes of <u>Section 2.2</u>, Tax Items shall be taken into account:

(i) only to the extent required or allowable under applicable Tax Law, determined as if the applicable Tax Return were filed on a pro forma stand-alone basis,

(ii) by using all applicable elections, accounting methods, and conventions used on the Tax Return on which such Tax Items are actually reported,

(iii) by applying the average Tax rate on such Tax Return; <u>provided</u>, if such Tax Item is within a category of Tax Items that is subject to a different rate of Tax than other categories of Tax Items on such Tax Return, the average Tax rate applicable to such category of Tax Items reported on the Tax Return shall apply with respect to such Tax Item, and

(iv) by treating Tax Benefits as used in the order specified under applicable Tax Law or, to the extent that such Tax Law does not specify the order of use, used pro rata.

(c) Allocation in Straddle Periods. For purposes of Section 2.2(c) and in determining the amount of any YUM Intermediate Entity Taxes with respect to a Tax Year that begins on or before and ends after the Distribution Date, Tax Items arising during any Tax Year that begins on or before and ends after the Distribution Date shall be treated as arising during the Pre-Spin Period or the Post-Spin Period based on an interim closing of the books as of and including the day of the Distribution Date. Notwithstanding the foregoing, Tax Items attributable to any such Tax Year that are calculated on an annualized basis (including depreciation, amortization and depletion deductions) shall be apportioned between the Pre-Spin Period and the Post-Spin Period on a daily pro rata basis. For the avoidance of doubt, any amount included in the income of SpinCo pursuant to Section 951(a) of the Code for any period ending after the Distribution Date shall be attributable to the Post-Spin Period.

(d) *Differences between Taxes Shown on Joint Return and Taxes Computed on a Pro Forma Stand-Alone Basis.* If, without regard to this <u>Section 2.3(d)</u>, the sum

11

of YUM Taxes and SpinCo Party Taxes relating to a Joint Return is different from the amount of Tax shown on such Joint Return, then the Tax shown on such Joint Return shall be allocated between the Parties in the same proportion as the amount of YUM Taxes or SpinCo Party Taxes, as appropriate, bears to the sum of YUM Taxes and SpinCo Party Taxes calculated with respect to such Joint Return.

## ARTICLE III

#### PREPARATION AND FILING OF TAX RETURNS

Section 3.1 <u>Tax Returns</u>.

(a) *Separate Returns*. YUM shall be responsible for preparing and timely filing (or causing to be prepared and filed) each Separate Return that is a Separate Return of a member of the YUM Group. The SpinCo Parties shall be responsible for preparing and timely filing (or causing to be prepared and filed) each Separate Return that is a Separate Return of a member of the SpinCo Group.

(b) Joint Returns.

(i) YUM shall be responsible for preparing and timely filing (or causing to be prepared and filed) all Joint Returns required to be filed under applicable Tax Law by a member of the YUM Group. The SpinCo Parties shall be responsible for preparing and timely filing (or causing to be prepared and filed) all Joint Returns required to be filed under applicable Tax Law by a member of the SpinCo Group. The Parties shall prepare (or cause to be prepared) Joint Returns with the same general degree of care used in preparing Separate Returns.

(ii) The Preparer shall make any Joint Return, or relevant portion thereof, available to the Non-Preparer a reasonable time period before the Joint Return is due, taking into account any extensions that the Preparer files, and shall consider in good faith any comments on such Tax Return that are provided in writing by the Non-Preparer, which comments shall be provided within a reasonable time period after such Tax Return is made available to the Non-Preparer. Furthermore, with respect to any Joint Return, the Preparer shall not take (and shall cause the members of the Preparer's Group not to take) any position that it knows, or reasonably should know, is inconsistent with the past practice of the YUM Group or the SpinCo Group, except as otherwise required by applicable Law.

(iii) If a Tax Benefit associated with a Joint Return for which the SpinCo Parties are the Preparer arises in any taxable period beginning after the Distribution Date, to the fullest extent permitted under applicable Tax Law, the relevant member of the SpinCo Group shall waive the carryback of such Tax Benefit to any taxable period beginning on or before the Distribution Date.

(c) *Pre-Distribution Earnings and Profits*. Notwithstanding anything to the contrary herein, YUM shall, in its sole discretion, determine the amount of, and allocate between YUM and SpinCo (and the members of their respective Groups) in connection with the

12

Distribution and the Related Separation Transactions, earnings and profits, foreign Taxes paid or accrued and other Tax Items, and such determinations and allocations shall control for all Tax Years, provided, that YUM shall provide SpinCo a reasonable opportunity to review such determinations and allocations, and YUM shall consider in good faith any reasonable written comments with respect to such allocations and determinations submitted by SpinCo. In the event of any redetermination or other adjustment affecting the amounts so determined or allocated, YUM shall, in its sole discretion, update the determinations and allocations made pursuant to this Section 3.1(c), subject to the requirements set forth in the first sentence of this Section 3.1(c).

(d) *Tax Benefits*. The Parties shall cooperate in good faith to ensure that the benefit of any Tax Benefits associated with any Taxes described in <u>Section 2.2(d)(ii)</u> is received by the Party conducting the Business in which such Tax is deemed to arise.

Section 3.2 Special Rules Relating to the Preparation of Tax Returns.

(a) SpinCo Tax Returns. With respect to any Tax Return for which the SpinCo Parties are the Preparer, during the seven (7) year period following the Distribution Date, the SpinCo Parties shall not take (and shall cause the members of the SpinCo Group not to take), except as otherwise required by applicable Law, any position that (i) could adversely affect any member of the YUM Group, or (ii) is inconsistent with the past practice of the YUM Group or the SpinCo Group. Furthermore, with respect to any Specified Tax Return for which the SpinCo Parties are the Preparer, the SpinCo Parties shall make such Specified Tax Return, or relevant portion thereof, available to YUM a reasonable time period before such Specified Tax Return is due, taking into account any extensions that the SpinCo Parties (or any SpinCo Group member) file, and shall incorporate all reasonable comments as are provided in writing by YUM. The SpinCo Parties shall not file any such Specified Tax Return without YUM's prior written consent, not to be unreasonably withheld, conditioned or delayed (it being understood that YUM shall provide such consent if YUM determines in its reasonable discretion that the applicable Tax Return, or position taken thereon, does not have any direct or indirect relevance to YUM). Notwithstanding the foregoing, the SpinCo Parties shall not be required to make available to YUM any YCCL Monthly Withholding Reports prior to filing and shall be permitted to file such YCCL Monthly Withholding Reports without YUM's prior written consent. The SpinCo Parties shall deliver to YUM copies of any such YCCL Monthly Withholding Reports within fifteen (15) days after filing with the applicable Tax Authority.

(b) *YUM Tax Returns*. YUM shall not take (and shall cause the members of the YUM Group not to take) any position with respect to the treatment of payments under the Master License Agreement that would adversely affect any member of the SpinCo Group, except as otherwise required by applicable Law.

(c) *Reimbursement for Costs Incurred by Preparer*. The Non-Preparer of a given Tax Return may request that the Preparer amend such Tax Return for the benefit of the Non-Preparer. If the Preparer agrees, in its sole discretion, to amend such Tax Return, the Preparer shall be entitled to reimbursement from the Non-Preparer for any reasonable third-party costs that are attributable to the Non-Preparer's request, to the extent those costs exceed \$50,000. Notwithstanding the foregoing, if the Non-Preparer's request to amend is a result of Preparer's failure to prepare such Tax Return in compliance with <u>Sections 3.2(a)</u> and <u>3.2(b)</u>, the Preparer

13

shall use commercially reasonable efforts to amend such Tax Return and the Preparer shall not be entitled to reimbursement from the Non-Preparer for any costs that are attributable to the Non-Preparer's request.

(d) Allocation of Tax Items Between Joint Return and Related Separate Return. If Tax Items are allocated between a Joint Return and any related Separate Return, then the Preparer of such Separate Return shall (and shall cause the members of its Group to) file the related Separate Return in a manner that is consistent with the reporting of such Tax Items on the Joint Return.

(e) *SAT Bulletin 7*. YUM and the SpinCo Parties shall each file, or cause the applicable members of the YUM Group or the SpinCo Group, respectively, to file, any Tax Returns (for the avoidance of doubt, including any Tax reporting filings) that are mandatorily required by SAT Bulletin 7 to be filed by such Person with respect to the Distribution and the Internal Distributions. YUM and the SpinCo Parties shall consult with their respective tax advisors and cooperate as reasonably necessary to ensure compliance with any applicable reporting requirements pursuant to SAT Bulletin 7, provided, however, that the SpinCo Parties shall not (and shall cause each member of the SpinCo Group not to) file any Tax Return (including any Tax reporting filing) or otherwise communicate with any Tax Authority with respect to the application of SAT Bulletin 7 to the Distribution or the Internal Distributions without YUM's prior written consent, or as otherwise mandatorily required by applicable Law.

(f) Information Returns. Any information return (such as IRS Form 5471) with respect to a member of the SpinCo Group that is required to be included in the U.S. federal income Tax Returns of both SpinCo and YUM for the Tax Year in which the Distribution occurs shall be prepared by YUM. YUM shall make any such information return available to SpinCo a reasonable time period before such information return is due, taking into account any available extensions, and shall consider in good faith any comments that are timely provided in writing by SpinCo.

Section 3.3 <u>Financial Accounting Reports</u>. With respect to Tax Items that are reflected on YUM's financial accounting books, during the seven (7) year period following the Distribution Date, SpinCo shall not prepare its financial accounting books in a manner that is inconsistent with YUM's reporting of such Tax Items.

# ARTICLE IV

# TAX PAYMENTS

Section 4.1 <u>Payment of Taxes to Tax Authorities</u>. YUM shall be responsible for remitting (or causing to be remitted) to the proper Tax Authority all Taxes shown (including Taxes for which the SpinCo Parties are wholly or partially liable pursuant to <u>Section 2.1</u> or <u>Section 2.2</u>) on any Tax Return for which YUM is the Preparer, and the SpinCo Parties shall be responsible for remitting (or causing to be remitted) to the proper Tax Authority all Taxes shown (including Taxes for which YUM is wholly or partially liable pursuant to <u>Section 2.1</u> or <u>Section 2.2</u>) on any Tax Return for which the SpinCo Parties are the Preparer.

14

# Section 4.2 Indemnification Payments.

(a) *Tax Payments Made by the SpinCo Group.* If any member of the SpinCo Group remits a payment to a Tax Authority for Taxes for which YUM is wholly or partially liable under this Agreement, YUM shall remit to SpinCo the amount for which it is liable within thirty (30) days after receiving written notification requesting such amount.

(b) *Tax Payments Made by the YUM Group.* If any member of the YUM Group remits a payment to a Tax Authority for Taxes for which the SpinCo Parties are wholly or partially liable under this Agreement, the SpinCo Parties shall remit to YUM the amount for which they are liable within thirty (30) days after receiving written notification requesting such amount.

#### (c) Payments for Tax Benefits.

(i) If a member of the YUM Group uses a Tax Benefit for which SpinCo is entitled to reimbursement pursuant to Section 2.2(c), YUM shall pay to SpinCo, within thirty (30) days following the use of such Tax Benefit, an amount equal to the deemed value of such Tax Benefit, as determined in Section 4.2(c)(iv).

(ii) If a member of the SpinCo Group uses a Tax Benefit for which YUM is entitled to reimbursement pursuant to Section 2.2(c), the SpinCo Parties shall pay to YUM, within thirty (30) days following the use of such Tax Benefit, an amount equal to the deemed value of such Tax Benefit, as determined in Section 4.2(c)(iv).

(iii) For purposes of this Agreement, a Tax Benefit will be considered used (A) in the case of a Tax Benefit that generates a Tax refund, at the time such Tax refund is received and (B) in all other cases, at the time the Tax Return is filed with respect to such Tax Benefit or, if no Tax Return is filed, at the time the Tax would have been due in the absence of such Tax Benefit.

(iv) The deemed value of any such Tax Benefit will be (A) in the case of a Tax credit, the amount of such credit or (B) in the case of a Tax deduction, an amount equal to the product of (1) the amount of such deduction and (2) the highest statutory rate applicable under Section 11 of the Code or other applicable rate under state, local or foreign Law, as appropriate.

Section 4.3 <u>Initial Determinations and Subsequent Adjustments</u>. The initial determination of the amount of any payment that one Party is required to make to another under this Agreement shall be made on the basis of the Tax Return as filed, or, if the Tax to which the payment relates is not reported in a Tax Return, on the basis of the amount of Tax initially paid to the Tax Authority. The amounts paid under this Agreement will be redetermined, and additional payments relating to such redetermination will be made, as appropriate, if as a result of an audit by a Tax Authority, an amended Tax Return, an actual or deemed payment under <u>Section 4.2</u> in excess of the amounts owed thereunder, or for any other reason (i) additional Taxes to which such redetermination relates are subsequently paid, (ii) a refund of such Taxes is received, (iii) the Group to which a Tax Item is allocated changes or (iv) the amount or character

15

of any Tax Item is adjusted or redetermined. Each payment required by the immediately preceding sentence (A) as a result of a payment of additional Taxes will be due thirty (30) days after the date on which the additional Taxes were paid, (B) as a result of the receipt of a refund will be due thirty (30) days after the refund was received, (C) as a result of a change in the allocation of a Tax Item will be due thirty (30) days after the date on which the final action resulting in such change is taken by a Tax Authority or either Party or any member of its Group or (D) as a result of an adjustment or redetermination of the amount or character of a Tax Item will be due thirty (30) days after the date on which the final action resulting in such adjustment or redetermination is taken by a Tax Authority or either Party or any member of its Group. If a payment is made as a result of an audit by a Tax Authority which does not conclude the matter, further adjusting payments will be made, as appropriate, to reflect the outcome of subsequent administrative or judicial proceedings.

Section 4.4 Interest on Late Payments. Payments pursuant to this Agreement that are not made by the date prescribed in this Agreement or, if no such date is prescribed, within thirty (30) days after written demand for payment is made (the "<u>Due Date</u>") shall accrue interest for the period from and including the date immediately following the Due Date through and including the date of payment at a rate per annum equal to the Prime Rate plus three percent (3%). Such rate shall be redetermined at the beginning of each calendar quarter following such Due Date. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of three hundred sixty-five (365) days and the actual number of days for which due.

Section 4.5 <u>Payments by or to Other Group Members</u>. When appropriate under the circumstances to reflect the underlying liability for a Tax or entitlement to a Tax refund or Tax Benefit, a payment which is required to be made by or to YUM or the SpinCo Parties may be made by or to another member of the YUM Group or the SpinCo Group, as appropriate, but nothing in this <u>Section 4.5</u> shall relieve YUM or the SpinCo Parties of their respective obligations under this Agreement.

Section 4.6 <u>Procedural Matters</u>. Any written notice for indemnification delivered to the indemnifying Party in accordance with <u>Section 8.4</u> shall state the amount due and owing together with a schedule calculating in reasonable detail such amount (and shall include any relevant Tax records, statement, bill or invoice related to such Taxes, costs, expenses or other amounts due and owing). All payments required to be made by one Party to the other Party pursuant to this <u>Article IV</u> shall be made in U.S. Dollars by electronic, same day wire transfer. Payments shall be deemed made when received. If the indemnifying Party fails to make a payment to the indemnified Party within the time period set forth in this <u>Article IV</u>, the indemnifying Party shall pay to the indemnified Party, in addition to interest that accrues pursuant to <u>Section 4.4</u>, any reasonable costs or expenses incurred by the indemnified Party to secure such payment or to satisfy the indemnifying Party's obligation to make the indemnification payment.

Section 4.7 <u>Tax Consequences of Payments</u>. Except as otherwise required by applicable Law, for all Tax purposes, the Parties agree to treat: (a) any payment required by this Agreement (other than payments with respect to interest accruing from the date an applicable payment is required to be made pursuant to this Agreement) as either a contribution by YUM to

16

SpinCo or a distribution by SpinCo to YUM, as the case may be, occurring immediately prior to the Effective Time, or as a payment of an assumed or retained liability; and (b) any payment of interest as taxable or deductible, as the case may be, to the Party entitled under this Agreement to receive such payment or required under this Agreement to make such payment. In the event that, pursuant to <u>Section 4.5</u> or otherwise pursuant to this Agreement any such payment is made by a member of the YUM Group or the SpinCo Group (other than YUM or SpinCo) or is received by a member of the YUM Group or the SpinCo Group (other than YUM or SpinCo) or is received by a member of the YUM or SpinCo, as the case may be, with corresponding distributions or contributions deemed to occur between YUM and the applicable members of the YUM Group or SpinCo and the applicable members of the SpinCo Group, as the case may be. If any payment under this Agreement causes, directly or indirectly, an increase in the Taxes owed by the recipient (or any of the members of its Group) under one or more applicable Tax Laws through withholding or otherwise, the payor's payment obligation under this Agreement shall be grossed up to take into account any additional Taxes that may be owed by the recipient (or any of the members of doubt, the preceding sentence shall not be applied to result in any duplication of a payment where, in accordance with another provision herein, a payment under this Agreement is calculated on an After-Tax Basis. The Parties shall cooperate

in good faith to calculate any such gross up and After-Tax Basis amount, to minimize the amount of any Taxes imposed with respect to the receipt of any payment under this Agreement and to maximize the amount of any Tax Benefits to the recipient of any such indemnity payment with respect to the underlying liability. In the event that a Tax Authority asserts that the treatment by YUM, SpinCo or a member of their respective Groups of a payment pursuant to this Agreement should be other than as required pursuant to this <u>Section 4.7</u>, YUM or SpinCo, as appropriate, shall promptly provide written notice to the other Party and use its commercially reasonable efforts to contest such assertion.

Section 4.8 <u>No Duplication</u>. Notwithstanding anything to the contrary herein, nothing in this Agreement shall require a Party (or a member of such Party's Group) to make any payment attributable to any indemnification for Taxes or payment of Taxes hereunder, or for any Tax Benefit, for which payment has previously been made by such Party (or a member of such Party's Group) hereunder.

#### ARTICLE V

#### TAX CONTESTS

Section 5.1 <u>Notices</u>. Each Party shall promptly, and in all events within fifteen (15) days, provide written notice to the other Party of any pending or threatened Tax Contest of which it becomes aware relating to (i) Taxes for which it may be indemnified, or Tax Benefits for which it may be reimbursed, by the other Party hereunder, (ii) the qualification of the Distribution as a tax-free transaction under Sections 355 and 361 of the Code to YUM, its shareholders (except with respect to cash received in lieu of fractional shares) and SpinCo, (iii) application of China Capital Gains Tax to the Distribution or the Internal Distributions, (iv) any change in the Tax treatment of the Distribution or any of the Related Separation Transactions or (v) in the case of notice to be provided by the SpinCo Parties, any Specified Tax Return. Such notice shall contain factual information (to the extent known by the notifying Party or its agents

17

or representatives) describing any asserted Tax liability in reasonable detail and shall be accompanied by copies of any notice and other documents received from any Tax Authority in respect of any such matters. If (i) an indemnified Party has knowledge of an asserted Tax liability with respect to a matter for which it is to be indemnified hereunder, (ii) such Party fails to give the indemnifying Party prompt notice of such asserted Tax liability and (iii) the indemnifying Party has the right, pursuant to <u>Section 5.2</u>, to control (or to elect to control) the Tax Contest relating to such Tax liability, then (A) if the indemnifying Party is precluded from contesting the asserted Tax liability as a result of the failure to give prompt notice, the indemnifying Party shall have no obligation to indemnify the indemnified Party for any Taxes arising out of such asserted Tax liability and (B) if the indemnifying Party is not precluded from contesting the asserted Tax liability, but such failure to give prompt notice results in a monetary detriment to the indemnifying Party, then any amount which the indemnifying Party is otherwise required to pay the indemnified Party pursuant to this Agreement shall be reduced by the amount of such detriment.

#### Section 5.2 Control of Tax Contests.

(a) *General Rule*. Except as otherwise provided in this <u>Section 5.2</u>, the Preparer of any Tax Return shall be the Controlling Party with respect to any Tax Contest involving a Tax reported on such Tax Return.

(b) Certain Tax Contests. The Non-Preparer shall be the Controlling Party with respect to that portion of any Tax Contest involving a Tax or Tax Benefit reported on a Joint Return where the Non-Preparer is liable for such Tax or entitled to reimbursement for such Tax Benefit under this Agreement and such Tax or Tax Benefit is separable from all other Taxes or Tax Benefits reported on such Joint Return. Notwithstanding anything herein to the contrary, YUM shall have the right, in its sole discretion, to elect to be the Controlling Party with respect to any Tax Contest relating to (i) the Distribution or any of the Related Separation Transactions and (ii) unless YUM determines in its reasonable discretion that the Tax Contest does not have any direct or indirect relevance to YUM, any Tax Return described in clauses (x) or (z) of the definition of Specified Tax Returns.

(c) Non-Controlling Party Participation Rights. With respect to any Tax Contest involving (w) a Tax for which the Non-Controlling Party may be liable or have an indemnification obligation under this Agreement, (x) a Tax Benefit for which the Non-Controlling Party may be entitled to reimbursement under this Agreement, (y) any Tax Return relating to any payment made pursuant to the Master License Agreement or (z) where the Non-Controlling Party is YUM, the Distribution, any of the Related Separation Transactions, or a Tax Return described in clauses (x) or (z) of the definition of Specified Tax Returns, (i) the Non-Controlling Party shall, at its own cost and expense, be entitled to participate in such Tax Contest or to propose joint counsel to represent both Parties with respect to the applicable Tax Contest, which proposal the Controlling Party shall consider in good faith, (ii) the Controlling Party shall keep the Non-Controlling Party reasonably informed and consult in good faith with the Non-Controlling Party and its Tax advisors with respect to any issue relating to such Tax Contest, (iii) the Controlling Party shall provide the Non-Controlling Party and its Tax advisors with respect to any issue relating to such Tax Contest, (iii) the Controlling Party shall provide the Non-Controlling Party and its Tax advisors advised of significant developments in the Tax

18

Contest and of significant communications involving representatives of the Tax Authority, and shall provide the Non-Controlling Party with such other information relating to the Tax Contest as is reasonably requested by the Non-Controlling Party, (iv) the Non-Controlling Party may request that the Controlling Party take a position in respect of such Tax Contest, and the Controlling Party shall do so provided that (A) there exists substantial authority for such position (within the meaning of the accuracy-related penalty provisions of Section 6662 of the Code), (B) the adoption of such position would not reasonably be expected to increase any Taxes for which the Controlling Party is liable or decrease any Tax Benefit for which it is entitled to reimbursement during any foreseeable Tax Year (unless the Non-Controlling Party agrees to indemnify and hold harmless the Controlling Party costs that are attributable to the Non-Controlling Party's request, to the extent those costs exceed \$50,000, (v) the Controlling Party shall provide the Non-Controlling Party with a copy of any written submission to be sent to a Taxing Authority at least twenty (20) days prior to the submission thereof (provided, that in the event that such Taxing Authority requires a submission within twenty (20) days, the copy to the Non-Controlling Party shall be provided by the Controlling Party as soon as reasonably practicable after receiving communication of such requirement from such Taxing Authority) and shall give good faith consideration to any comments or suggested revisions that the Non-Controlling Party or its Tax advisors may have with respect thereto, and (vi) there will be no settlement, resolution or closing or other agreement with respect thereto without the prior consent of the Non-Controlling Party, which consent shall not be unreasonably withheld, conditioned or delayed.

(d) Assistance with respect to Tax Contests. At the request of the Controlling Party, the Non-Controlling Party shall take (and shall cause its Subsidiaries to take) any action (*e.g.*, executing a limited power of attorney) that is reasonably necessary in order for the Controlling Party's Group to handle, settle or conduct the Tax Contest. Each Party shall assist the other Party in taking (or causing to be taken) any remedial actions that are necessary or desirable to minimize the effects of any adjustment made by a Tax Authority. The Controlling Party shall reimburse the Non-Controlling Party for any reasonable out-of-pocket costs actually incurred in complying with this Section 5.2(d). The Controlling Party fails to provide assistance in accordance with this Section 5.2(d), to the extent such additional Taxes are directly attributable to the Non-Controlling Party's failure to provide such assistance.

#### ARTICLE VI

# ASSISTANCE AND COOPERATION

Section 6.1 <u>Cooperation and Exchange of Information</u>. Each Party shall provide to the other, as soon as practicable, such information and data as the other Party may reasonably request, such as customary internal Tax and accounting work papers, information and procedures, in connection with (A) enabling the other Party to complete and timely file all Tax Returns that may be required to be filed with respect to the activities of the Party (or any members of its Group), (B) determining a liability for Tax or a right to a Tax Benefit (or the amount of any of the foregoing), (C) conducting or participating in a Tax Contest or (D)

19

satisfying any accounting or Tax requirements. The Parties will discuss in good faith any change in Tax Law that might reasonably be expected to affect any position taken on any Tax Return or in any Tax Contest that is subject to this Agreement. Each Party shall devote the personnel and resources necessary in order to carry out this <u>Section 6.1</u> and shall make its employees available on a mutually convenient basis to provide explanations of any documents or information provided hereunder. Each Party shall carry out its responsibilities under this <u>Section 6.1</u> charging to the other only the reasonable out-of-pocket costs actually incurred. Any information obtained under this <u>Section 6.1</u> shall be kept in strict confidence, with at least the same degree of care and confidentiality that applies to YUM's confidential and proprietary information pursuant to policies in effect as of the Effective Time, except as otherwise may be necessary in connection with the filing of Tax Returns. Further, the provisions of Section 6.9 of the Separation and Distribution Agreement shall govern the confidentiality, disclosure and use of all confidential and proprietary information relating to Taxes.

Section 6.2 <u>Reliance on Exchanged Information</u>. If a member of the SpinCo Group supplies Tax records, documents or other information to a member of the YUM Group, or a member of the YUM Group supplies Tax records, documents or other information to a member of the SpinCo Group, and an officer of the receiving Group member intends to sign a statement or other document under penalties of perjury in reliance upon the accuracy of such Tax records, documents or other information, then a duly authorized officer of the Group member supplying such Tax records, documents or other information shall certify, to such officer's knowledge and belief, the accuracy and completeness of the Tax records, documents or other information so supplied. For the avoidance of doubt, the limitations of liability set forth in Section 6.5 of the Separation and Distribution Agreement shall apply to any such certification.

Section 6.3 <u>Private Letter Rulings and Supplemental Tax Opinions</u>. Each of the Parties agrees that at the reasonable request of the other Party (the "<u>Requesting Party</u>"), such Party shall cooperate and use reasonable efforts to (and shall cause its Subsidiaries to cooperate and use reasonable efforts to) assist the Requesting Party in obtaining, as expeditiously as reasonably practicable, a private letter ruling from the IRS with respect to the Distribution or to a Related Separation Transaction or a Supplemental Tax Opinion from a Tax Advisor. Within thirty (30) days after receiving an invoice from the other Party therefor, the Requesting Party shall reimburse such Party for all reasonable costs and expenses incurred by such Party and the members of its Group in connection with assisting the Requesting Party in obtaining any such private letter ruling or Supplemental Tax Opinion. Notwithstanding the foregoing, no Party shall be required to file any IRS letter ruling submission unless the other Party represents to the filing Party that (i) it has reviewed the IRS letter ruling submission and (ii) all information and representations, if any, relating to any member of the other Party's Group contained in the IRS letter ruling submissions are true, correct and complete in all material respects.

Section 6.4 <u>Withholding and Reporting</u>. With respect to stock of YUM or SpinCo delivered to any Person, YUM and the SpinCo Parties shall cooperate (and shall cause the members of their respective Groups to cooperate) so as to permit YUM to discharge any applicable Tax withholding and Tax reporting obligations, including the appointment of SpinCo or one or more of its Subsidiaries as the withholding and reporting agent if YUM or one or more of its Subsidiaries is not otherwise required or permitted to withhold and report under applicable Tax Law.

20

Section 6.5 <u>Retention of Tax Records</u>. YUM and each of the SpinCo Parties each shall preserve (and shall cause the members of their respective Groups to preserve) all Tax records, documents or other similar information that are in their possession (or in the possession of the members of their respective Groups), and that could affect the liability of any member of the other Group for Taxes, for as long as the contents thereof may become material in the administration of any matter under applicable Tax Law, but in any event until the later of (i) the expiration of any applicable statutes of limitation, as extended, and (ii) seven (7) years after the Distribution Date.

#### ARTICLE VII

## RESTRICTION ON CERTAIN ACTIONS OF THE GROUPS

Section 7.1 <u>General Restrictions</u>. Following the Effective Time, YUM and each of the SpinCo Parties each shall not (and shall cause the members of their respective Groups not to) take any action that, or fail to take any action the failure of which to take, would be inconsistent with (i) the qualification of the Distribution as a tax-free transaction described in Sections 355 and 361 of the Code to YUM, its shareholders (except with respect to cash received in lieu of fractional shares), and SpinCo, (ii) the treatment of the Distribution as not subject to China Capital Gains Tax or (iii) the tax-free treatment of the Distributions.

Section 7.2 <u>Restricted Actions Relating to Tax Materials</u>. Without limiting the other provisions of this <u>Article VII</u>, following the Effective Time, YUM and each of the SpinCo Parties each shall not (and shall cause the members of their respective Groups not to) take any action that, or fail to take any action the failure of which to take, would be reasonably likely to be inconsistent with, or cause any Person to be in breach of, any representation or covenant, or any material statement, made by YUM or either of the SpinCo Parties (or any member of their respective Groups), as applicable, in the Tax Materials.

#### Section 7.3 Certain SpinCo Actions Following the Distribution.

(a) *General Rule*. Except as provided in <u>Section 7.3(b)</u>, and without limiting the other provisions of this <u>Article VII</u>, during the two-year period beginning on the Distribution Date, SpinCo shall not take or enter into a binding agreement to take (and the SpinCo Parties shall cause the members of the SpinCo Group not to take or enter into a binding agreement to take) any of the following actions:

(i) the facilitation or allowance of the SpinCo Group to cease being engaged in the SpinCo Business as an active trade or business (within the meaning of Section 355(b) of the Code);

(ii) the liquidation or partial liquidation of SpinCo;

(iii) the sale of fifty percent (50%) or more of the assets that constitute the SpinCo Business to any Person, other than an entity that is and will be wholly-owned, directly or indirectly, by SpinCo;

21

(iv) the transfer of any assets in a transaction described in subparagraphs (A), (C), (D), (F), or (G) of Section 368(a) (1) of the Code to another entity, other than an entity that is and will be wholly-owned, directly or indirectly, by SpinCo;

(v) the transfer of fifty percent (50%) or more of the assets that constitute the SpinCo Business in a transaction described in Section 351 or Section 721 of the Code, other than a transfer to an entity that is and will be wholly-owned, directly or indirectly, by SpinCo;

(vi) the issuance of its stock (or any instrument that is convertible or exchangeable into any such stock), other than an issuance to which Treasury Regulations §§ 1.355-7(d)(8) or (9) applies;

(vii) the facilitation or permitting of, or other participation in, any acquisition (or deemed acquisition) of its stock that, together with any related transaction, would result in one or more Persons acquiring (or being deemed to acquire after applying the rules of Sections 355(e)(4)(C) and 355(e)(3)(B) of the Code) forty percent (40%) or more (by vote or value) of the outstanding stock of SpinCo; or

(viii) the redemption or other repurchase of its stock other than pursuant to open market stock repurchase programs meeting the requirements of Section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, as in effect prior to its amendment by Rev. Proc. 2003-48, 2003-2 C.B. 86.

(b) Opinion of Counsel with Respect to Restricted Actions. SpinCo may take (or cause its Subsidiaries to take) (i) one or more of the actions listed in Sections 7.3(a)(i) through 7.3(a)(vi) if, and only if, SpinCo provides to YUM in advance a Supplemental Tax Opinion that is in form and substance satisfactory to YUM, in its sole discretion or (ii) an action listed in Sections 7.3(a)(vii) if, and only if, SpinCo provides to YUM in advance satisfactory to YUM, in its sole discretion or (ii) an action listed in Sections 7.3(a)(vii) and 7.3(a)(viii) if, and only if, SpinCo provides to YUM in advance both (A) a Supplemental Tax Opinion and (B) a China Tax Opinion, each in form and substance satisfactory to YUM, in its sole discretion. Any such Supplemental Tax Opinion or China Tax Opinion must be delivered to YUM for its review and comment at least twenty (20) days prior to SpinCo (or any of its Subsidiaries) taking or entering into a binding agreement to take the applicable action, and SpinCo shall not (and the SpinCo Parties shall cause each member of the SpinCo Group not to) take or enter into a binding agreement to take the applicable action without YUM's prior written confirmation that the Supplemental Tax Opinion (and China Tax Opinion, if applicable) is in form and substance satisfactory to YUM, in its sole discretion.

Section 7.4 <u>Year of Distribution Restrictions</u>. During the period that begins on the Distribution Date and ends on the latest of (A) the end of the Tax Year of YUM in which the Distribution occurs, (B) the end of the Tax Year of the applicable SpinCo Group member in which the Distribution occurs, (i) the SpinCo Parties shall not take (and shall cause each member of the SpinCo Group not to take) any action outside the ordinary course of business (including, for the avoidance of doubt, sales of significant assets or non-payment of accrued intercompany liabilities) and (ii) the

22

SpinCo Parties shall cause Yum! Franchise China Trust and Yum! Franchise China Trust II not to make any distributions.

Section 7.5 <u>Little Sheep</u>. During the one-year period beginning on the Distribution Date, the SpinCo Parties shall not take (and shall cause each member of the SpinCo Group not to take) any action (including the making of any election) that could reasonably be expected to result in Little Sheep Group Limited being classified for U.S. federal income tax purposes other than as a partnership.

# ARTICLE VIII

# MISCELLANEOUS

Section 8.1 <u>Entire Agreement</u>. This Agreement, together with the Separation and Distribution Agreement and the Ancillary Agreements, contain the entire agreement between the Parties with respect to the subject matter hereof, and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. Section 8.2 <u>Governing Law</u>. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any Party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware irrespective of the choice of laws principles of the State of Delaware including all matters of validity, construction, effect, enforceability, performance and remedies.

Section 8.3 <u>Termination</u>. Notwithstanding any provision to the contrary, this Agreement may be terminated at any time prior to the Effective Time by YUM, in its sole and absolute discretion, without the approval or consent of any other Person, including the SpinCo Parties. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by a duly authorized officer of each of the Parties. In the event of any termination of this Agreement prior to the Effective Time, this Agreement shall become void and neither Party (nor any of its Affiliates, directors, officers, or employees) shall have any Liability or obligation to the other Party (or any of its Affiliates) by reason of this Agreement.

Section 8.4 <u>Notices</u>. Unless expressly provided herein, all notices, requests, claims, demands or other communications under this Agreement shall be delivered in accordance with the requirements for the provision of notice set forth in Section 10.5 of the Separation and Distribution Agreement.

Section 8.5 <u>Counterparts</u>. This Agreement may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Party. The provisions of Section 10.1(d) of the Separation and Distribution Agreement shall, for the avoidance of doubt, apply to the execution of this Agreement.

23

Section 8.6 <u>Binding Effect; Assignability</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; <u>provided</u>, that neither Party may assign any of its rights or assign or delegate any of its obligations under this Agreement without the express prior written consent of the other Party.

Section 8.7 <u>No Third Party Beneficiaries</u>. The provisions of this Agreement are solely for the benefit of the Parties and do not and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and there are no Third Party beneficiaries of this Agreement and this Agreement shall not provide any Third Party with any remedy, claim, Liability, reimbursement or other right in excess of those existing without reference to this Agreement.

Section 8.8 <u>Severability</u>. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by an arbitrator or by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect, as closely as possible, the original intent of the Parties.

Section 8.9 <u>Waivers of Default; Remedies Cumulative</u>. Waiver by a Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 8.10 <u>Amendments</u>. No provisions of this Agreement may be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

Section 8.11 <u>Authority</u>. YUM represents on behalf of itself, SpinCo represents on behalf of itself, and YCCL represents on behalf of itself.

(a) it has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(b) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable against it in accordance with the terms hereof.

Section 8.12 <u>Specific Performance</u>. Subject to the provisions of Article VII of the Separation and Distribution Agreement, in the event of any actual or threatened default in, or

24

breach of, any of the terms, conditions and provisions of this Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

Section 8.13 <u>Mutual Drafting</u>. This Agreement shall be deemed to be the joint work product of the Parties, and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

Section 8.14 <u>Performance</u>. All obligations of the SpinCo Parties under this Agreement are joint and several obligations of SpinCo and YCCL. YUM shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be

performed by any member of the YUM Group. The SpinCo Parties shall cause to be performed, and hereby guarantee the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by any member of the SpinCo Group.

Section 8.15 <u>Limitations of Liability</u>. Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary, neither the SpinCo Parties or any other member of the SpinCo Group, on the one hand, nor YUM or any other member of the YUM Group, on the other hand, shall be liable under this Agreement to the other for any indirect, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other (other than any such damages awarded to a Third Party with respect to a Third-Party Claim).

Section 8.16 <u>Predecessors or Successors</u>. Any reference to YUM, the SpinCo Parties, a Person or a Subsidiary in this Agreement shall include any predecessors or successors (*e.g.*, by merger or other reorganization, liquidation or conversion) of YUM, the SpinCo Parties, such Person or such Subsidiary, respectively.

Section 8.17 <u>Expenses</u>. Except as otherwise expressly provided for herein, or as otherwise agreed to in writing by the Parties, each Party and its Subsidiaries shall bear its own expenses incurred in connection with the preparation of Tax Returns and other matters related to Taxes under the provisions of this Agreement for which they are liable.

Section 8.18 Change in Law. Any reference to a provision of the Code or any other Tax Law shall include a reference to any applicable successor provision or Law.

Section 8.19 <u>Disputes</u>. The procedures for discussion, negotiation, mediation and arbitration set forth in Article VII of the Separation and Distribution Agreement shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with, this Agreement.

25

Section 8.20 <u>Employment Tax Overlap</u>. In the event of any conflict between this Agreement and the Employee Matters Agreement with respect to taxes associated with employees of either Group, the Employee Matters Agreement shall govern.

Section 8.21 <u>Incorporation</u>. Sections 10.8 (No Set-Off), 10.10 (Headings) and 10.15 (Interpretation) of the Separation and Distribution Agreement are hereby incorporated in this Agreement as if fully set forth herein.

[Signatures set forth on following page]

26

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

YUM! BRANDS, INC.

By:

/s/ Greg Creed

Name: Greg Creed Title: Chief Executive Officer

YUM CHINA HOLDINGS, INC.

By:

/s/ Micky Pant Name: Micky Pant

Title: Chief Executive Officer

YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

By:

/s/ Mark Chu Name: Mark Chu Title: Legal Representative

Entity Name	Country in which Organized
Atto Primo (Shanghai) Co., Ltd.	China
Bai Sheng Restaurants China Holdings Limited	Hong Kong
Bai Sheng Restaurants (Hong Kong) Limited	Hong Kong
Baotou Little Sheep Jingchen Catering Co., Ltd.	China
Baotou Little Sheep Mutton Co., Ltd.	China
Baotou Little Sheep Shenhua Catering Company Limited	China
Baotou Yangwang Farming Company Limited	China
Beijing KFC Co., Ltd.	China
Beijing Pizza Hut Co., Ltd.	China
Beijing Yizhuang Little Sheep Catering Co., Ltd.	China
Beijing Zhichun Road Little Sheep Catering Co., Ltd.	China
Changsha Fuwang Catering Management Co., Ltd.	China
Changsha KFC Co., Ltd.	China
ChangSha Little Sheep Catering Administration Co., Ltd.	China
Changsha Yongao Catering Company Ltd.	China
China XiaoFeiYang Catering Chain Co., Ltd.	British Virgin Islands
Chongqing KFC Co., Ltd.	China
Dalian KFC Co., Ltd.	China
Dezhou Little Sheep Catering Co., Ltd.	China
Dongguan Humen Little Sheep Catering Company Limited	China
Dongguan KFC Co., Ltd.	China
East Dawning (Shanghai) Co., Ltd.	China
Foshan Little Sheep Catering Co., Ltd.	China
Foshan Mengjie Catering Company Limited	China
Fuzhou Cangshan Little Sheep Catering Co., Ltd.	China
Fuzhou Fuxing Little Sheep Catering Company Limited	China
Fuzhou Gulou Hualin Little Sheep Catering Co., Ltd.	China
Fuzhou Gulou Little Sheep Catering Company Limited	China
Fuzhou Taijiang Little Sheep Catering Co., Ltd.	China
Gansu Hongfu Little Sheep Catering Management Company Limited	China
Gansu Hongxi Little Sheep Catering Co., Ltd.	China
Gansu Hongxiang Little Sheep Catering Co., Ltd.	China
GanSu Little Sheep Catering Co., Ltd.	China
Guangzhou Little Sheep Corporation Consulting Management Co., Ltd.	China
Guangzhou Little Sheep Trading Company Limited	China
Guangzhou Xingwang Catering Co., Ltd. (f.k.a Guangzhou Hajie Catering Co., Ltd.)	China
Guangzhou Yingfeng Yijing Catering Co., Ltd.	China
Guangzhou Yuansheng Catering Co., Ltd.	China

Entity Name	Country in which Organized
Hangzhou KFC Co., Ltd.	China
Hangzhou YongAo Catering Co. Ltd.	China
Hohhot Little Sheep Catering Co., Ltd.	China
HuanSheng Advertising (Shanghai) Company Limited	China
Huansheng Consulting (Wuhan) Co., Ltd.	China
HuanSheng eCommerce (Shanghai) Co. Ltd.	China
Huan Sheng Information Technology (Shanghai) Limited	China
Huizhou Yanfu Catering Management Co., Ltd.	China
Hulun Buir Little Sheep Xiqi Mutton Co., Ltd.	China
Inner Mongolia Little Sheep Catering Chain Company Limited	China
Inner Mongolia Little Sheep Food Company Limited (f.k.a Bayannur Little Sheep Meat Company Limited)	China
Inner Mongolia Little Sheep Meat Company Limited	China
Inner Mongolia Little Sheep Seasoning Company Limited	China
Jiangmen Pengjiang Little Sheep Catering Co., Ltd.	China
Jiaozuo Little Sheep Catering Co., Ltd.	China
Jinan Zhaofei Little Sheep Catering Co., Ltd.	China
Jinjiang Little Sheep Catering Co., Ltd.	China
Kentucky Fried Chicken Global B.V.	Netherlands
Kunming KFC Co., Ltd.	China
Lanzhou KFC Co., Ltd.	China
Little Sheep Catering Company Limited, Yongding Road, Beijing City	China
Little Sheep Group Limited	Cayman Islands
Little Sheep Hong Kong Company Limited	Hong Kong
Little Sheep Hong Kong Holdings Company Limited	Hong Kong
Little Sheep Macau - Restaurant Chain of Stores Limited	Macau
Little Sheep MongKok Company Limited	Hong Kong
Little Sheep Tsim Sha Tsui Company Limited	Hong Kong
Little Sheep Tsuen Wan Company Limited	Hong Kong
Little Sheep Yuen Long Co., Ltd.	Hong Kong
Nanchang KFC Co., Ltd.	China

Nanchang Taoyuan Little Sheep Catering Management Co, Ltd.	China
Nanjing KFC Co., Ltd.	China
Nanjing Lucheng Little Sheep Catering Business Management Company Limited	China
Nanjing Mengle Little Sheep Catering Company Limited	China
Nanjing MengYuan Little Sheep Catering Co., Ltd.	China
NanJing XingMeng Little Sheep Catering Co., Ltd.	China
Nanning KFC Co., Ltd.	China
Nanning Little Sheep Catering Chain Company Limited	China
Nanning Ruyun Catering Co., Ltd.	China

Entity Name	Country in which Organized
NingBo JiangDong ShuGuang Little Sheep Catering Co., Ltd.	China
Ningbo Little Sheep Catering Company Limited	China
Qingdao KFC Co., Ltd.	China
Shandong Little Sheep Hotel Management Company Limited	China
Shanghai Changning Little Sheep Catering Company Limited	China
Shanghai ChengShan Little Sheep Catering Co, Ltd.	China
Shanghai Fengnan Little Sheep Catering Co., Ltd.	China
Shanghai Gumei Little Sheep Catering Co., Ltd.	China
Shanghai Huijin Little Sheep Catering Co., Ltd.	China
Shanghai Jingan Little Sheep Catering Management Company Limited	China
Shanghai KFC Co., Ltd.	China
Shanghai Little Sheep Catering Company Limited	China
hanghai Lujiabang Little Sheep Catering Company Limited	China
Shanghai Luyuan Little Sheep Catering Company Limited (fka Shanghai Chuangbao Shuangcheng Little Sheep Catering	China
Company Limited)	~ .
Shanghai Pengpu Little Sheep Catering Company Limited	China
hanghai Pizza Hut Co., Ltd.	China
hanghai Putuo Little Sheep Catering Company Limited	China
hanghai Qibao Little Sheep Catering Company Limited	China
hanghai Qingpu Little Sheep Catering Management Company Limited	China
hangHai WangYuan Little Sheep Catering Co., Ltd.	China
hanghai Yangpu Little Sheep Catering Company Limited	China
hanghai Zhenhua Little Sheep Catering Co., Ltd.	China
hantou KFC Co., Ltd.	China
henYang MengXing Little Sheep Catering Co., Ltd.	China
henyang Minsheng Little Sheep Catering Company Limited	China
henyang Wangda Little Sheep Catering Co., Ltd.	China
henyang Xiangjiang Little Sheep Catering Company Limited	China
henYang YongAo Little Sheep Catering Co., Ltd.	China
henzhen Little Sheep Catering Chain Company Limited	China
henzhen Little Sheep Enterprise Company Limited	China
henzhen Tianjiao Catering Co., Ltd.	China
Shenzhen Xintu Catering Co., Ltd.	China
henzheng Huacai Catering Co., Ltd.	China
hiShi Little Sheep Catering Co, Ltd.	China
unrise Investments Co., Ltd.	British Virgin Islands
uzhou KFC Co., Ltd.	China
Taiyuan KFC Co., Ltd.	China
angshan Little Sheep Catering Co., Ltd.	China
Tianjin KFC Co., Ltd.	China
Wandle Investments Limited	Hong Kong

Entity Name	Country in which Organized
Wuhan Mengwang Catering Co., Ltd.	China
WuHan MengXiang Little Sheep Catering Co. Ltd.	China
WuHan YongAo Little Sheep Catering Co., Ltd.	China
Wuxi KFC Co., Ltd.	China
Xiamen KFC Co., Ltd.	China
Xiamen Lianqian Little Sheep Catering Co., Ltd.	China
Xiamen Shixin Little Sheep Catering Co., Ltd.	China
Xian Hepingmen Little Sheep Catering Co., Ltd.	China
Xian Hezong Little Sheep Catering Co., Ltd.	China
Xilinhot Xihua Farming Development Company Limited	China
XiNing Little Sheep Catering Co., Ltd.	China
Xinjiang KFC Co., Ltd.	China
Xinxiang Hongqi Heping Little Sheep Catering Co., Ltd.	China
YIF US LLC	U.S. (DE)
Yinchuan Little Sheep Catering Company Limited	China

VDI Hang Kang I Limited	I lana Kan
YRI Hong Kong I Limited	Hong Kong
YRI Hong Kong II Limited	Hong Kong
YRI Hong Kong IV Limited	Hong Kong
Yum! (Shanghai) Food Co., Ltd.	China
Yum! Asia Holdings Pte. Ltd.	Singapore
Yum China E-Commerce Limited	Hong Kong
Yum! China Finance S.à r.l.	Luxembourg
Yum! Franchise China IV S.à r.l.	Luxembourg
Yum! Franchise China Trust	China
Yum! Franchise China Trust I S.à r.l.	Luxembourg
Yum! Franchise China Trust II	China
Yum! Franchise China Trust III	China
Yum! Franchise China Trust III S.à r.l.	Luxembourg
Yum! Franchise China Trust IV	China
Yum! Global Investments I B.V.	Netherlands
Yum! Global Investments II B.V.	Netherlands
Yum! Global Investments III LLC	U.S. (DE)
Yum! Restaurants (Chengdu) Co., Ltd.	China
Yum Restaurants (China) Investment Company Limited	China
Yum! Restaurants (Fuzhou) Co., Ltd.	China
Yum! Restaurants (Guangdong) Co., Ltd.	China
Yum! Restaurants (Shenyang) Co., Ltd.	China
Yum! Restaurants (Shenzhen) Co. Ltd.	China
Yum! Restaurants (Wuhan) Co., Ltd.	China
Yum! Restaurants (Xian) Co., Ltd.	China
Yum Restaurants Consulting (Shanghai) Company Limited	China

Entity Name	Country in which Organized
Yum! Restaurants International S.a.r.l.	Luxembourg
Zhengzhou Hezong Little Sheep Catering Co., Ltd.	China
Zhengzhou Hongzhuan Little Sheep Catering Co., Ltd.	China
Zhengzhou KFC Co., Ltd.	China
Zhongshan Little Sheep Catering Co., Ltd.	China

# SCHEDULE B

# Internal Distributions

- 1. Pizza Hut Inc. ("<u>PHI</u>"), a California corporation, merges with and into Pizza Hut, LLC ("<u>PHLLC</u>"), a Delaware limited liability company ("<u>LLC</u>") that is treated as a disregarded entity for U.S. federal income tax purposes, with PHLLC surviving the merger.
- 2. Pizza Hut International, LLC ("<u>PHILLC</u>"), a Delaware LLC that is treated as a disregarded entity for U.S. federal income tax purposes, distributes certain preferred stock (the "<u>KFCH Preferred Stock</u>") of KFC Holding Co. ("<u>KFCH</u>"), a Delaware corporation, to PHLLC.
- 3. PHLLC distributes the KFCH Preferred Stock to Pizza Hut Holdings, LLC ("<u>PHHLLC</u>"), a Delaware LLC that is treated as a disregarded entity for U.S. federal income tax purposes.
- 4. PHHLLC distributes the KFCH Preferred Stock to Yum! Brands, Inc. ("YUM"), a North Carolina corporation.
- 5. YUM contributes the KFCH Preferred Stock to the capital of KFCH.
- 6. Kentucky Fried Chicken International Holdings, Inc. ("<u>KFCIH</u>"), a Delaware LLC that is treated as a disregarded entity for U.S. federal income tax purposes, distributes its voting preferred stock in KFC Corporation ("<u>KFCC</u>"), a Delaware corporation, to KFCC.
- 7. The US branch of Yum! International Finance Company S.à r.l. ("<u>YIFCO</u>"), a Luxembourg S.à r.l. that is treated as a corporation for U.S. federal income tax purposes, allocates its ownership in (i) Yum! Franchise China Trust IV ("<u>CBT IV</u>"), a Chinese Business Trust organized under the laws of China that is treated as a corporation for U.S. federal income tax purposes, and (ii) YIF US LLC ("<u>YIF US</u>"), a Delaware LLC that is treated as a disregarded entity for U.S. federal income tax purposes, to YIFCO.
- 8. YIFCO transfers its interest in CBT IV, YIF US, and YRI Hong Kong IV Ltd. ("<u>YRI HK IV</u>"), a Hong Kong limited company that is treated as a disregarded entity for U.S. federal income tax purposes, to Yum! China Finance S.à r.l. ("<u>Yum! China Finance</u>"), an "off the shelf" Luxembourg S.à r.l. that is treated as a disregarded entity for U.S. federal income tax purposes, in exchange for two shares and share premium.
- 9. Yum! China Finance allocates its interest in CBT IV and YIF US to its U.S. branch, Yum! China Finance S.à r.l., LLC.
- YIFCO distributes all of the outstanding stock of Yum! China Finance and cash to Yum! Restaurants International Management LLC ("<u>YRIM</u>"), as trustee of Yum! Franchise China Trust ("<u>CBT I</u>"), a Chinese Business Trust organized under the laws of China that is treated as a corporation for U.S. federal income tax purposes, through a distribution of interim dividend and profit brought forward.

11. YRIM, as trustee of CBT I and Yum! Franchise China Trust III ("<u>CBT III</u>"), a Chinese Business Trust organized under the laws of China that is treated as a corporation for U.S.

federal income tax purposes, transfers its legal title in the underlying trust property of CBT I and CBT III to YRI Hong Kong I Ltd. ("<u>YRI HK I</u>"), a Hong Kong limited company that is treated as a disregarded entity for U.S. federal income tax purposes.

- 12. YRIM contributes all of the stock of YRI HK I to Yum China Holdings, Inc., ("SpinCo"), a Delaware corporation, solely in exchange for SpinCo common shares.
- 13. YRIM contributes all of the stock of Yum! Restaurants International S.à r.l. ("<u>YRI Sarl</u>"), a Luxembourg S.à r.l. that is treated as a disregarded entity for U.S. federal income tax purposes, and Kentucky Fried Chicken Global B.V. ("<u>KFC Global BV</u>"), a *Besloten Vennootschap* organized under the laws of the Netherlands that is treated as a disregarded entity for U.S. federal income tax purposes, to SpinCo solely in exchange for SpinCo common shares.
- 14. YRIM contributes all of the stock of Wandle Investments Limited ("<u>Wandle</u>"), a limited company organized under the laws of Hong Kong that is treated as a disregarded entity for U.S. federal income tax purposes, to SpinCo solely in exchange for SpinCo common shares.
- 15. YRIM transfers all issued and outstanding stock of SpinCo to Yum! International Participations ("<u>YIP</u>"), a Delaware LLC that is treated as a disregarded entity for U.S. federal income tax purposes, as a repurchase of one YRIM limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- 16. YIP transfers all issued and outstanding stock of SpinCo to Yum! Luxembourg Investments ("<u>YLI</u>"), a Delaware LLC that is treated as a corporation for U.S. federal income tax purposes, as a repurchase of one YIP limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- 17. YLI transfers all issued and outstanding stock of SpinCo to Yum! Restaurants International Holdings, Ltd. ("<u>YRIHL</u>"), a Delaware limited liability company that is treated as a disregarded entity for U.S. federal income tax purposes, as a repurchase of one YLI limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- 18. YRIHL transfers all issued and outstanding stock of SpinCo to KFCIH as a repurchase of one YRIHL limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- 19. KFCIH transfers all issued and outstanding stock of SpinCo to KFCC as a repurchase of one KFCIH limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- KFCC transfers all issued and outstanding stock of SpinCo to KFCH as a repurchase of one share of KFCC common stock, followed by the retiring
  of such repurchased share.
- 21. KFCH transfers all issued and outstanding stock of SpinCo to YUM as a repurchase of one share of KFCH common stock, followed by the retiring of such repurchased share.

# SCHEDULE C

### Regarded Internal Distributions

- YRI Hong Kong II Ltd. ("<u>YRI HK II</u>"), a Hong Kong limited company that is treated as a disregarded entity for U.S. federal income tax purposes, as trustee of Yum! Franchise China Trust II ("<u>CBT II</u>"), a Chinese Business Trust organized under the laws of China that is treated as a corporation for U.S. federal income tax purposes, distributes all of the issued and outstanding shares of Yum! Asia Holdings S.à r.l. ("<u>Yum! Asia Holdings</u>"), an "off the shelf" Luxembourg S.à r.l. that is treated as a corporation for U.S. federal income tax purposes, pro rata to Yum! Global Investments I B.V. ("<u>YGI I BV</u>") and Yum! Global Investments II B.V. ("<u>YGI II BV</u>"), each of which is a *Besloten Vennootschap* organized under the laws of the Netherlands that is treated as a disregarded entity for U.S. federal income tax purposes.
- YRIM, as trustee of CBT I, distributes all of its stock in Yum! Asia Holdings pro rata to YRI Sarl and Yum! Franchise China Trust I S.à r.l. ("<u>YF</u> <u>China I Sarl</u>"), a Luxembourg S.à r.l. that is treated as a disregarded entity for U.S. federal income tax purposes.
- 3. YRIM transfers all issued and outstanding stock of SpinCo to YIP as a repurchase of one YRIM limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- 4. YLI transfers all issued and outstanding stock of SpinCo to YRIHL as a repurchase of one YLI limited liability company membership interest unit, followed by the cancellation of such repurchased membership interest unit.
- 5. KFCC transfers all issued and outstanding stock of SpinCo to KFCH as a repurchase of one share of KFCC common stock, followed by the retiring of such repurchased share.
- 6. KFCH transfers all issued and outstanding stock of SpinCo to YUM as a repurchase of one share of KFCH common stock, followed by the retiring of such repurchased share.

# SCHEDULE D

# Intermediate Entities

Entity Name	Country in which Organized
Kentucky Fried Chicken Global B.V.	Netherlands
YIF US LLC	U.S. (DE)
YRI Hong Kong I Limited	Hong Kong
YRI Hong Kong II Limited	Hong Kong
YRI Hong Kong IV Limited	Hong Kong
Yum! Asia Holdings Pte. Ltd.	Singapore
Yum! China Finance S.à r.l.	Luxembourg
Yum! Franchise China IV S.à r.l.	Luxembourg
Yum! Franchise China Trust I S.à r.l.	Luxembourg
Yum! Franchise China Trust III S.à r.l.	Luxembourg
Yum! Global Investments I B.V.	Netherlands
Yum! Global Investments II B.V.	Netherlands
Yum! Global Investments III LLC	U.S. (DE)
Yum! Restaurants International S.a.r.l.	Luxembourg

#### EMPLOYEE MATTERS AGREEMENT

# BY AND BETWEEN

#### YUM! BRANDS, INC.

# AND

### YUM CHINA HOLDINGS, INC.

### DATED AS OF OCTOBER 31, 2016

### EMPLOYEE MATTERS AGREEMENT

This EMPLOYEE MATTERS AGREEMENT (this "<u>Agreement</u>"), dated as of October 31, 2016, is by and between Yum! Brands, Inc., a North Carolina corporation ("<u>YUM</u>"), and Yum China Holdings, Inc., a Delaware corporation ("<u>SpinCo</u>").

#### RECITALS

WHEREAS, the board of directors of YUM (the "<u>YUM Board</u>") has determined that it is in the best interests of YUM and its shareholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the YUM Board has determined that it is appropriate and desirable to separate the SpinCo Business from the YUM Business (the "<u>Separation</u>") and, following the Separation, make a distribution, on a pro rata basis and in accordance with a distribution ratio to be determined by the YUM Board, to the shareholders of YUM of all the outstanding SpinCo Shares owned by YUM (the "<u>Distribution</u>");

WHEREAS, YUM and SpinCo are entering into the Separation and Distribution Agreement (the "Separation and Distribution Agreement"), dated as of the date hereof, in order to carry out, effect and consummate the Separation and the Distribution and set forth the principal arrangements between them regarding the terms of the Separation and the Distribution; and

WHEREAS, the Parties desire to provide for and agree upon the allocation between the Parties of the principal employment, compensation, equity plan, and other benefit plan arrangements of each of the Parties and their respective affiliates arising prior to, as a result of, and subsequent to the Separation and the Distribution, and to provide for and agree upon other matters relating to such matters.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

# ARTICLE I

### DEFINITIONS

Section 1.01. <u>Defined Terms</u>. For the purpose of this Agreement, the following terms shall have the following meanings, and capitalized terms used herein and not otherwise defined in this <u>Article I</u> shall have the respective meanings assigned to them in the Separation and Distribution Agreement.

(a) "Action" has the meaning set forth in the Separation and Distribution Agreement.

(b) "<u>Adjusted YUM Award</u>" means an Adjusted YUM Option, Adjusted YUM SAR, Adjusted YUM RSU Award, or Adjusted YUM PSU

Award.

(c) "<u>Adjusted YUM Option</u>" means a stock option granted pursuant to a YUM Equity Plan to purchase one or more YUM Shares as adjusted in accordance with <u>Section 6.01</u>.

(d) "<u>Adjusted YUM Option Value</u>" means the Pre-Distribution Stock Value minus the exercise price of the YUM Option immediately prior to the Distribution Date.

(a) "<u>Adjusted YUM RSU Award</u>" means a restricted stock unit award granted pursuant to a YUM Equity Plan as adjusted in accordance with <u>Section 6.01</u>.

(b) "<u>Adjusted YUM PSU Award</u>" means a performance share unit award granted pursuant to a YUM Equity Plan as adjusted in accordance with <u>Section 6.01</u>.

(c) "<u>Adjusted YUM SAR</u>" means a stock appreciation rights award granted pursuant to a YUM Equity Plan as adjusted in accordance with <u>Section 6.01</u>.

(d) "<u>Adjusted YUM SAR Value</u>" means the Pre-Distribution Stock Value minus the exercise price of the YUM SAR immediately prior to the Distribution Date.

(e) "<u>Affiliate</u>" has the meaning set forth in the Separation and Distribution Agreement. It is expressly agreed that, prior to, at and after the Effective Time, for purposes of this Agreement, (a) no member of the SpinCo Group will be deemed to be an Affiliate of any member of the YUM Group, and (b) no member of the YUM Group will be deemed to be an Affiliate of any member of the SpinCo Group.

- (f) "<u>Agreement</u>" has the meaning set forth in the Preamble.
- (g) "<u>Ancillary Agreements</u>" has the meaning set forth in the Separation and Distribution Agreement.
- (h) "<u>Approvals or Notifications</u>" has the meaning set forth in the Separation and Distribution Agreement.

(i) "Benefit Plan" means any (i) "employee benefit plan," as defined in ERISA Section 3(3) (whether or not such plan is subject to ERISA); and (ii) employment, compensation, severance, salary continuation, bonus, thirteenth month, incentive, retirement, thrift, superannuation, savings, pension, workers' compensation, termination benefit (including termination notice requirements), termination indemnity, other indemnification, supplemental unemployment benefit, redundancy pay, profit sharing, deferred compensation, stock ownership, stock purchase, stock option, stock appreciation right, restricted stock, "phantom" stock, performance share, restricted stock unit, other stock-based incentive, change in control, paid time off, perquisite, fringe benefit, vacation, disability, life, or other insurance, death benefit, hospitalization, medical, or other compensatory or benefit plan, program, fund, agreement,

2

arrangement, or policy of any kind (whether written or oral, qualified or nonqualified, funded or unfunded, foreign or domestic, currently effective or terminated), and any trust, escrow or similar agreement related thereto, whether or not funded, excluding any plan, program, fund, agreement, arrangement, or policy (other than for workers' compensation liabilities) that is mandated by and maintained solely pursuant to applicable Law.

- (j) "<u>COBRA</u>" means coverage required by Section 4980B of the Code or ERISA Section 601 et. seq.
- (k) "<u>Code</u>" means the U.S. Internal Revenue Code of 1986, as amended.
- (l) "<u>Distribution</u>" has the meaning set forth in the Recitals.
- (m) "Distribution Date" has the meaning set forth in the Separation and Distribution Agreement.
- (n) "Distribution Ratio" means the number of SpinCo Shares distributed in the Distribution in respect of one YUM Share.
- (o) "Effective Time" has the meaning set forth in the Separation and Distribution Agreement.

(p) "<u>EIDP Special Conversion Employee</u>" means any Person who is a participant in the YUM EIDP as of the Distribution Date and who was living or working in Australia at any time at which such participant made a deferral under the YUM EIDP.

(q) "<u>Employee</u>" means, as applicable, an employee on the payroll of YUM or any other member of the YUM Group or SpinCo or any other member of the SpinCo Group, including any employee absent from work on account of vacation, jury duty, funeral leave, personal leave, sickness, short-term disability, long-term disability or workers' compensation leave (in each case, unless treated as a separated employee for employment purposes), military leave, family leave, pay continuation leave, or other approved leave of absence or for whom an obligation to recall, rehire or otherwise return to employment exists under a contractual obligation or Law. A Former Employee is not considered an "Employee" for purposes of this Agreement.

(r) "<u>Employee Recoupment Asset</u>" means an employer's right to repayment from an employee or former employee in respect of a tax equalization payment, sign-on bonus payment, relocation expense payment, tuition payment, reimbursement, loan, or other similar item, including any agreement related thereto.

(s) "<u>Employment Agreement</u>" means an employment contract between a member of the YUM Group or the SpinCo Group, as applicable, and an Employee.

(t) "ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

3

(u) "<u>First Post-Distribution Trading Day</u>" means, with respect to YUM Shares, the first day on or following the Distribution Date on which "regular-way" trading in YUM Shares is reported on the NYSE and, with respect to SpinCo Shares, the first day on or following the Distribution Date on which "regular way" trading in SpinCo Shares is reported on the NYSE.

(v) "Former Employee" means any individual whose employment with YUM and all of its Subsidiaries (including SpinCo and any other member of the SpinCo Group) terminated on or prior to the Distribution Date and for whom no obligation to recall, rehire or otherwise return to employment exists under a contractual obligation or applicable Law.

(w) "<u>Governmental Authority</u>" has the meaning set forth in the Separation and Distribution Agreement.

(x) "<u>Group</u>" has the meaning set forth in the Separation and Distribution Agreement.

(y) "<u>Health and Welfare Plan</u>" means any Benefit Plan established or maintained to provide Employees or Former Employees or their beneficiaries, through the purchase of insurance or otherwise, medical, dental, prescription, vision, short-term disability, long-term disability, death benefits,

life insurance, accidental death and dismemberment insurance, business travel accident insurance, employee assistance program, group legal services, wellness, cafeteria (including premium payment, health care flexible spending account, and dependent care flexible spending account components), travel reimbursement, transportation, vacation benefits, apprenticeship or other training programs, day care centers, or prepaid legal services benefits, including any "employee welfare benefit plan" (as defined in ERISA Section 3(1)), whether or not subject to ERISA, that is not a severance plan.

(z) "Incurred Claim" means a Liability related to services or benefits provided under a Benefit Plan, which will be deemed to be incurred: (i) with respect to medical, dental, vision, and prescription drug benefits, upon the rendering of services giving rise to such Liability; (ii) with respect to death benefits, life insurance, accidental death and dismemberment insurance, and business travel accident insurance, upon the occurrence of the event giving rise to such Liability; (iii) with respect to disability benefits, upon the date of disability, as determined by the applicable disability benefit insurance carrier or claim administrator; (iv) with respect to a period of continuous hospitalization, upon the date of admission to the hospital; and (v) with respect to tuition reimbursement or adoption assistance, upon completion of the requirements for such reimbursement or assistance, whichever is applicable.

(aa) "<u>Indemnifying Party</u>" means a Party required to indemnify any Person hereunder.

(bb) "Indemnitee" means a Party entitled to indemnification hereunder.

(cc) "<u>Intrinsic Value of the Pre-Distribution YUM Option</u>" shall mean the product of (i) the number of YUM Shares subject to the corresponding YUM Option immediately prior to the Distribution Date, multiplied by (ii) the Adjusted YUM Option Value, rounded to the nearest cent.

4

(dd) "<u>Intrinsic Value of the Pre-Distribution YUM RSU Award</u>" shall mean the product of (i) the number of YUM Shares (including those attributable to dividend equivalent units) subject to the corresponding YUM RSU immediately prior to the Distribution Date, multiplied by (ii) the Pre-Distribution Stock Value.

(ee) "Intrinsic Value of the Pre-Distribution YUM SAR" shall mean the product of (i) the number of YUM Shares subject to the corresponding YUM SAR immediately prior to the Distribution Date, multiplied by (ii) the Adjusted YUM SAR Value, rounded to the nearest cent.

(ff) "Law" has the meaning set forth in the Separation and Distribution Agreement.

(gg) "Liabilities" has the meaning set forth in the Separation and Distribution Agreement.

(hh) "<u>Notice</u>" means any written notice, request, demand or other communication specifically referencing this Agreement and given in accordance with <u>Section 7.08</u>.

(ii) "<u>NYSE</u>" means the New York Stock Exchange.

(jj) "<u>Party</u>" or "<u>Parties</u>" means a party or the parties to this Agreement.

(kk) "Person" has the meaning set forth in the Separation and Distribution Agreement.

(ll) "<u>Pre-Distribution Stock Value</u>" means the volume weighted average per share price of one YUM Share, trading "regular-way," as reported on the NYSE on the day immediately prior to the Distribution Date (or if such day is not an NYSE trading day, on the next preceding NYSE trading day).

(mm) "<u>Pre-Spin Price Ratio</u>" means the quotient of (i) the exercise price of the YUM Option or YUM SAR, as applicable, immediately prior to the Distribution Date, divided by (ii) the Pre-Distribution Stock Value, rounded to the nearest fourth decimal place.

(nn) "Prime Rate" has the meaning set forth in the Separation and Distribution Agreement.

(oo) "<u>Restaurant Deferred Compensation Plan</u>" means the Tricon Restaurant Deferred Compensation Plan, as effective October 7, 1997, as amended.

(pp) "Retained Employee" means any Employee other than a SpinCo Employee.

(qq) "Securities Act" means the U.S. Securities Act of 1933, as amended.

(rr) "Separation" has the meaning set forth in the Recitals.

(ss) "Separation and Distribution Agreement" has the meaning set forth in the Recitals.

5

(tt) "Special Conversion Employee" means any Person who holds any outstanding YUM Award(s) as of the Distribution Date and who meets one or more of the following:

(i) the Person is a Chinese National who is working in China on the Distribution Date;

(ii) the Person is living or working in Thailand on the Distribution Date;

(iii) the Person was living or working in Australia or the Netherlands when any outstanding YUM Award held by the Person as of the Distribution Date vested, in whole or in part; and/or

(iv) the Person is a SpinCo Employee or a SpinCo Former Employee that received a grant of YUM RSUs in January 2016; provided, however, that this clause shall apply solely with respect to the grant of the YUM RSUs to such Person in January 2016.

(uu) "<u>SpinCo</u>" has the meaning set forth in the Preamble.

(vv) "SpinCo Award" means a SpinCo Option, SpinCo SAR or SpinCo RSU Award, as applicable, issued pursuant to Section 6.01.

(ww) "SpinCo Benefit Plan" means each Benefit Plan sponsored by, maintained by, or contributed to by any member of the SpinCo Group and that covers only SpinCo Employees and/or SpinCo Former Employees.

(xx) "SpinCo Business" has the meaning set forth in the Separation and Distribution Agreement.

(yy) "SpinCo Change of Control" has the meaning set forth in Section 6.01(b).

(zz) "<u>SpinCo Employee</u>" means any Employee who is (i) employed by any member of the SpinCo Group immediately prior to the Distribution Date and who continues in employment with the SpinCo Group from and after the Distribution Date, or (ii) hired by any member of the SpinCo Group on or after the Distribution Date.

(aaa) "SpinCo Equity Plan" means the Yum China Holdings, Inc. Long Term Incentive Plan.

(bbb) "<u>SpinCo Former Employee</u>" means a Former Employee who was primarily employed or engaged in the SpinCo Business immediately prior to such individual's termination of employment.

(ccc) "SpinCo Group" has the meaning set forth in the Separation and Distribution Agreement.

(dd) "SpinCo Health and Welfare Plan" means a SpinCo Benefit Plan that is a Health and Welfare Plan.

6

(eee) "SpinCo Leadership Retirement Plan" means the Yum China Holdings, Inc. Leadership Retirement Plan.

(fff) "SpinCo Option" means a stock option issued under a SpinCo Equity Plan to purchase one or more SpinCo Shares in accordance with Section 6.01.

(ggg) "SpinCo Percentage" means the quotient of (i) the SpinCo Post-Distribution Stock Value, divided by (ii) the Total Post-Distribution Stock Value, rounded to the nearest cent.

(hhh) "<u>SpinCo Post-Distribution Stock Value</u>" means the volume weighted average per share price of one SpinCo Share, trading "regular-way," as reported on the NYSE on the First Post-Distribution Trading Day.

(iii) "SpinCo Retirement Plan" means any SpinCo Benefit Plan that is a retirement or pension plan.

(jjj) "SpinCo RSU Award" means a restricted stock unit award issued by SpinCo in accordance with Section 6.01.

(kkk) "SpinCo SAR" means a stock appreciation rights award issued by SpinCo in accordance with Section 6.01.

(III) "SpinCo Shares" has the meaning set forth in the Separation and Distribution Agreement.

(mmm) "Subsidiary" has the meaning set forth in the Separation and Distribution Agreement.

- (nnn) "Tax" has the meaning set forth in the Tax Matters Agreement.
- (000) "Tax Authority" has the meaning set forth in the Tax Matters Agreement.

(ppp) "Tax Matters Agreement" means the Tax Matters Agreement entered into between the Parties in connection with the Distribution.

(qqq) "Third Party" has the meaning set forth in the Separation and Distribution Agreement.

(rrr) "Third Party Claim" has the meaning set forth in Section 7.09(a).

(sss) "Total Post-Distribution Stock Value" means the sum of (i) the YUM Post-Distribution Stock Value plus (ii) the SpinCo Post-Distribution

Stock Value.

(ttt) "YUM" has the meaning set forth in the first paragraph of this Agreement.

(uuu) "YUM 1997 LTIP" means the Yum 1997 Long Term Incentive Plan, as effective October 7, 1997.

7

(vvv) "<u>YUM 1999 LTIP</u>" means the YUM! Brands, Inc. 1999 Long Term Incentive Plan, as effective May 20, 1999, as amended.

(www) "YUM 401(k) Plan" means the YUM! Brands 401(k) Plan, as effective January 1, 2013, as amended October 21, 2015.

(xxx) "<u>YUM Award</u>" means a YUM Option, YUM SAR, YUM RSU Award or YUM PSU Award, as applicable, which are subject to adjustment in accordance with <u>Section 6.01</u> and/or with respect to which corresponding SpinCo Awards will be issued pursuant to <u>Section 6.01</u>.

(yyy) "<u>YUM Benefit Plan</u>" means a Benefit Plan sponsored by, maintained by, or contributed to by any member of the YUM Group, other than a SpinCo Benefit Plan.

(zzz) "YUM Board" has the meaning set forth in the Recitals.

(aaaa) "YUM Change of Control" has the meaning set forth in Section 6.01(b).

(bbbb) "YUM Compensation Committee" means the Management Planning and Development Committee of the YUM Board.

(cccc) "<u>YUM Director Deferred Compensation Plan</u>" means, collectively, the YUM Director Deferred Compensation 409A Plan and the YUM Director Deferred Compensation Pre-409A Plan.

(ddd) "<u>YUM Director Deferred Compensation 409A Plan</u>" means the YUM! Brands Director Deferred Compensation Plan, as effective January 1, 2005, and as amended through November 14, 2008.

(eeee) "<u>YUM Director Deferred Compensation Pre-409A Plan</u>" the Yum (f/k/a Tricon) Director Deferred Compensation Plan, as effective October 7, 1997.

(ffff) "<u>YUM EICP</u>" means the YUM! Brands, Inc. Executive Incentive Compensation Plan, as effective May 20, 2004, and as Amended through the Second Amendment, as effective May 21, 2009.

(ggg) "YUM EIDP" means, collectively, the YUM EIDP Pre-409A Program and the YUM EIDP 409A Program.

(hhhh) "<u>YUM EIDP Pre-409A Program</u>" means the YUM! Brands Executive Income Deferral Program, as effective October 7, 1997, and as amended through May 16, 2002.

(iiii) "<u>YUM EIDP 409A Program</u>" means the YUM! Brands Executive Income Deferral Program, as effective January 1, 2005, and as amended through June 30, 2009.

(jjjj) "<u>YUM Equity Plan</u>" means, collectively, the YUM 1997 LTIP, the YUM 1999 LTIP, the YUM GM Stock Plan, the YUM SharePower Plan, the YUM Performance Share Plan, and any incentive compensation program or arrangement that governs the terms of equity-

8

based incentive awards assumed by the YUM Group in connection with a corporate transaction and that is maintained by the YUM Group immediately prior to the Distribution Date (excluding the SpinCo Equity Plan and any other plan maintained solely by SpinCo or any other member of the SpinCo Group), and any sub-plans established under those programs.

(kkkk) "YUM Former Employee" means a Former Employee who is not a SpinCo Former Employee.

(IIII) "YUM GM Stock Plan" means the YUM! Brands, Inc. Restaurant General Manager Stock Plan, as effective April 1, 1999, and as amended through June 23, 2003.

(mmmm) "<u>YUM Group</u>" has the meaning set forth in the Separation and Distribution Agreement.

(nnnn) "<u>YUM Health and Welfare Plan</u>" means a Health and Welfare Plan sponsored by, maintained by, or contributed to by any member of the YUM Group.

(0000) "<u>YUM Leadership Retirement Plan</u>" means the YUM! Brands Leadership Retirement Plan, as effective January 1, 2005, as amended through December 2009, and as otherwise amended.

(pppp) "<u>YUM Non-U.S. Retirement Plan</u>" means any Benefit Plan that is a pension or retirement plan (other than a severance plan) that is maintained by any member of the YUM Group for the benefit of Employees employed outside the U.S., other than a SpinCo Benefit Plan.

(qqqq) "<u>YUM Option</u>" means a stock option to purchase one or more YUM Shares granted under a YUM Equity Plan and outstanding immediately prior to the Distribution Date.

(rrrr) "<u>YUM Pension Equalization Plans</u>" means, collectively, the YUM! Brands Pension Equalization Plan, as effective January 2005, and as Amended through December 31, 2010, and the YUM! Brands, Inc. Pension Equalization Plan, as effective January 2005, and as Amended through December 30, 2008, and as Amended effective January 1, 2012 and January 1, 2013, respectively.

(ssss) "<u>YUM Percentage</u>" means the quotient of (i) the YUM Post-Distribution Stock Value, divided by (ii) the Total Post-Distribution Stock Value, rounded to the nearest fourth decimal place.

(ttt) "YUM Performance Share Plan" means the YUM! Brands, Inc. Performance Shares Plan, as amended and restated January 1, 2013.

(uuuu) "<u>YUM Post-Distribution Stock Value</u>" means the volume weighted average per share price of one YUM Share, trading "regular-way," as reported on the NYSE on the First Post-Distribution Trading Date.

(vvvv) "<u>YUM PSU Award</u>" means a performance stock unit award granted pursuant to a YUM Equity Plan and outstanding immediately prior to the Distribution Date.

9

(www) "<u>YUM RSU Award</u>" means a restricted stock unit award granted pursuant to a YUM Equity Plan and outstanding immediately prior to the Distribution Date.

(xxxx) "<u>YUM Retirement Plan</u>" means the YUM! Brands Retirement Plan, a defined benefit plan.

(yyyy) "<u>YUM SAR</u>" means a stock appreciation right award granted pursuant to a YUM Equity Plan and outstanding immediately prior to the Distribution Date.

(zzzz) "YUM SharePower Plan" means the YUM SharePower Plan, as effective October 7, 1997, and as amended through June 23, 2003.

(aaaaa) "<u>YUM Shares</u>" has the meaning set forth in the Separation and Distribution Agreement.

# ARTICLE II

### GENERAL PRINCIPLES

# Section 2.01. <u>Allocation of Liabilities</u>.

(a) SpinCo Liabilities. Effective as of the Effective Time (but in any case prior to the Distribution), and except as expressly provided in this Agreement, SpinCo hereby assumes (or retains) or will cause any other member of the SpinCo Group to assume (or retain) and agrees to (or to cause another member of the SpinCo Group to) pay, perform, fulfill, and discharge, all Liabilities (i) to the extent relating to, arising out of, or resulting from the employment (or termination of employment) of any SpinCo Employee or any SpinCo Former Employee, whether such Liabilities relate to or arise out of periods on, prior to or after the Distribution Date or (ii) which are expressly assumed or retained by the SpinCo Group pursuant to this Agreement.

(b) *YUM Liabilities.* Effective as of the Effective Time (but in any case prior to the Distribution), and except as expressly provided in this Agreement, YUM hereby assumes (or retains) or will cause any other member of the YUM Group to assume (or retain) and agrees to (or to cause another member of the YUM Group to) pay, perform, fulfill, and discharge, all Liabilities (i) to the extent relating to, arising out of, or resulting from the employment (or termination of employment) of any Retained Employee or any YUM Former Employee, whether such Liabilities relate to or arise out of periods on, prior to or after the Distribution Date or (ii) which are expressly assumed or retained by the YUM Group pursuant to this Agreement.

(c) Intended Effect; Other Liabilities. The intended effect of this Agreement, except to the extent expressly provided herein, is that (i) the SpinCo Group (or a member thereof) will assume or retain all Liabilities to or related to SpinCo Employees and SpinCo Former Employees and all Liabilities under or with respect to any SpinCo Benefit Plan or any Employment Agreement with any SpinCo Employee, and (ii) the YUM Group (or a member thereof) will assume and retain all Liabilities to or related to Employees and Former Employees other than SpinCo Employees and SpinCo Former Employees and all Liabilities under the YUM Benefit Plans (including those with respect to SpinCo Employees and SpinCo Former Employees) and any Employment Agreement with any Retained Employee. To the extent that this Agreement

10

does not address particular Liabilities and the Parties later determine that such Liabilities should be allocated in connection with the Separation, the Parties will agree in good faith on the allocation, taking into account the handling of comparable Liabilities under this Agreement.

# Section 2.02. Employment with SpinCo.

(a) *Retention of Employees.* From and after the Effective Time, the Parties intend for SpinCo Employees to remain employed by the SpinCo Group on a basis consistent with <u>Section 2.02(b)</u>. The Parties will cooperate in good faith to identify clearly the SpinCo Employees. SpinCo will be responsible for, and will indemnify the YUM Group from and against, any Liabilities incurred (including any severance payments made): (i) in connection with the termination of a SpinCo Employee on or after the Distribution Date, (ii) arising from or in connection with a failure or refusal by any SpinCo Employee to continue in employment from and after the Distribution Date, and (iii) any other Liabilities retained or assumed by SpinCo (or any other member of the SpinCo Group) under this Agreement.

(b) *Compensation and Benefits.* Except as expressly provided in this Agreement, the SpinCo Group will provide to each SpinCo Employee as of the Distribution Date (i) base salary at the same rate as provided to that SpinCo Employee immediately prior to the Distribution Date, (ii) cash incentive compensation opportunities that are substantially similar to those offered to such SpinCo Employee immediately prior to the Distribution Date, and (iii) benefits under SpinCo Benefit Plans other than those specified in <u>clause (ii)</u> that are determined in the sole discretion of SpinCo (or the applicable member of the SpinCo Group) or otherwise as required by applicable Law, including the SpinCo Equity Plan and the SpinCo Leadership Retirement Plan. Nothing in the preceding sentence will prevent the SpinCo Group from modifying the compensation and benefits of a SpinCo Employee after the Distribution Date.

Section 2.03. <u>Establishment of SpinCo Plans</u>. From and after the Distribution Date, SpinCo will (or will cause another member of the SpinCo Group to) adopt or continue in effect the SpinCo Benefit Plans (and related trusts, if applicable, as determined by the Parties) that were in effect prior to the Distribution Date and such other SpinCo Benefit Plans as determined in the discretion of the SpinCo Group (or any member thereof), subject to the terms and conditions of <u>Section 2.02(b)</u>. Notwithstanding the foregoing or any other provision of this Agreement, SpinCo will adopt the SpinCo Equity Plan and the SpinCo Leadership Retirement Plan prior to the Distribution Date and shall cause the SpinCo Leadership Retirement Plan to reflect the assumption of Liabilities described in <u>Section 3.07</u> hereof.

Section 2.04. <u>Transfers by Mutual Agreement</u>. The Parties recognize that, prior to and/or for a period of twelve (12) months from the Distribution Date, they may determine it to be in their mutual best interests to transfer an individual classified (or who would otherwise be classified) as a

Retained Employee to the SpinCo Group or to transfer an individual classified (or who would otherwise be classified) as a SpinCo Employee to the YUM Group. With the express written consent of each Party, such individual's employment will be terminated by the YUM Group or the SpinCo Group, as applicable, and such Employee will be immediately hired by the other Party (such terminations and hires are referred to in this <u>Section 2.04</u> as "transfers"). Retained Employees (or a person who would otherwise be classified as a Retained Employee, in any case with such status being determined as of the date of transfer) who are subsequently

11

transferred to the SpinCo Group pursuant to this Section 2.04 will be treated as Retained Employees for all purposes hereof during their time as Employees of the YUM Group until their actual transfer to the SpinCo Group, upon and following which the Parties will use commercially reasonable efforts to provide that they are treated as SpinCo Employees for all purposes hereof. SpinCo Employees (or a person who would otherwise be classified as a SpinCo Employee, with such status being determined as of the date of transfer) who are subsequently transferred to the YUM Group pursuant to this Section 2.04 will be treated as SpinCo Employees for all purposes hereof during their time as Employees of the SpinCo Group until their actual transfer to the YUM Group, upon and following which the Parties will use commercially reasonable efforts to provide that they are treated as Retained Employees for all purposes hereof.

# ARTICLE III

# YUM U.S. QUALIFIED AND NON-QUALIFIED RETIREMENT AND DEFERRED COMPENSATION PLANS

Section 3.01. <u>YUM Retirement Plan</u>. From and after the Distribution Date, the YUM Retirement Plan will continue to be responsible for all Liabilities thereunder and no assets or Liabilities of the YUM Retirement Plan will be transferred to any SpinCo Benefit Plan and the SpinCo Group will not assume any Liabilities under or with respect to the YUM Retirement Plan. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM Retirement Plan effective as of the Distribution Date and no SpinCo Employee will accrue any benefits under the YUM Retirement Plan for periods after the Distribution Date. All SpinCo Employees will be fully vested in their accrued benefits under the YUM Retirement Plan effective as of the Distribution Date.

Section 3.02. 401(k) Plan. From and after the Distribution Date, the YUM 401(k) Plan will continue to be responsible for all Liabilities thereunder and no assets or Liabilities of the YUM 401(k) Plan will be transferred to any SpinCo Benefit Plan and SpinCo will not assume any Liabilities under or with respect to the YUM 401(k) Plan. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM 401(k) Plan effective as of the Distribution Date and no SpinCo Employee will accrue any benefits under the YUM 401(k) Plan for periods after the Distribution Date. All SpinCo Employees will be fully vested in their benefits under the YUM 401(k) Plan effective as of the Distribution Date.

Section 3.03. <u>YUM Pension Equalization Plans</u>. From and after the Distribution Date, the YUM Group will continue to be responsible for all Liabilities under and with respect to the YUM Pension Equalization Plans and SpinCo will not assume any Liabilities under or with respect to the YUM Pension Equalization Plans. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM Pension Equalization Plans effective as of the Distribution Date and no SpinCo Employee will accrue any benefits under the YUM Pension Equalization Plans for periods after the Distribution Date. All SpinCo Employees will be fully vested in their accrued benefits under the YUM Pension Equalization Plans effective as of the Distribution Date. Except to the extent provided by the terms of the applicable YUM Pension Equalization Plan, no SpinCo Employee will be entitled to a distribution from any of the YUM Pension Equalization Plans effective as of the Distribution.

12

Section 3.04. <u>YUM EIDP</u>. From and after the Distribution Date, the YUM Group will continue to be responsible for all Liabilities under and with respect to the YUM EIDP and SpinCo will not assume any Liabilities under or with respect to the YUM EIDP. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM EIDP effective as of the Distribution Date and no SpinCo Employee will accrue any benefits under the YUM EIDP for periods after the Distribution Date except in accordance with the express terms and conditions of the YUM EIDP. Except to the extent provided by the terms of the YUM EIDP, no SpinCo Employee will be entitled to a distribution from the YUM EIDP effective as of the Distribution.

Section 3.05. <u>YUM EICP</u>. From and after the Distribution Date, the YUM Group will continue to be responsible for all Liabilities under and with respect to the YUM EICP and SpinCo will not assume any Liabilities under or with respect to the YUM EICP. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM EICP effective as of the Distribution Date and no SpinCo Employee will accrue any benefits under the YUM EICP for periods after the Distribution Date except in accordance with the express terms and conditions of the YUM EICP. Except to the extent provided by the terms of the YUM EICP, no SpinCo Employee will be entitled to a distribution from the YUM EICP effective as of the Distribution.

Section 3.06. <u>YUM Director Deferred Compensation Plan</u>. From and after the Distribution Date, the YUM Group will continue to be responsible for all Liabilities under and with respect to the YUM Director Deferred Compensation Plan and SpinCo will not assume any Liabilities under or with respect to the YUM Director Deferred Compensation Plan. Except to the extent provided by the terms of the YUM Director Deferred Compensation Plan, no participant will be entitled to a distribution from the YUM Director Deferred Compensation Plan effective as of the Distribution Date solely as a result of the Distribution.

Section 3.07. <u>YUM Leadership Retirement Plan</u>. From and after the Distribution Date, the YUM Group will be responsible for all Liabilities under and with respect to the YUM Leadership Retirement Plan except those attributable to any SpinCo Employee or SpinCo Former Employee. SpinCo will assume all Liabilities under or with respect to the YUM Leadership Retirement Plan attributable to each SpinCo Employee and SpinCo Former Employee. SpinCo Employees and SpinCo Former Employees will cease to be participants in the YUM Leadership Retirement Plan effective as of the Distribution Date and no SpinCo Employee or SpinCo Former Employee will accrue any benefits under the YUM Leadership Retirement Plan for periods after the Distribution Date. From and after the Distribution Date, no member of the YUM Group will have any Liabilities under or with respect to Yum Leadership Retirement Plan to or with respect to SpinCo Employees or SpinCo Former Employees.

### YUM NON-U.S. RETIREMENT PLANS AND SPINCO RETIREMENT PLANS

Section 4.01. <u>YUM Non-U.S. Retirement Plans</u>. From and after the Distribution Date, each member of the YUM Group will continue to be responsible for all Liabilities under and with respect to any YUM Non-U.S. Retirement Plan to the extent that it was responsible for such

13

Liabilities immediately prior to the Distribution Date, no assets or Liabilities of any such YUM Non-U.S. Retirement Plan will be transferred to SpinCo or any SpinCo Benefit Plan, and the SpinCo Group will not assume any Liabilities under or with respect to any such YUM Non-U.S. Retirement Plan for which the YUM Group was responsible immediately prior to the Distribution Date. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM Non-U.S. Retirement Plans effective as of the Distribution Date and no SpinCo Employee will accrue any benefits under any YUM Non-U.S. Retirement Plan for periods after the Distribution Date.

Section 4.02. <u>SpinCo Retirement Plans</u>. From and after the Distribution Date, each member of the SpinCo Group will continue to be responsible for all Liabilities under and with respect to any SpinCo Retirement Plan, no assets or Liabilities of any SpinCo Retirement Plan will be transferred to any YUM Benefit Plan or any member of the YUM Group and no member of the YUM Group will assume or otherwise have any Liabilities under or with respect to any SpinCo Retirement Plan. Without limiting the generality of the foregoing, Retained Employees will cease to be active participants in any SpinCo Retirement Plan effective as of the Distribution Date and no Retained Employee will accrue any benefits under any SpinCo Retirement Plan for periods after the Distribution Date except in accordance with the express terms and conditions of and applicable SpinCo Retirement Plan. All Retained Employees are currently, and will remain, fully vested in their accrued benefits under the YUM Retirement Plan from and after the Distribution Date.

### ARTICLE V

### WELFARE AND FRINGE BENEFIT PLANS

# Section 5.01. <u>Health and Welfare Plans</u>.

### (a) *Allocation of Liabilities; Generally.*

(i) Except as otherwise provided in this Agreement, from and after the Distribution Date, (A) the YUM Group and the YUM Health and Welfare Plans, as applicable, will continue to be responsible for all Liabilities under and with respect to the YUM Health and Welfare Plans (including all Incurred Claims, regardless of when the Incurred Claim arose or was incurred), (B) the YUM Group and the YUM Health and Welfare Plans, as applicable, will retain all assets relating to or associated with the YUM Health and Welfare Plans and Incurred Claims (including Medicare reimbursements, insurance payments and reimbursements, pharmaceutical rebates, and similar items), and (C) no assets or Liabilities of the YUM Health and Welfare Plans will be transferred to any SpinCo Benefit Plan and the SpinCo Group will not assume any Liabilities under or with respect to the YUM Health and Welfare Plans. Without limiting the generality of the foregoing, SpinCo Employees will cease to be active participants in the YUM Health and Welfare Plans effective as of the Distribution Date and no SpinCo Employee will be entitled to any benefits under the YUM Health and Welfare Plans for periods on or after the Distribution Date except as required by applicable Law.

14

(ii) Except as otherwise provided in this Agreement, from and after the Distribution Date, (A) the SpinCo Group and the SpinCo Health and Welfare Plans, as applicable, will continue to be responsible for all Liabilities under and with respect to the SpinCo Health and Welfare Plans (including all Incurred Claims, regardless of when the Incurred Claim arose or was incurred), (B) the SpinCo Group and the SpinCo Health and Welfare Plans, as applicable, will retain all assets relating to or associated with the SpinCo Health and Welfare Plans and Incurred Claims (including Medicare reimbursements, insurance payments and reimbursements, pharmaceutical rebates, and similar items), and (C) no assets or Liabilities of the SpinCo Health and Welfare Plans will be transferred to any YUM Benefit Plan and the YUM Group will not assume any Liabilities under or with respect to the SpinCo Health and Welfare Plans. Without limiting the generality of the foregoing, YUM Employees will cease to be active participants in the SpinCo Health and Welfare Plans effective as of the Distribution Date and no YUM Employee will be entitled to any benefits under the SpinCo Health and Welfare Plans for periods on or after the Distribution Date except as required by applicable Law.

(b) *COBRA*. Without limiting the generality of <u>Section 5.01(a)</u>, the YUM Group will continue to be responsible for compliance with the health care continuation requirements of COBRA, and the corresponding provisions of the YUM Health and Welfare Plans with respect to any (i) Retained Employees and any Former Employees (and their covered dependents) who incur a qualifying event under COBRA on, prior to, or following the Distribution Date, and (ii) any SpinCo Employees (and their covered dependents) who incur a qualifying event under COBRA on or prior to the Distribution Date.

Section 5.02. <u>Vacation, Holidays and Leaves of Absence</u>. Effective as of the Distribution Date, SpinCo will (or will cause any other member of the SpinCo Group to) retain (or assume) all Liabilities of the YUM Group with respect to vacation, holiday, annual leave or other leave of absence, and required payments related thereto, for each SpinCo Employee and each SpinCo Former Employee. YUM will (or will cause any other member of the YUM Group to) retain all Liabilities with respect to vacation, holiday, annual leave or other leave of absence, and required payments related thereto, for all Retained Employees and YUM Former Employees.

Section 5.03. <u>Severance and Unemployment Compensation</u>. Effective as of the Distribution Date, SpinCo will (or will cause another member of the SpinCo Group to) retain (or assume) all Liabilities to, or relating to, SpinCo Employees and SpinCo Former Employees in respect of severance and unemployment compensation. The YUM Group will be responsible for any and all Liabilities to, or relating to, Retained Employees and YUM Former Employees in respect of severance and unemployment compensation.

Section 5.04. <u>Workers' Compensation</u>. With respect to claims for workers' compensation in the United States, (a) the SpinCo Group will be responsible for claims in respect of SpinCo Employees and SpinCo Former Employees, whether occurring or related to events occurring prior to, on or following the Distribution Date, and (b) the YUM Group will be responsible for all claims in respect of Retained Employees and YUM Former Employees, whether occurring or related to events occurring prior to, on or following the Distribution Date.

# ARTICLE VI

### EQUITY AND INCENTIVE PROGRAMS

Section 6.01. Equity Plans.

(a) The Parties will use commercially reasonable efforts to take all actions necessary or appropriate so that each outstanding YUM Option, YUM SAR, YUM RSU Award, and YUM PSU Award granted under a YUM Equity Plan will be adjusted as set forth in this <u>Section 6.01</u>.

(i) *YUM Options*. As determined by the YUM Compensation Committee pursuant to its authority under the applicable YUM Equity Plan, each YUM Option, regardless of by whom held, whether vested or unvested, will be converted effective as of the Distribution Date as described in this Section 6.01(a)(i).

(A) Each YUM Option held by a Special Conversion Employee will be converted effective as of the Distribution Date into either an Adjusted YUM Option (for Retained Employees and YUM Former Employees) or a SpinCo Option (for SpinCo Employees and SpinCo Former Employees). Except as otherwise provided in this <u>Section 6.01</u>, each Adjusted YUM Option and each SpinCo Option will be subject to the same terms and conditions (including with respect to vesting and termination) after the conversion as applied to such YUM Option immediately prior to the conversion; <u>provided</u>, <u>however</u>, that:

(1) the per share exercise price of each Adjusted YUM Option subject to this  $\underline{\text{Section 6.01}(\underline{a})(\underline{i})(\underline{A})}$  will be equal to the product of (I) the YUM Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent;

(2) the number of YUM Shares subject to each Adjusted YUM Option subject to this <u>Section 6.01(a)(i)(A)</u> will be equal to the quotient of (I) the Intrinsic Value of the Pre-Distribution YUM Option; divided by (II) the difference between (A) the YUM Post-Distribution Stock Value and (B) the exercise price calculated pursuant to <u>Section 6.01(a)(i)(A)(1)</u>, rounded down to the nearest whole share;

(3) the per share exercise price of each SpinCo Option subject to this Section  $6.01(\underline{a})(\underline{i})(\underline{A})$  will be equal to the product of (I) the SpinCo Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent;

(4) the number of SpinCo Shares subject to each SpinCo Option subject to this  $\underline{Section 6.01(\underline{a})(\underline{i})(\underline{A})}$  will be equal to the quotient of (I) the Intrinsic Value of the Pre-Distribution YUM Option; divided by (II) the difference between (A) the SpinCo Post-Distribution Stock Value and (B) the exercise price calculated pursuant to  $\underline{Section 6.01(\underline{a})(\underline{i})(\underline{A})(\underline{3})}$ , rounded down to the nearest whole share;

16

provided, however, that the exercise price, the number of YUM Shares and the number of SpinCo Shares subject to such awards, and the terms and conditions of exercise of such awards will be determined (x) in a manner that is consistent with Code Section 409A and, (y) in the case of any YUM Option to which Code Section 421 applies by reason of its qualification under Code Section 422 immediately prior to the Distribution Date, in a manner consistent with the requirements of Code Section 424(a).

(5) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM Option, minus (II) the Intrinsic Value of the Post-Distribution Adjusted YUM Option for all Adjusted YUM Options subject to this Section 6.01(a)(i)(A) held by the same holder is \$20.00 or more, then the holder of such Adjusted YUM Options will receive payment in respect of each such Adjusted YUM Option in an amount equal to such difference, calculated separately for each such Adjusted YUM Option.

(6) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM Option, minus (II) the Intrinsic Value of the Post-Distribution SpinCo Option for all SpinCo Options subject to this Section 6.01(a)(i)(A) held by the same holder is \$20.00 or more, then the holder of such SpinCo Options will receive payment in respect of each such SpinCo Option in an amount equal to such difference, calculated separately for each such SpinCo Option.

(7) For purposes of this <u>Section 6.01(a)(i)(A)</u> only, the following terms shall have the following meanings:

(I) "Intrinsic Value of the Post-Distribution Adjusted YUM Option" shall mean, rounded to the nearest cent, the product of (A) the number of YUM Shares subject to Adjusted YUM Options issued pursuant to Section 6.01(a) ( $\underline{i}$ )( $\underline{A}$ )(2), multiplied by (B) the difference between (x) the YUM Post-Distribution Stock Value minus (y) the per share exercise price calculated pursuant to Section 6.01(a)( $\underline{i}$ )( $\underline{A}$ )(1); and

(II) "<u>Intrinsic Value of the Post-Distribution SpinCo Option</u>" shall mean, rounded to the nearest cent, the product of (A) the number of SpinCo Shares subject to SpinCo Options issued pursuant to <u>Section 6.01(a)(i)(A)(4)</u>, multiplied by (B) the difference between (x) the SpinCo Post-Distribution Stock Value minus (y) the per share exercise price calculated pursuant to <u>Section 6.01(a)(i)(A)(3)</u>.

(B) Each YUM Option other than those described in Section 6.01(a)(i)(A) will be converted effective as of the Distribution Date into both an Adjusted YUM Option and a SpinCo Option. Except as otherwise provided in

this <u>Section 6.01</u>, each Adjusted YUM Option and each SpinCo Option will be subject to the same terms and conditions (including with respect to vesting and termination) after the conversion as applied to such YUM Option immediately prior to the conversion; <u>provided</u>, <u>however</u>, that:

(1) the per share exercise price of each Adjusted YUM Option subject to this  $\underline{Section 6.01(\underline{a})(\underline{i})(\underline{B})}$ , will be equal to the product of (I) the YUM Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent;

(2) the number of YUM Shares subject to each Adjusted YUM Option subject to this  $\underline{Section 6.01(a)(\underline{i})(\underline{B})}$ , rounded down to the nearest whole share, will be equal to the quotient of (I) the product of (A) the Intrinsic Value of the Pre-Distribution YUM Option, multiplied by (B) the YUM Percentage, divided by (II) the difference between (A) the YUM Post-Distribution Stock Value, minus (B) the per share exercise price calculated pursuant to  $\underline{Section 6.01(a)(\underline{i})(\underline{B})}$ ,

(3) the per share exercise price of each SpinCo Option issued pursuant to this <u>Section 6.01(a)(i)(B)</u> will be equal to the product of (I) the SpinCo Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent; and

(4) the number of SpinCo Shares subject to each SpinCo Option issued pursuant to this Section  $6.01(a)(\underline{i})(\underline{B})$ , rounded down to the nearest whole share, will be equal to the quotient of (I) the product of (A) the Intrinsic Value of the Pre-Distribution YUM Option, multiplied by (B) the SpinCo Percentage, divided by (II) the difference between (A) the SpinCo Post-Distribution Stock Value, minus (B) the per share exercise price calculated pursuant to Section  $6.01(a)(\underline{i})(\underline{B})(3)$ ;

<u>provided</u>, <u>however</u>, that the exercise price, the number of YUM Shares and the number of SpinCo Shares subject to such awards, and the terms and conditions of exercise of such awards will be determined (x) in a manner that is consistent with Code Section 409A, and (y) in the case of any YUM Option to which Code Section 421 applies by reason of its qualification under Code Section 422 immediately prior to the Distribution Date, in a manner consistent with the requirements of Code Section 424(a).

(5) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM Option and (II) the Intrinsic Value of the Post-Distribution Option for all YUM Options subject to this Section 6.01(a)(i)(B) held by the same holder is \$20.00 or more, then the holder of such YUM Options will receive payment in respect of each such YUM Option in an amount equal to such difference, calculated separately for each such YUM Option.

18

(6) For purposes of this Section 6.01(a)(i)(B) only, the following terms shall have the following meanings:

(I) "Intrinsic Value of the Post-Distribution Adjusted YUM Option" shall mean, rounded to the nearest cent, the product of (A) the number of YUM Shares subject to Adjusted YUM Options issued pursuant to Section 6.01(a) (i)(B)(2), multiplied by (B) the difference between (x) the YUM Post-Distribution Stock Value, minus (y) the per share exercise price calculated pursuant to Section 6.01(a)(i)(B)(1).

(II) "<u>Intrinsic Value of the Post-Distribution SpinCo Option</u>" shall mean, rounded to the nearest cent, the product of (A) the number of SpinCo Shares subject to SpinCo Options issued pursuant to <u>Section 6.01(a)(i)(B)(4)</u>, multiplied by (B) the difference between (x) the SpinCo Post-Distribution Stock Value, minus (y) the per share exercise price calculated pursuant to <u>Section 6.01(a)(i)(B)(3)</u>.

(III) "<u>Intrinsic Value of the Post-Distribution Option</u>" shall mean, rounded to the nearest cent, the sum of (A) the Intrinsic Value of the Post-Distribution Adjusted YUM Option plus (B) the Intrinsic Value of the Post-Distribution SpinCo Option.

(ii) *YUM SARS*. As determined by the YUM Compensation Committee pursuant to its authority under the applicable YUM Equity Plan, each YUM SAR, regardless of by whom held, whether vested or unvested, will be converted effective as of the Distribution Date as described in this Section 6.01(a)(ii).

(A) Each YUM SAR held by a Special Conversion Employee will be converted effective as of the Distribution Date into either an Adjusted YUM SAR (for Retained Employees and YUM Former Employees) or a SpinCo SAR (for SpinCo Employees and SpinCo Former Employees). Except as otherwise provided in this <u>Section 6.01</u>, each Adjusted YUM SAR and each SpinCo SAR will be subject to the same terms and conditions (including with respect to vesting and termination) after the conversion as applied to such YUM SAR immediately prior to the conversion; <u>provided</u>, <u>however</u>, that:

(1) the per share exercise price of each Adjusted YUM SAR subject to this  $\underline{\text{Section 6.01(a)(ii)(A)}}$  will be equal to the product of (I) the YUM Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent;

(2) the number of YUM Shares subject to each Adjusted YUM SAR subject to this <u>Section 6.01(a)(ii)(A)</u> will be equal to the quotient of (I) the Intrinsic Value of the Pre-Distribution YUM SAR; divided by (II) the difference between (A) the YUM Post-Distribution Stock Value and

(B) the exercise price calculated pursuant to Section 6.01(a)(ii)(A)(1), rounded down to the nearest whole share;

(3) the per share exercise price of each SpinCo SAR subject to this <u>Section 6.01(a)(ii)(A)</u> will be equal to the product of (I) the SpinCo Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent;

(4) the number of SpinCo Shares subject to each SpinCo SAR subject to this <u>Section 6.01(a)(ii)(A)</u> will be equal to the quotient of (I) the Intrinsic Value of the Pre-Distribution YUM SAR; divided by (II) the difference between (A) the SpinCo Post-Distribution Stock Value and (B) the exercise price calculated pursuant to <u>Section 6.01(a)(ii)(A)(3)</u>, rounded down to the nearest whole share;

provided, however, that the exercise price, the number of YUM Shares and the number of SpinCo Shares subject to such awards, and the terms and conditions of exercise of such awards will be determined (x) in a manner that is consistent with Code Section 409A, and (y) in the case of any YUM SAR to which Code Section 421 applies by reason of its qualification under Code Section 422 immediately prior to the Distribution Date, in a manner consistent with the requirements of Code Section 424(a).

(5) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM SAR, minus (II) the Intrinsic Value of the Post-Distribution Adjusted YUM SAR for all Adjusted YUM SARs subject to this Section 6.01(a)(ii)(A) held by the same holder is \$20.00 or more, then the holder of such Adjusted YUM SARs will receive payment in respect of each such Adjusted YUM SAR in an amount equal to such difference, calculated separately for each such Adjusted YUM SAR.

(6) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM SAR, minus (II) the Intrinsic Value of the Post-Distribution SpinCo SAR for all SpinCo SARs subject to this Section  $6.01(\underline{a})(\underline{i})(\underline{A})$  held by the same holder is \$20.00 or more, then the holder of such SpinCo SARs will receive payment in respect of each such SpinCo SAR in an amount equal to such difference, calculated separately for each such SpinCo SAR.

(7) For purposes of this Section  $6.01(a)(ii)(\Delta)$  only, the following terms shall have the following meanings:

(I) "Intrinsic Value of the Post-Distribution Adjusted YUM SAR" shall mean, rounded to the nearest cent, the product of (A) the number of YUM Shares subject to Adjusted YUM SARs issued pursuant to Section 6.01(a)(ii)(A)(2), multiplied by (B) the difference between (x) the YUM Post-Distribution Stock Value,

20

minus (y) the per share exercise price calculated pursuant to Section 6.01(a)(ii)(A)(1); and

(II) "<u>Intrinsic Value of the Post-Distribution SpinCo SAR</u>" shall mean, rounded to the nearest cent, the product of (A) the number of SpinCo Shares subject to SpinCo SARs issued pursuant to <u>Section 6.01(a)(ii)(A)(4)</u>, multiplied by (B) the difference between (x) the SpinCo Post-Distribution Stock Value, minus (y) the per share exercise price calculated pursuant to <u>Section 6.01(a)(ii)(A)(3)</u>.

(B) Each YUM SAR other than those described in Section 6.01(a)(i)(A) will be converted effective as of the Distribution Date into both an Adjusted YUM SAR and a SpinCo SAR. Except as otherwise provided in this Section 6.01, each Adjusted YUM SAR and each SpinCo SAR will be subject to the same terms and conditions (including with respect to vesting and termination) after the conversion as applied to such YUM SAR immediately prior to the conversion; provided, however, that:

(1) the per share exercise price of each Adjusted YUM SAR subject to this  $\underline{\text{Section 6.01(a)(ii)(B)}}$  will be equal to the product of (I) the YUM Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent;

(2) the number of YUM Shares subject to each Adjusted YUM SAR subject to this <u>Section 6.01(a)(ii)(B)</u>, rounded down to the nearest whole share, will be equal to the quotient of (I) the product of (A) the Intrinsic Value of the Pre-Distribution YUM SAR, multiplied by (B) the YUM Percentage, divided by (II) the difference between (A) the YUM Post-Distribution Stock Value, minus (B) the per share exercise price calculated pursuant to <u>Section 6.01(a)(ii)(B)(1)</u>;

(3) the per share exercise price of each SpinCo SAR issued pursuant to this  $\underline{Section 6.01(a)(ii)(B)}$  will be equal to the product of (I) the SpinCo Post-Distribution Stock Value, multiplied by (II) the Pre-Spin Price Ratio, rounded up to the nearest cent; and

(4) the number of SpinCo Shares subject to each SpinCo SAR issued pursuant to this  $\underline{Section 6.01(\underline{a})(\underline{i})(\underline{B})}$ , rounded down to the nearest whole share, will be equal to the quotient of (I) the product of (A) the Intrinsic Value of the Pre-Distribution YUM SAR, multiplied by (B) the SpinCo Percentage, divided by (II) the difference between (A) the SpinCo Post-Distribution Stock Value, minus (B) the per share exercise price calculated pursuant to  $\underline{Section 6.01(\underline{a})(\underline{i})(\underline{B})}$ ;

provided, however, that the exercise price, the number of YUM Shares and the number of SpinCo Shares subject to such awards, and the terms and conditions of exercise of such awards

will be determined (x) in a manner that is consistent with Code Section 409A, and (y) in the case of any YUM SAR to which Code Section 421 applies by reason of its qualification under Code Section 422 immediately prior to the Distribution Date, in a manner consistent with the requirements of Code Section 424(a).

(5) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM SAR and (II) the Intrinsic Value of the Post-Distribution SAR for all YUM SARs subject to this Section 6.01(a)(ii)(B) held by the same holder is \$20.00 or more, then the holder of such YUM SARs will receive payment in respect of each such YUM SAR in an amount equal to such difference, calculated separately for each such YUM SAR.

(6) For purposes of this <u>Section 6.01(a)(ii)(B)</u> only, the following terms shall have the following meanings:

(I) "Intrinsic Value of the Post-Distribution Adjusted YUM SAR" shall mean, rounded to the nearest cent, the product of (A) the number of YUM Shares subject to Adjusted YUM SARs issued pursuant to Section 6.01(a)(ii)(B) (2), multiplied by (B) the difference between (x) the YUM Post-Distribution Stock Value, minus (y) the per share exercise price calculated pursuant to Section 6.01(a)(ii)(B)(1).

(II) "Intrinsic Value of the Post-Distribution SpinCo SAR" shall mean, rounded to the nearest cent, the product of (A) the number of SpinCo Shares subject to SpinCo SARs issued pursuant to Section 6.01(a)(ii)(B)(4), multiplied by (B) the difference between (x) the SpinCo Post-Distribution Stock Value, minus (y) the per share exercise price calculated pursuant to Section 6.01(a)(ii)(B)(3).

(III) "<u>Intrinsic Value of the Post-Distribution SAR</u>" shall mean, rounded to the nearest cent, the sum of (A) the Intrinsic Value of the Post-Distribution Adjusted YUM SAR plus (B) the Intrinsic Value of the Post-Distribution SpinCo SAR.

(iii) *YUM RSU Awards*. As determined by the YUM Compensation Committee pursuant to its authority under the applicable YUM Equity Plan, each YUM RSU Award, regardless of by whom held, whether vested or unvested, will be converted effective as of the Distribution Date as described in this Section 6.01(a)(iii).

(A) Except as otherwise provided in the Employment Agreement or offer letter of a holder of a YUM RSU Award, each YUM RSU Award held by a Special Conversion Employee will be converted effective as of the Distribution Date into either an Adjusted YUM RSU Award (for Retained Employees and YUM Former Employees) or a SpinCo RSU Award (for SpinCo Employees and

22

SpinCo Former Employees). Except as otherwise provided in this <u>Section 6.01</u>, each Adjusted YUM RSU Award and each SpinCo RSU Award be subject to the same terms and conditions (including with respect to vesting, settlement and termination) after the conversion as applied to such YUM RSU Award immediately prior to the conversion; <u>provided</u>, <u>however</u>, that:

(1) the number of YUM Shares (including those attributable to dividend equivalent units) subject to each Adjusted YUM RSU Award subject to this Section 6.01(a)(iii)(A) will be equal to the quotient of (I) the product of (a) the number of YUM Shares (including those attributable to dividend equivalent units) subject to the corresponding YUM RSU Award immediately prior to the Distribution Date, multiplied by (b) the Pre-Distribution Stock Value, rounded to the nearest cent; divided by (II) the YUM Post-Distribution Stock Value, rounded down to the nearest whole number;

(2) the number of SpinCo Shares subject to each SpinCo RSU Award (including those attributable to dividend equivalent units) subject to this <u>Section 6.01(a)(iii)(A</u>) will be equal to the quotient of (I) the product of (a) the number of YUM Shares (including those attributable to dividend equivalent units) subject to the corresponding YUM RSU Award immediately prior to the Distribution Date, multiplied by (b) the Pre-Distribution Stock Value, rounded to the nearest cent; divided by (II) the SpinCo Post-Distribution Stock Value, rounded down to the nearest whole number.

(3) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM RSU Award, minus (II) the Intrinsic Value of the Post-Distribution SpinCo RSU Award for all SpinCo RSUs subject to this Section 6.01(a)(iii)(A) held by the same holder is \$20.00 or more, then the holder of such SpinCo RSUs will receive payment in respect of each such SpinCo RSU in an amount equal to such difference, calculated separately for each such SpinCo RSU.

(4) For purposes of this <u>Section 6.01(a)(iii)(A)</u> only, the following terms shall have the following meanings:

(I) "Intrinsic Value of the Post-Distribution Adjusted YUM RSU" shall mean, rounded to the nearest cent, the product of (A) the number of YUM Shares subject to Adjusted YUM RSUs issued pursuant to Section 6.01(a)(iii)(A) (1), multiplied by (B) the YUM Post-Distribution Stock Value; and

(II) "<u>Intrinsic Value of the Post-Distribution SpinCo RSU</u>" shall mean, rounded to the nearest cent, the product of (A) the number of SpinCo Shares subject to SpinCo RSUs issued

pursuant to Section 6.01(a)(iii)(A)(2), multiplied by (B) the SpinCo Post-Distribution Stock Value.

(B) Except as otherwise provided in the Employment Agreement or offer letter of a holder of a YUM RSU Award, effective as of the Distribution Date, each holder of an outstanding YUM RSU Award other than those described in <u>Section 6.01(a)(iii)(A)</u> will receive an Adjusted YUM RSU Award and a SpinCo RSU Award. Except as otherwise provided in this <u>Section 6.01</u>, each Adjusted YUM RSU Award and each SpinCo RSU Award will be subject to the same terms and conditions (including with respect to vesting, settlement and termination) after the conversion as applied to such YUM RSU Award immediately prior to the conversion; <u>provided</u>, <u>however</u>, that:

(1) the number of YUM Shares (including those attributable to dividend equivalent units) subject to each Adjusted YUM RSU Award subject to this <u>Section 6.01(a)(iii)(B)</u> will be equal to the product of (I) the number of YUM Shares (including those attributable to dividend equivalent units) subject to the corresponding YUM RSU Award immediately prior to the Distribution Date, multiplied by (II) the Distribution Ratio, rounded down to the nearest whole number;

(2) the number of SpinCo Shares (including those attributable to dividend equivalent units) subject to each SpinCo RSU Award subject to this <u>Section 6.01(a)(iii)(B)</u> will be equal to the quotient of (I) the number of YUM Shares (including those attributable to dividend equivalent units) subject to the corresponding YUM RSU Award immediately prior to the Distribution Date, divided by (II) the Distribution Ratio, rounded down to the nearest whole number.

(3) Except where prohibited by local law, if the sum of the differences between (I) the Intrinsic Value of the Pre-Distribution YUM RSU Award, minus (II) the Intrinsic Value of the Post-Distribution RSU for all YUM RSUs subject to this Section 6.01(a)(iii)(A) held by the same holder is \$20.00 or more, then the holder of such YUM RSUs will receive payment in respect of each such YUM RSU in an amount equal to such difference, calculated separately for each such YUM RSU.

(4) For purposes of this <u>Section 6.01(a)(iii)(B)</u> only, the following terms shall have the following meanings:

(I) "<u>Intrinsic Value of the Post-Distribution Adjusted YUM RSU</u>" shall mean, rounded to the nearest cent, the product of (A) the number of YUM Shares subject to Adjusted YUM RSU issued pursuant to <u>Section 6.01(a)(iii)(B)</u> (<u>1</u>), multiplied by (B) the YUM Post-Distribution Stock Value.

24

(II) "<u>Intrinsic Value of the Post-Distribution SpinCo RSU</u>" shall mean, rounded to the nearest cent, the product of (A) the number of SpinCo Shares subject to SpinCo RSU issued pursuant to <u>Section 6.01(a)(iii)(B)(2)</u>, multiplied by (B) the SpinCo Post-Distribution Stock Value.

(III) "<u>Intrinsic Value of the Post-Distribution RSU</u>" shall mean, rounded to the nearest cent, the sum of (A) the Intrinsic Value of the Post-Distribution Adjusted YUM RSU plus (B) the Intrinsic Value of the Post-Distribution SpinCo RSU.

(iv) *YUM PSU Awards*. Each YUM PSU Award outstanding on the Distribution Date will be converted effective as of the Distribution Date into an Adjusted YUM PSU Award. Except as otherwise provided in this <u>Section 6.01</u>, each Adjusted YUM PSU Award will be subject to the same terms and conditions (including with respect to vesting, settlement and termination) after the conversion as applied to the corresponding YUM PSU Award immediately prior to the conversion; <u>provided</u>, <u>however</u>, that:

(A) the number of YUM Shares subject to each Adjusted YUM PSU Award subject to this <u>Section 6.01(a)(iv)</u> will be equal to the quotient of (I) the product of (a) the number of YUM Shares subject to the corresponding YUM PSU Award immediately prior to the Distribution Date, multiplied by (b) the Pre-Distribution Stock Value, rounded to the nearest cent; divided by (II) the YUM Post-Distribution Stock Value, rounded to four decimal places; and

(B) the performance criteria and performance targets under each Adjusted YUM PSU Award subject to this <u>Section 6.01(a)</u> (<u>iv</u>) will be equitably adjusted prior to the Distribution as determined appropriate or required in the sole discretion of the YUM Compensation Committee.

(b) *Miscellaneous Award Terms.* After the Distribution Date, Adjusted YUM Awards, regardless of by whom held, will be settled by SpinCo. Except as otherwise provided in this Agreement, with respect to grants described in this <u>Section 6.01</u>, (i) no SpinCo Employee will be treated as having incurred a termination of employment with respect to any YUM Award solely by reason of the transfer of employment, (ii) employment with the YUM Group will be treated as employment with SpinCo with respect to SpinCo Awards held by Retained Employees, and (iii) employment with the SpinCo Group will be treated as employment with YUM with respect to Adjusted YUM Awards held by SpinCo Employees. In addition, none of the Separation, the Distribution, or any employment transfer described in <u>Section 2.04</u> will constitute a termination of employment for any Employee for purposes of any Adjusted YUM Award or any SpinCo Award. Following the Distribution Date, for any award adjusted under this <u>Section 6.01</u>, any reference to a "change in control," "change of control" or similar definition in an award agreement, Employment Agreement or YUM Equity Plan applicable to such award (A) with respect to Adjusted YUM Awards, will be deemed to refer to a "change in control," "change of control" or similar definition as set forth in the applicable award agreement, Employment Agreement or YUM

25

Equity Plan (a "<u>YUM Change of Control</u>"), and (B) with respect to SpinCo Awards, will be deemed to refer to a "Change in Control" as defined in the SpinCo Equity Plan (a "<u>SpinCo Change of Control</u>"). Without limiting the foregoing, with respect to provisions related to vesting of awards (including lapse of performance conditions, if applicable), a YUM Change of Control will be treated as a SpinCo Change of Control for purposes of SpinCo Awards held by Retained Employees and YUM Former Employees, and a SpinCo Change of Control will be treated as a YUM Change of Control for purposes of Adjusted YUM Awards held by SpinCo Employees and SpinCo Former Employees.

(c) *Tax Reporting and Withholding.* Following the Distribution Date, it is expected that: (i) YUM will be responsible for all income, payroll and other tax remittance and reporting related to income of Retained Employees, YUM Former Employees, and individuals who are or were YUM nonemployee directors in respect of Adjusted YUM Awards and SpinCo Awards; and (ii) SpinCo will be responsible for all income, payroll and other tax remittance and reporting related to income of SpinCo Employees and SpinCo Former Employees in respect of Adjusted YUM Awards and SpinCo Awards. YUM or SpinCo, as applicable, will facilitate performance by the other Party of its obligations hereunder by promptly remitting amounts or shares withheld in conjunction with a transfer of shares or cash, either (as mutually agreed by the Parties) directly to the applicable taxing authority or to the other Party for remittance to such taxing authority. The Parties will cooperate and communicate with each other and with third-party providers to effectuate withholding and remittance of taxes, as well as required tax reporting, in a timely, efficient and appropriate manner. (d) Registration and Other Regulatory Requirements. Prior to the Distribution Date (and in any case before the date of issuance of any SpinCo Shares pursuant to the SpinCo Equity Plan), SpinCo agrees to file a Form S-8 registration statement (or an S-1 or S-3 if a Form S-8 Registration Statement is not then available for any such awards to be granted in accordance with the terms of this Agreement) with respect to, and to cause to be registered pursuant to the Securities Act, the SpinCo Shares authorized for issuance under the SpinCo Equity Plan, as required pursuant to the Securities Act. The Parties will take such additional actions as are deemed necessary or advisable to effectuate the foregoing provisions of this <u>Section 6.01</u>, including compliance with securities Laws and other legal requirements associated with equity compensation awards in affected non-U.S. jurisdictions. YUM agrees to facilitate the adoption and approval of the SpinCo Equity Plan consistent with the requirements of Treasury Regulations Section 1.162-27(f)(4)(iii).

(e) YUM Equity-Based Awards in Certain Non-U.S. Jurisdictions. Notwithstanding the foregoing provisions of this Section 6.01, the Parties may mutually agree, in their sole discretion, not to adjust certain outstanding YUM equity-based awards pursuant to the foregoing provisions of this Section 6.01 where those actions would create or trigger adverse legal, accounting or tax consequences for YUM, SpinCo and/or the affected non-U.S. award holders. In such circumstances, YUM and/or SpinCo may take any action necessary or advisable to prevent any such adverse legal, accounting or tax consequences, including agreeing that the outstanding YUM equity-based awards of the affected non-U.S. award holders will terminate in accordance with the terms of the YUM Equity Plans and the underlying award agreements, in which case SpinCo or YUM, as applicable, will equitably compensate the affected non-U.S. award holders in an alternate manner determined by SpinCo or YUM, as applicable, in its sole

26

discretion, or apply an alternate adjustment method. Where and to the extent required by applicable Law or tax considerations outside the United States, the adjustments described in this <u>Section 6.01</u> will be deemed to have been effectuated immediately prior to the Distribution Date.

# Section 6.02. Bonus and Incentive Plans.

(a) *Generally.* The SpinCo Group will be responsible for all annual bonus payments and other cash incentive payments to SpinCo Employees in respect of any plan year, the payment date for which occurs on or after the applicable SpinCo Employee's Distribution Date.

(b) *YUM EIDP*. Effective as of the Distribution Date, the YUM EIDP will be amended to provide for (i) a SpinCo common stock account with respect to the YUM EIDP Pre-409A Program and (ii) a Phantom SpinCo common stock fund with respect to the YUM EIDP 409A Program. Effective as of the Distribution Date:

(i) For each YUM Common Stock Account (as such term is used under the YUM EIDP Pre-409A Program) held by an EIDP Special Conversion Employee under the YUM EIDP Pre-409A Program, such YUM Common Stock Account will be converted effective as of the Distribution Date into an Adjusted YUM Common Stock Account. The Adjusted YUM Common Stock Account will be credited with that number of phantom YUM Shares equal to the quotient of (A) the product of (1) the number of phantom YUM Shares credited to the YUM Common Stock Account under the YUM EIDP Pre-409A Program immediately prior to the Distribution Date, multiplied by (2) the

27

Pre-Distribution Stock Value; divided by (B) the YUM Post-Distribution Stock Value, rounded to four decimal places.

(ii) For each YUM Common Stock Account under the YUM EIDP Pre-409A Program other than those described in Section 6.02(b) (i), such YUM Common Stock Account will be converted effective as of the Distribution Date into an Adjusted YUM Common Stock Account and a SpinCo Common Stock Account. The Adjusted YUM Common Stock Account will be credited with that number of phantom YUM Shares equal to the product of (A) the number of phantom YUM Shares credited to the YUM Common Stock Account under the YUM EIDP Pre-409A Program immediately prior to the Distribution Date, multiplied by (B) the Distribution Ratio, rounded to four decimal places. The SpinCo Common Stock Account under the YUM Shares credited to the YUM Common Stock Account will be credited with that number of phantom SpinCo Shares equal to the quotient of (A) the number of phantom YUM Shares credited to the YUM Common Stock Account under the YUM Shares credited to the YUM Common Stock Account under the YUM Shares credited to the YUM Common Stock Account under the YUM Shares credited to the YUM Common Stock Account under the YUM Shares credited to the YUM Common Stock Account under the YUM Shares credited to the YUM Common Stock Account under the YUM EIDP Pre-409A Program immediately prior to the Distribution Date, divided by (B) the Distribution Ratio, rounded to four decimal places.

(iii) For each Phantom Yum! Brands Common Stock Fund (as such term is used under the YUM EIDP 409A Program) held by an EIDP Special Conversion Employee under the YUM EIDP 409A Program, such Phantom Yum! Brands Common Stock Fund will be converted effective as of the Distribution Date into an Adjusted Phantom YUM Common Stock Fund. The Adjusted Phantom YUM Common Stock Fund will be credited with that number of phantom YUM Shares equal to the quotient of (A) the product of (1) the number of phantom YUM Shares credited to the Phantom Yum! Brands Common Stock Fund under the YUM EIDP 409A Program immediately prior to the Distribution Date, multiplied by (2) the Pre-Distribution Stock Value; divided by (B) the YUM Post-Distribution Stock Value, rounded to four decimal places.

(iv) For each Phantom Yum! Brands Common Stock Fund under the YUM EIDP 409A Program other than those described in Section 6.02(b)(iii), such Phantom Yum! Brands Common Stock Fund will be converted effective as of the Distribution Date into an Adjusted Phantom YUM Common Stock Fund and a Phantom SpinCo Common Stock Fund. The Adjusted Phantom YUM Common Stock Fund will be credited with that number of phantom YUM Shares equal to the product of (A) the number of phantom YUM Shares credited to the Phantom Yum! Brands Common Stock Fund under the YUM EIDP 409A Program immediately prior to the Distribution Date, multiplied by (B) the Distribution Ratio, rounded to four decimal places. The Phantom SpinCo Common Stock Fund will be credited with that number of phantom SpinCo Shares equal to the quotient of (A) the number of phantom YUM Shares credited to the Phantom SpinCo Shares equal to the quotient of (A) the number of phantom YUM Shares credited to the Phantom SpinCo Shares equal to the quotient of (A) the number of phantom YUM Shares credited to the Phantom Yum! Brands Common Stock Fund under the YUM EIDP 409A Program immediately prior to the Distribution Date, divided by (B) the Distribution Ratio, rounded to four decimal places.

Except as otherwise provided under the YUM EIDP, any amounts credited to the SpinCo Common Stock Account and the Phantom SpinCo Common Stock Fund will be settled in cash (and not in SpinCo Shares).

(c) Restaurant Deferred Compensation Plan. Effective as of the Distribution Date, the Restaurant Deferred Compensation Plan will be amended to provide for a Phantom SpinCo Common Stock Account. Effective as of the Distribution Date for each Account (as such term is used under the Restaurant Deferred Compensation Plan) under the Restaurant Deferred Compensation Plan, any portion of such Account deemed invested in YUM Shares will be converted effective as of the Distribution Date into an Adjusted YUM Common Stock Account and a SpinCo Common Stock Account. The Adjusted YUM Common Stock Account will be credited with that number of phantom YUM Shares equal to the product of (A) the number of phantom YUM Shares credited to the Account under the Restaurant Deferred Compensation Plan immediately prior to the Distribution Date, multiplied by (B) the Distribution Ratio, rounded to four decimal places. The SpinCo Common Stock Account under the Restaurant Deferred Compensation Plan immediately prior to the Distribution Plan immediately prior to the Distribution Date, divided by (B) the Distribution Ratio, rounded to four decimal places.

(d) *YUM Director Deferred Compensation Plan*. Effective as of the Distribution Date, the YUM Director Deferred Compensation Plan will be amended to provide for a Phantom SpinCo Common Stock Account. Effective as of the Distribution Date:

(i) For each participant Account (as such term is used under the YUM Director Deferred Compensation Pre-409A Plan) under the YUM Director Deferred Compensation Pre-409A Plan, such participant Account will be converted effective as of the Distribution Date into an Adjusted Phantom YUM Common Stock Account and a Phantom SpinCo Common Stock Account. The Adjusted Phantom YUM Common Stock Account will be credited with that number of phantom YUM Shares equal to the product of (A) number of phantom YUM Shares credited to participant Account under the YUM Director Deferred Compensation Pre-409A Plan immediately prior to the Distribution Date, multiplied by (B) the Distribution Ratio, rounded to four decimal places. The Phantom SpinCo Common Stock Account will be credited with that number of phantom SpinCo Shares equal to the quotient of (A) number of phantom YUM Shares credited to the participant Account under the YUM Director Deferred Compensation Pre-409A Plan immediately prior to the Distribution Ratio, rounded to four decimal places.

(ii) For each phantom Yum! Brands Common Stock Fund (as such term is used under the YUM Director Deferred Compensation 409A Plan, such phantom Yum! Brands Common Stock Fund will be converted effective as of the Distribution Date into an Adjusted Phantom YUM Common Stock Account and a Phantom SpinCo Common Stock Account. The Adjusted Phantom YUM Common Stock Account will be credited with that number of phantom YUM Shares equal to the product of (A) number of phantom YUM Shares credited to the phantom Yum! Brands Common Stock Fund under the YUM Director Deferred Compensation 409A Plan immediately prior to the Distribution Date, multiplied by (B) the Distribution Ratio, rounded to four decimal places. The Phantom SpinCo Common Stock Account will be credited with that number of phantom SpinCo Shares equal to the quotient of (A) number of phantom YUM Shares credited to the phantom SpinCo Common Stock Account will be credited with that number of phantom Ratio, rounded to four decimal places. The Phantom SpinCo Common Stock Account will be credited with that number of phantom SpinCo Shares equal to the quotient of (A) number of phantom YUM Shares credited to the phantom SpinCo Shares equal to the quotient of phantom YUM Shares credited to the phantom SpinCo Shares equal to the quotient of phantom YUM Shares credited to the phantom SpinCo Shares equal to the quotient of phantom YUM Shares credited to the phantom SpinCo Shares equal to the quotient of phantom YUM Shares credited to the phantom Stock Fund under the YUM Director Deferred Compensation

29

409A Plan immediately prior to the Distribution Date, divided by (B) the Distribution Ratio, rounded to four decimal places.

Except as otherwise provided under the YUM Director Deferred Compensation Plan, any amounts credited to the Phantom SpinCo Common Stock Account will be settled in cash (and not in SpinCo Shares).

# ARTICLE VII

### MISCELLANEOUS

Section 7.01. <u>Transfer of Records</u>. YUM will transfer to SpinCo any and all employment records and information (including any Form 1-9, Form W-2 or other Internal Revenue Service forms, personnel files, performance reviews and other employment related information) with respect to SpinCo Employees and other records reasonably required by SpinCo to enable SpinCo properly to carry out its obligations under this Agreement. Such transfer of records generally will occur as soon as administratively practicable on or after the Distribution Date. Each Party will permit the other Party reasonable access to Employee records to the extent reasonably necessary for such accessing Party to carry out its obligations hereunder. Any transfer required hereunder will be required only to the extent required or permitted by applicable local Law.

Section 7.02. <u>Cooperation</u>. Each Party will upon reasonable request provide the other Party and the other Party's respective Affiliates, agents and vendors all information reasonably necessary to the other Party's performance of its obligations hereunder. The Parties agree to use commercially reasonable efforts and to cooperate with each other to carry out their obligations hereunder and to effectuate the terms of this Agreement. Without limiting the generality of the foregoing, no later than January 15, 2017, (a) YUM shall provide to SpinCo all information relating to the performance of the YUM Group following the Distribution that is necessary for SpinCo to calculate any performance bonuses (including any leadership bonuses) payable to any SpinCo Group following the Distribution that is necessary for YUM to calculate any performance bonuses (including any leadership bonuses) payable to any YUM Employee or YUM Former Employee for the 2016 calendar year.

Section 7.03. <u>Tax Benefits</u>. If any member of the YUM Group remits a payment to a Tax Authority for Taxes for any SpinCo Employee or a SpinCo Former Employee, SpinCo shall remit to YUM the amount for which it is liable within thirty (30) days after receiving written notification requesting such amount. If any member of the SpinCo Group remits a payment to a Tax Authority for Taxes for any Retained Employee or any YUM Former Employee, YUM shall remit to SpinCo the amount for which it is liable within thirty (30) days after receiving written notification requesting such amount. Effective as of the Distribution Date, the YUM Group will be entitled to all Employee Recoupment Assets in respect of all Employees and Former Employees to the extent that the Employee Recoupment Asset relates to a payment made prior to the Distribution Date and shall be entitled to all Employees regardless of when (or by whom) the payment to which the

Employee Recoupment Asset was made. The SpinCo Group will be entitled all Employee Recoupment Assets in respect of SpinCo Employees and SpinCo Former Employees to the extent that the Employee Recoupment Asset relates to a payment made by the SpinCo Group after the Distribution Date. Without limiting the generality of the foregoing, the SpinCo Group shall assume all liabilities and obligations for tax equalization payments payable to the individuals set forth on <u>Schedule 7.03</u> and, to the extent necessary, the YUM Group shall be entitled to reimbursement from the SpinCo group with respect to any tax equalization payments made after the Distribution Date to any individual listed in <u>Schedule 7.03</u>.

Section 7.04. <u>Compliance</u>. The agreements and covenants of the Parties hereunder will at all times be subject to the requirements and limitations of applicable Law (including local Laws, rules and customs relating to the treatment of benefit plans) and collective bargaining agreements. Where an agreement or covenant of a Party hereunder cannot be effected in compliance with applicable Law or an applicable collective bargaining agreement, the Parties agree to negotiate in good faith to modify such agreement or covenant to the least extent possible in keeping with the original agreement or covenant in order to comply with applicable Law or such applicable collective bargaining agreement. Each provision of this Agreement is subject to and qualified by this <u>Section 7.04</u>, whether or not such provision expressly states that it is subject to or limited by applicable Law or by applicable collective bargaining agreements. Each reference to the Code, ERISA, or the Securities Act or any other Law will be deemed to include the rules, regulations, and guidance issued thereunder.

Section 7.05. <u>Preservation of Rights</u>. Unless expressly provided otherwise in this Agreement, nothing herein will be construed as a limitation on the right of the YUM Group or the SpinCo Group to (a) amend or terminate any Benefit Plan or (b) terminate the employment of any Employee.

Section 7.06. <u>Not a Change in Control</u>. The Parties acknowledge and agree that the Separation, Distribution and other transactions contemplated by the Separation and Distribution Agreement and this Agreement do not constitute a "change in control" or a "change of control" for purposes of any Benefit Plan, any Employment Agreement or any other agreement or arrangement.

Section 7.07. <u>Reimbursements; Interest on Late Payments</u>. The Parties acknowledge and agree that the YUM Group, on one hand, and the SpinCo Group, on the other hand, may incur costs and expenses (including payment of compensation) which are the responsibility of the other Party as set forth in this Agreement. Accordingly, the Parties agree to reimburse each other for Liabilities and obligations for which such Party is responsible, and will provide such reimbursement reasonably promptly and in accordance with the terms of any agreement between the Parties or their Affiliates addressing such matters. Payments pursuant to this Agreement that are not made by the date prescribed in this Agreement or, if no such date is prescribed, within thirty (30) days after written demand for payment is made, shall accrue interest for the period from and including the date immediately following the due date therefor through and including the date of payment at a rate per annum equal to the Prime Rate plus three percent (3%). Such rate shall be redetermined at the beginning of each calendar quarter following such due date. Such interest will be payable at the same time as the payment to which it relates and shall be

31

calculated on the basis of a year of three hundred sixty-five (365) days and the actual number of days for which due.

Section 7.08. <u>Notices</u>. Unless expressly provided herein, all notices, requests, claims, demands or other communications under this Agreement shall be delivered in accordance with the requirements for the provision of notice set forth in Section 10.5 of the Separation and Distribution Agreement.

# Section 7.09. Procedures for Indemnification of Third-Party Claims.

(a) Notice of Claims. If, at or following the Effective Time, an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the YUM Group or the SpinCo Group of any claim or of the commencement by any such Person of any Action (collectively, a "<u>Third-Party Claim</u>") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to or any Section of this Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof as soon as practicable, but in any event no later than fourteen (14) days after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail, including the facts and circumstances giving rise to such claim for indemnification, and include copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim. Notwithstanding the foregoing, the failure of an Indemnitee to provide notice in accordance with this <u>Section 7.09(a)</u> shall not relieve an Indemnifying Party of its indemnification obligations under this <u>Section 7.09(a)</u>.

(b) Control of Defense. An Indemnifying Party may elect to defend (and seek to settle or compromise, subject to Section 7.09(e)), at its own expense and with its own counsel, any Third-Party Claim; provided that, prior to the Indemnifying Party assuming and controlling defense of such Third-Party Claim, it shall first confirm to the Indemnite in writing that, assuming the facts presented to the Indemnifying Party by the Indemnite being true, the Indemnifying Party shall indemnifying Party assumes such defense and, in the course of defending such Third-Party Claim, (i) the Indemnifying Party discovers that the facts presented at the time the Indemnifying Party acknowledged its indemnification obligation in respect of such Third-Party Claim were not true in all material respects and (ii) such untruth provides a reasonable basis for asserting that the Indemnifying Party does not have an indemnifying Party shall promptly thereafter provide the Indemnite written notice of its assertion that it does not have an indemnification in respect of such Third-Party Claim and (C) the Indemnite written notice of its assertion that it does not have an indemnification in respect of a notice from an Indemnite in accordance with <u>Section 7.09(a)</u> (or sooner, if the nature of the Third-Party Claim so requires), the Indemnifying Party shall provide written

notice to the Indemnitee indicating whether the Indemnifying Party shall assume responsibility for defending the Third-Party Claim. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee

32

of its election within thirty (30) days after receipt of the notice from an Indemnitee as provided in <u>Section 7.09(a)</u>, then the Indemnitee that is the subject of such Third-Party Claim shall be entitled to continue to conduct and control the defense of such Third-Party Claim.

(c) Allocation of Defense Costs. If an Indemnifying Party has elected to assume the defense of a Third-Party Claim, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third-Party Claim and shall not be entitled to seek any indemnification or reimbursement from the Indemnite for any such fees or expenses incurred by the Indemnifying Party during the course of the defense of such Third-Party Claim by such Indemnifying Party, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of a notice from an Indemnification obligation with respect to such Third-Party Claim, then the Indemnifying Party has an indemnification obligation with respect to such Third-Party Claim, then the Indemnifying Party shall be liable for all reasonable fees and expenses incurred by the Indemnitee in connection with the defense of such Third-Party Claim.

(d) *Right to Monitor and Participate.* An Indemnitee that does not conduct and control the defense of any Third-Party Claim, or an Indemnifying Party that has failed to elect to defend any Third-Party Claim as contemplated hereby, nevertheless shall have the right to employ separate counsel (including local counsel, as necessary) of its own choosing to monitor and participate in (but not control) the defense of any Third-Party Claim for which it is a potential Indemnitee or Indemnifying Party, but the fees and expenses of such counsel shall be at the expense of such Indemnitee or Indemnifying Party, as the case may be, and the provisions of <u>Section 7.09(c)</u> shall not apply to such fees and expenses. Notwithstanding the foregoing, but subject to Sections 6.7 and 6.8 of the Separation and Distribution Agreement, such Indemnitee or Indemnifying Party, at the non-controlling Party's expense, all witnesses, information and materials in such Party's possession or under such Party's control relating thereto as are reasonably required by the controlling Party. In addition to the foregoing, if any Indemnitee shall in good faith determine that such Indemnitee and the Indemnifying Party have actual or potential differing defenses or conflicts of interest between them that make joint representation inappropriate, then the Indemnifying Party have actual or potential differing local counsel, as necessary) and to participate in (but not control) the defense, compromise, or settlement thereof, and the Indemnifying Party shall bear the reasonable fees and expenses of such counsel for all Indemnitees.

(e) *No Settlement.* Neither Party may settle or compromise any Third-Party Claim for which either Party is seeking to be indemnified hereunder without the prior written consent of the other Party, which consent may not be unreasonably withheld, conditioned or delayed, unless such settlement or compromise is solely for monetary damages that are fully payable, and are capable of being paid in full, by the settling or compromising Party, does not involve any admission, finding or determination of wrongdoing or violation of Law by the other Party (or any other member of its Group or any of their respective past, present or future directors, officers or employees) and provides for a full, unconditional and irrevocable release of the other Party (and

33

each other relevant member of its Group and any of its or their relevant past, present, or future directors, officers or employees) from all Liability in connection with the Third-Party Claim. The Parties hereby agree that if a Party presents the other Party with a written notice containing a proposal to settle or compromise a Third-Party Claim for which either Party is seeking to be indemnified hereunder and the Party receiving such proposal does not respond in any manner to the Party presenting such proposal within thirty (30) days (or within any such shorter time period that may be required by applicable Law or court order) of receipt of such proposal, then the Party receiving such proposal shall be deemed to have consented to the terms of such proposal.

Section 7.10. <u>Limitation on Enforcement</u>. This Agreement is an agreement solely between the Parties. Nothing in this Agreement, whether express or implied, will be construed to: (a) confer upon any current or former Employee of the YUM Group or the SpinCo Group, or any other person any rights or remedies, including to any right to (i) employment or recall; (ii) continued employment or continued service for any specified period; or (iii) claim any particular compensation, benefit or aggregation of benefits, of any kind or nature; or (b) create, modify, or amend any Benefit Plan.

Section 7.11. <u>Disputes</u>. The procedures for discussion, negotiation, mediation and arbitration set forth in Article VII of the Separation and Distribution Agreement shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with, this Agreement.

Section 7.12. <u>Schedules</u>. The Schedules referenced in this Agreement are attached hereto and incorporated herein and form a part of this Agreement. From time to time, the Parties may add Schedules to this Agreement, which Schedules, if added, will be incorporated herein and will form a part of this Agreement.

Section 7.13. <u>Third Party Consents</u>. Without limiting or otherwise modifying the provisions regarding Approvals or Notifications set forth in the Separation and Distribution Agreement, if the obligation of any Party under this Agreement depends upon the Approval or Notification of a Third Party, such as a vendor or insurer, and that Approval or Notification is withheld, the Parties will use commercially reasonable efforts to implement the affected provisions of this Agreement to the fullest extent practicable; <u>provided</u> that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed between YUM and SpinCo, neither YUM nor SpinCo shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications. If any provision of this Agreement the provision in a mutually satisfactory manner, taking into account the original purpose of the affected provision.

Section 7.14. <u>Further Assurances and Consents</u>. Without limiting or otherwise modifying the provisions of Article VIII of the Separation and Distribution Agreement, in addition to the actions specifically provided for in this Agreement, each of the Parties will use commercially reasonable efforts to (a) execute and deliver such further instruments and documents and take such other actions as the other Party may reasonably request to effectuate

the purposes of this Agreement and to carry out the terms hereof, and (b) take, or cause to be taken, all actions and do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Law and agreements or otherwise to consummate and make effective the transactions contemplated by this Agreement, including using commercially reasonable effort to obtain any required consents and approvals and to make any filings and applications necessary or desirable to consummate the transactions contemplated by this Agreement; provided, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed between YUM and SpinCo, no Party will be obligated to contribute capital or pay any consideration in any form therefor.

Section 7.15. <u>Effect if Distribution Does Not Occur</u>. If the Distribution does not occur, then all actions and events that are to be taken under this Agreement, or otherwise in connection with the Distribution, will not be taken or occur, except to the extent specifically provided by YUM.

Section 7.16. Counterparts; Entire Agreement; Authority; Facsimile Signatures.

(a) *Counterparts.* This Agreement may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Party. The provisions of Section 10.1(d) of the Separation and Distribution Agreement shall, for the avoidance of doubt, apply to the execution of this Agreement.

(b) *Entire Agreement*. This Agreement, together with the Separation and Distribution Agreement and the other Ancillary Agreements, contain the entire agreement between the Parties with respect to the subject matter hereof, and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein.

(c) *Authority.* YUM represents on behalf of itself, and SpinCo represents on behalf of itself, as follows:

(i) it has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable against it in accordance with the terms hereof.

Section 7.17. <u>Governing Law</u>. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any Party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware irrespective of the choice of laws principles of the State of Delaware including all matters of validity, construction, effect, enforceability, performance and remedies.

35

Section 7.18. <u>Binding Effect; Assignability</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; <u>provided</u>, that neither Party may assign any of its rights or assign or delegate any of its obligations under this Agreement without the express prior written consent of the other Party.

Section 7.19. <u>No Third Party Beneficiaries</u>. The provisions of this Agreement are solely for the benefit of the Parties and do not and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and there are no Third Party beneficiaries of this Agreement and this Agreement shall not provide any Third Party with any remedy, claim, Liability, reimbursement or other right in excess of those existing without reference to this Agreement.

Section 7.20. <u>Severability</u>. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by an arbitrator or by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect, as closely as possible, the original intent of the Parties.

Section 7.21. <u>No Set Off</u>. Except as mutually agreed to in writing by the Parties, neither Party nor any other member of such Party's Group shall have any right of set-off or other similar rights with respect to (a) any amounts payable pursuant to this Agreement or (b) any other amounts claimed to be owed to the other Party or any other member of its Group arising out of this Agreement.

Section 7.22. <u>Survival of Covenants</u>. Except as expressly set forth in this Agreement, the covenants and agreements contained in this Agreement, and Liability for the breach of any such obligations contained herein, shall survive the Separation and the Distribution and shall remain in full force and effect.

Section 7.23. <u>Waivers of Default; Remedies Cumulative</u>. Waiver by a Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 7.24. <u>Amendments</u>. No provisions of this Agreement may be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

Section 7.25. <u>Specific Performance</u>. Subject to the provisions of Article VII of the Separation and Distribution Agreement, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

Section 7.26. <u>Mutual Drafting</u>. This Agreement shall be deemed to be the joint work product of the Parties, and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

Section 7.27. <u>Predecessors or Successors</u>. Any reference to YUM, SpinCo, a Person or a Subsidiary in this Agreement shall include any predecessors or successors (*e.g.*, by merger or other reorganization, liquidation or conversion) of YUM, SpinCo, such Person or such Subsidiary, respectively.

Section 7.28. <u>Change in Law</u>. Any reference to a provision of the Code or any other Tax Law shall include a reference to any applicable successor provision or Law.

Section 7.29. <u>Limitations of Liability</u>. Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary, neither SpinCo or any other member of the SpinCo Group, on the one hand, nor YUM or any other member of the YUM Group, on the other hand, shall be liable under this Agreement to the other for any indirect, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other (other than any such damages awarded to a Third Party with respect to a Third-Party Claim).

Section 7.30. <u>Performance</u>. YUM shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by any member of the YUM Group. SpinCo shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by any member of the SpinCo Group.

Section 7.31. <u>Incorporation</u>. Sections 10.10 (Headings) and 10.15 (Interpretation) of the Separation and Distribution Agreement are hereby incorporated in this Agreement as if fully set forth herein.

[Signatures set forth on following page]

37

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized representatives.

YUM! BRANDS, INC.

By: /s/ Greg Creed Name: Greg Creed Title: Chief Executive Officer YUM CHINA HOLDINGS, INC.

 By:
 /s/ Micky Pant

 Name:
 Micky Pant

 Title:
 Chief Executive Officer

[Signature Page to Employee Matters Agreement]

Schedule 7.03

### **Employees With Tax Equalization Payments**

- 1. Joaquin Pelaez
- 2. Anthony Longo
- 3. Nghe Quan
- 4. Jane Gannaway
- 5. Paula Robinson
- 6. Sam Su
- 7. Don Miller
- 8. Paul Hill
- 9. Micky Pant
- 10. Milind Pant
- 11. Ted Stedem

# TRANSITION SERVICES AGREEMENT

# BY AND BETWEEN

# YUM! BRANDS, INC.

# AND

# YUM CHINA HOLDINGS, INC.

# DATED AS OF OCTOBER 31, 2016

# Table of Contents

		Page
ARTICLE I	DEFINITIONS	1
ARTICLE II	TERM AND TERMINATION	3
2.1	Term and Termination	3
2.2	Early Termination	3
2.3	Effect of Termination	4
ARTICLE III	TRANSITION SERVICES	4
3.1	Provision of Transition Services	4
3.2	Use of Transition Services	7
3.3	Right to Suspend Transition Services	7
3.4	Access	7
3.5	Project Managers	7
3.6	Security; Systems Compliance	8
ARTICLE IV	COMPENSATION	9
4.1	Fees for Transition Services	9
4.2	Payment	9
4.3	Taxes	9
4.4	Adjustment to Prices for Transition Services	10
ARTICLE V	CONFIDENTIALITY	10
5.1	Confidentiality	10
ARTICLE VI	LIMITED WARRANTY; LIABILITY; RELATED MATTERS	10
6.1	Limited Warranty	10
6.2	Disclaimer of Implied Warranties	10
6.3	Limitations on Liability	11
6.4	Compliance with Law and Governmental Regulations	11
ARTICLE VII	INDEMNIFICATION	12
7.1	Indemnification	12
7.2	Treatment of the Indemnification Claims	12
ARTICLE VIII	INDEPENDENT CONTRACTOR	12
8.1	Independent Contractor	12
ARTICLE IX	FORCE MAJEURE	13
9.1	Force Majeure	13
ARTICLE X	MISCELLANEOUS	13
10.1	Notices	13
10.2	Amendments	13
10.3	Non-Exclusivity	13
10.4	Expenses	13

# Table of Contents (continued)

Dage

		rage
10.5	Waivers of Default; Remedies Cumulative	13
10.6	Binding Effect; Assignability	14
10.7	No Third Party Beneficiaries	14
10.8	Severability	14
10.9	Entire Agreement	14
10.10	Governing Law	14
10.11	Disputes	15
10.12	Counterparts	15
10.13	Authority	15
10.14	Incorporation	15
	11	

#### TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this "<u>Agreement</u>"), dated as of October 31, 2016 is by and between Yum! Brands, Inc., a North Carolina corporation ("<u>YUM</u>") and Yum China Holdings, Inc., a Delaware corporation ("<u>SpinCo</u>").

# RECITALS

WHEREAS, the board of directors of YUM (the "<u>YUM Board</u>") has determined that it is in the best interests of YUM and its shareholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the YUM Board has determined that it is appropriate and desirable to separate the SpinCo Business from the YUM Business (the "Separation") and, following the Separation, make a distribution, on a pro rata basis and in accordance with a distribution ratio to be determined by the YUM Board, to holders of YUM Shares on the Record Date of all the outstanding SpinCo Shares owned by YUM (the "Distribution");

WHEREAS, YUM, SpinCo and Yum Restaurants Consulting (Shanghai) Company Limited are entering into a Separation and Distribution Agreement (the "Separation and Distribution Agreement"), dated as of the date hereof, in order to carry out, effect and consummate the Separation and the Distribution and set forth the principal arrangements between them regarding the terms of the Separation and the Distribution, and are entering into certain other agreements that will govern certain matters relating to the Separation and the Distribution and the relationship of YUM, SpinCo and the members of their respective Groups following the Distribution; and

WHEREAS, the Parties have agreed that, after the Separation and Distribution, YUM will provide certain services to SpinCo and its Affiliates and that SpinCo will provide certain services to YUM and its Affiliates, each on a transitional basis following the Separation and in accordance with the terms and conditions set forth herein.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

### ARTICLE I

### DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings, and capitalized terms used herein and not otherwise defined in this Article I shall have the respective meanings assigned to them in the Separation and Distribution Agreement.

1

"Actual Cost" shall have the meaning set forth in Section 4.4.

"Additional Services" shall have the meaning set forth in Section 3.1(b).

"Agreement" shall have the meaning set forth in the Preamble.

"Confidential Information" shall have the meaning set forth in Section 5.1(a).

"Consents" shall have the meaning set forth in Section 3.1(g).

"<u>Control</u>", when used with respect to SpinCo, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of SpinCo, whether through the ownership of voting securities or other interests, by Contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise.

"Current Capacity" shall have the meaning set forth in Section 3.1(c).

"Distribution" shall have the meaning set forth in the Recitals.

"Due Date" shall have the meaning set forth in Section 4.2(b).

"Fiscal Quarter" shall mean each of the three-month periods ending March, June, September and December.

"Initial Services" shall have the meaning set forth in Section 3.1(a).

"Invoice" shall have the meaning set forth in Section 4.1.

"Party" or "Parties" shall mean a party or the parties to this Agreement.

"Project Manager" shall have the meaning set forth in Section 3.5.

"Provider" shall mean, with respect to any particular Transition Service, the Party identified on the applicable Schedule as the Party to provide such Transition Service.

"Recipient" shall mean, with respect to any particular Transition Service, the Party identified on the applicable Schedule as the Party to receive such Transition Service.

"Recipient Business" shall mean (i) with respect to SpinCo as the Recipient, the SpinCo Business and (ii) with respect to YUM as the Recipient, the YUM Business.

"<u>Related Parties</u>" shall mean, as to either Party, that Party's Affiliates, directors, officers employees, counsel, accountants, advisors, representatives and agents and, as to Provider, Third Parties engaged by Provider to provide Transition Services.

"Schedule" or "Schedules" shall mean any Schedule annexed hereto or all of the Schedules collectively (in each case including any Exhibit thereto).

2

"Separation" shall have the meaning set forth in the Recitals.

"Separation and Distribution Agreement" shall have the meaning set forth in the Recitals.

"Service Termination Date" shall mean, with respect to any Transition Service, the earlier of (i) the date Recipient terminates the provision of such Transition Service pursuant to Section 2.2 and (ii) the termination date specified with respect to such Transition Service on the Schedule applicable to such Transition Service, as such date may be extended or modified in accordance with the terms of this Agreement.

"SpinCo" shall have the meaning set forth in the Preamble.

"Term" shall have the meaning set forth in Section 2.1(b).

"Termination Notice" shall have the meaning set forth in Section 2.2(e).

"Transition Services" shall have the meaning set forth in Section 3.1(b).

"YUM" shall have the meaning set forth in the Preamble.

"YUM Board" shall have the meaning set forth in the Recitals.

# ARTICLE II

# TERM AND TERMINATION

2.1 <u>Term and Termination</u>. Unless otherwise terminated pursuant to <u>Section 2.2</u>, this Agreement shall commence on the date hereof and shall terminate:

(a) with respect to any Transition Service, at the close of business on the Service Termination Date for such Transition Service; and

(b) with respect to this Agreement, on the earlier of (i) the close of business on the final Service Termination Date or (ii) one (1) year after the date hereof (the period commencing on the date hereof and ending on the earlier of (i) and (ii), the "<u>Term</u>"), unless the Parties have agreed in writing to an extension of the Term.

2.2 <u>Early Termination</u>. Without limiting the rights of the Parties under any other provision of this Agreement, this Agreement may be terminated by YUM, on the one hand, or SpinCo, on the other hand, as follows:

(a) in the event that either YUM or SpinCo sends to the other Party initial written notice of a material breach of this Agreement by such other Party and the breaching Party fails to cure such material breach within twenty (20) days of receipt of such initial notice, by written notice by the non-

breaching Party to the breaching Party;

(b) by written notice by either YUM, on the one hand, or SpinCo, on the other hand, as applicable, in the event that SpinCo or YUM (i) becomes insolvent or admits in writing

3

its inability to pay its debts as they become due, (ii) has instituted against it a proceeding seeking a judgment of insolvency, suspension of payments or bankruptcy, or a petition is presented against it for its winding up or liquidation, in each case that is not dismissed within sixty (60) days, (iii) institutes a proceeding seeking a judgment of insolvency, suspension of payments or bankruptcy, or files a petition for its winding up or liquidation, (iv) makes a general assignment for the benefit of its creditors, (v) seeks or becomes subject to the appointment of a receiver over all or substantially all of its assets or (vi) any analogous procedure or step is taken in any jurisdiction;

- (c) by written notice of YUM to SpinCo in the event of a change in the Person who has Control of SpinCo following the Distribution;
- (d) by the mutual written consent of the Parties; or

(e) with respect to all or any one or more of the Transition Services provided to Recipient, and in accordance with the terms set forth in the Schedules (including, if set forth on the related Schedule, the required number of days for written notice), Recipient may terminate this Agreement with respect to all or any one or more of the Transition Services provided to Recipient, at any time and from time to time (except in the event such termination will constitute a breach by Provider of a third party agreement related to providing such Transition Services), by giving written notice to Provider of such termination (each, a "Termination Notice").

2.3 Effect of Termination. Upon expiration of the Term or other termination of this Agreement, there shall be no liability on the part of either Party with respect to this Agreement, other than that such expiration or termination shall not (a) relieve a Party of any liabilities resulting from any breach hereof by such Party on or prior to the date of such expiration or termination, (b) relieve a Party of any payment obligation arising prior to the date of such expiration or termination, (b) relieve a Party of any payment obligation arising prior to the date of such expiration or termination or (c) affect any rights arising as a result of such a breach or such expiration or termination. The provisions of this Section 2.3 and Articles V, VI, VII and X shall survive any expiration or termination hereof. In the event of any termination with respect to one or more, but less than all, of the Transition Services, this Agreement will continue in full force and effect with respect to any Transition Services not so terminated. Upon the termination of any or all of the Transition Services, Provider will cease, or will cause its applicable Affiliates or third party service providers to cease, providing the terminated Transition Services. Upon each such termination, Recipient will promptly pay to Provider all fees accrued through the effective date of the Termination Notice.

# ARTICLE III

### TRANSITION SERVICES

# 3.1 <u>Provision of Transition Services</u>.

(a) *Transition Services*. Provider shall use commercially reasonable efforts to provide, or to cause to be provided, to Recipient, or to an Affiliate of Recipient, the transition services set forth in the Schedules (collectively, the "<u>Initial Services</u>"), in each case for the period beginning on the date hereof and ending on the applicable Service Termination Date.

4

Each Party acknowledges and agrees that neither Party shall have any obligation under this Agreement to provide any transition support or other services other than the Initial Services. Each Initial Service required to be delivered under this Agreement, and any Additional Service (as defined below) as may be mutually agreed upon by the Parties from time to time, shall be provided in the English language, unless otherwise expressly set forth on the related Schedule.

(b) Additional Services. From time to time prior to the expiration of the Term, the Parties may identify additional services to be provided in accordance with the terms of this Agreement (the "Additional Services" and, together with the Initial Services, the "Transition Services"). If the Parties mutually agree to add any Additional Service, the Parties will mutually create a Schedule or amend an existing Schedule for each such Additional Service setting forth a description of such Additional Service, the term during which such Additional Service will be provided, the price for such Additional Service and any other provisions applicable thereto. In order to become a part of this Agreement, such new Schedule or amendment to an existing Schedule must be in writing and signed by a duly authorized representative of each Party, at which time such Additional Service will, together with the Initial Services, be deemed to constitute a "Transition Service" for purposes of this Agreement and will be subject to the terms and conditions hereof. The Parties may, but are not required to, agree on Additional Services, and neither Party will have any obligation to agree to provide or receive any Additional Services.

(c) *Amount of Service*. Except as set forth in the Schedules, Provider shall use commercially reasonable efforts to provide or cause to be provided to Recipient the Transition Services in an amount up to the amount necessary for Recipient to (i) operate the Recipient Business at the level and capacity at which Recipient operated during the twelve-month period immediately prior to the date hereof ("<u>Current Capacity</u>") and (ii) effect the Separation.

(d) Level of Service. Provider shall use commercially reasonable efforts to furnish or cause to be furnished to Recipient the Transition Services substantially in the manner in which they were provided to the Recipient Business immediately prior to the date hereof; provided, that nothing in this Agreement will require Provider to prioritize or otherwise favor Recipient over any third parties or any of Provider's or Provider's Affiliates' business operations. The Parties acknowledge and agree that nothing contained in any Schedule will be deemed to (i) increase the level of service or standard of care required of Provider, (ii) expand the scope of the Transition Services to be provided as set forth in this Section 3.1 or (iii) limit Section 6.2 or 6.3, it being understood and agreed that Provider is not a commercial provider of any of the Transition Services and shall not be held to the same service standard as would a professional service provider with respect to such Transition Services.

(e) *Errors or Omissions*. Except as provided in <u>Article VI</u>, Provider's sole responsibility to Recipient for errors or omissions committed by Provider in performing the Transition Services will be to correct such errors or omissions in the Transition Services at no additional cost to

Recipient.

(f) *Means of Provision of Transition Services*. Provider shall have the sole responsibility and right to determine the personnel, assets and other resources used to provide the Transition Services, as well as the manner in which Provider provides the Transition Services, provided that the Transition Services are otherwise in compliance with the express requirements

5

of this Agreement. Except as set forth in a Schedule, Provider shall have the right to arrange for any of the Transition Services to be provided to Recipient directly or indirectly through any Affiliate of Provider or third party and, subject to <u>Section 10.6</u>, to assign its obligation to supply any specific Transition Services to any Affiliate or third party. The Transition Services provided by Provider through any Affiliate or third party, or use of intellectual property, services or other assets owned by, licensed from or purchased from any Affiliate or third party, will be subject to the terms and conditions of any agreements with such Affiliates or third parties, and each Party will comply with such terms and conditions of such agreements to the extent applicable to such Party in connection with this Agreement. If Provider is unable to provide a Transition Service because it does not have the necessary assets because such asset was transferred from Provider to Recipient, the Parties will determine a mutually acceptable arrangement to provide the necessary access to such asset and, until such time as access is provided, Provider's failure to provide such Transition Service will not constitute a breach of this Agreement.

Cooperation in Connection with Performance of Transition Services. Recipient shall, and shall cause its Affiliates to, use (g) commercially reasonable efforts to cooperate with Provider (and its Affiliates and third party service providers) in connection with the performance of the Transition Services, including producing on a timely basis all information that is reasonably requested with respect to the performance of Transition Services; provided, that such cooperation does not unreasonably disrupt the normal operations of Recipient and its Affiliates. Such cooperation will include exchanging information, providing electronic access to systems used in connection with the Transition Services and obtaining or granting all consents, licenses, sublicenses, permits, registrations, authorizations or approvals (collectively, "Consents") necessary to permit Provider to perform its obligations hereunder. Recipient will be solely responsible for paying for the costs of providing such cooperation and obtaining such Consents, including reasonable legal fees and expenses. The Parties shall reasonably cooperate to obtain any Consents that may be required from third parties in order for Provider to provide any of the Transition Services hereunder. Either Party providing electronic access to systems used in connection with Transition Services may limit the scope of access to the applicable requirements of the relevant matter through any reasonable means available, and any such access will be subject to the terms of Section 5.1. The exchange of information related to the provision of Transition Services hereunder will be made to the extent that (A) such information exists and is created in the ordinary course, (B) does not involve the incurrence of any material expense, and (C) is reasonably necessary for Provider to comply with its obligations hereunder. For the avoidance of doubt, and without limiting any privilege or protection that now or hereafter may be shared by Provider and Recipient, neither Party will be required to provide any document if the Party who would provide such document reasonably believes that so doing would waive any privilege or protection (e.g., attorney-client privilege) applicable to such document. If Provider reasonably believes it is unable to provide any Transition Service because of a failure to obtain necessary Consents contemplated by this Section 3.1(g), such failure shall not constitute a breach hereof by Provider and the Parties will cooperate to determine the best alternative approach; provided, that in no event will Provider be required to provide such Transition Service until an alternative approach reasonably satisfactory to Provider is found or the Consents have been obtained.

(h) *Modification of Transition Services*. The Parties agree and acknowledge that Provider may make changes from time to time in the manner of performing the applicable

6

Transition Services if Provider is making similar changes in performing similar services for itself, its Affiliates or other Third Parties, if any, and if Provider furnishes to Recipient substantially the same notice (in content and timing) as Provider provides to its Affiliates or other third parties, if any, respecting such changes. Without limiting the foregoing, and notwithstanding anything to the contrary in this Agreement, Provider may make any of the following changes without obtaining the prior consent of, and without prior notice to, Recipient: (i) changes to the process of performing a particular Transition Service that do not adversely affect the benefits to Recipient of Provider's provision or quality of such Transition Service in any material respect or materially increase the charge for such Transition Service; (ii) emergency changes on a temporary and short-term basis; and (iii) changes to a particular Transition Service in order to comply with applicable Law or regulatory requirements.

3.2 <u>Use of Transition Services</u>. Recipient shall and shall cause its Affiliates to use or permit to be used the Transition Services (a) only in a manner consistent with the current use of such Transition Services in the operation of the Recipient Business and (b) only to the extent necessary to (i) operate the Recipient Business at the Current Capacity and (ii) effect the Separation.

3.3 <u>Right to Suspend Transition Services</u>. Notwithstanding anything to the contrary in this Agreement, Provider shall not be required to provide, and will incur no liability for not providing, all or any part of any Transition Service to the extent: (i) the performance of such Transition Service would require Provider to violate any applicable Law or Contract and (ii) a third party service provider or third party intellectual property or other asset used to provide any Transition Service so be, or otherwise is not, available to Provider on commercially reasonable terms. Any such non-provision of Transition Services will apply in each of <u>clauses (i)</u> and <u>(ii)</u>: (a) only to the extent reasonably necessary for Provider to address the issue raised; (b) to the extent practicable, only after Provider has applied commercially reasonable efforts to reduce the amount or effect of any such restrictions; and (c) if Provider has delivered written notice thereof to Recipient.

3.4 <u>Access</u>. Recipient shall provide Provider, and any Affiliate or Third Party who provides the Transition Services on behalf of Provider, reasonable access to Recipient's premises, or to the premises of any Affiliate of Recipient receiving the applicable Transition Services, during regular business hours and at such other times as are reasonably requested by Provider or such Affiliate or Third Party, for the purpose of providing the Transition Services. Subject to obtaining any required consents, Recipient hereby grants to Provider during the Term, to the extent required, a non-exclusive license to use or access, as the case may be, all software, equipment, space and other items owned or leased by or licensed to Recipient or any of Recipient's Affiliates, which are required for Provider, Provider's Affiliates or a Third Party, as applicable, to perform the Transition Services.

3.5 <u>Project Managers</u>. Each of YUM, on the one hand, and SpinCo, on the other hand, shall designate in writing one or more individuals with all the requisite power and authority, in each such individual's sole discretion, to authorize, approve and otherwise act on its behalf with respect to the Transition Services and other matters contained in this Agreement (each, a "<u>Project Manager</u>"). Each of YUM and SpinCo may change its Project Manager or Project Managers, as the case may be, from time to time by written notice to the other Party.

Each Project Manager shall be authorized to receive on behalf of YUM or SpinCo, as the case may be, notices required or permitted herein other than with respect to notices of breach, claims or disputes, which notices shall be provided in accordance with <u>Section 10.1</u>. Each of YUM, on the one hand, and SpinCo, on the other hand, may rely and shall be protected in acting or refraining from acting in reliance upon any oral or written statement, notice, request, direction, consent or other document or instrument delivered to it by the other Party's Project Manager, or by any of the other Party's Project Managers, as the case may be. Each of YUM, on the one hand, and SpinCo, on the other hand, agrees to make its Project Manager or Project Managers, as the case may be, reasonably available to the other Party during regular business hours for consultation regarding any matters for which such Project Manager has responsibility under this Agreement. The Project Managers of each of YUM and SpinCo shall meet from time to time to review and discuss matters relating to the performance of the Parties' obligations under this Agreement.

# 3.6 <u>Security; Systems Compliance</u>.

(a) Without limiting or modifying (i) any maintenance obligations of a Party or other Person under the Separation and Distribution Agreement or any other Ancillary Agreement or (ii) any right of a Party or other Person under any such agreement (including YUM's and its Affiliates' rights to modify its practices and policies), during the Term, each Party shall, and shall cause its Affiliates to, maintain (and may reasonably upgrade or otherwise modify without adversely affecting the connectivity with, functionality of or compatibility with the systems of the other Party) its existing physical, information and other security practices and policies, except that, if an addition or change to such practices or policies is either (i) required by Provider's outside auditors or (ii) required to be implemented by Provider by Law or a Governmental Authority, then each Party will implement the required changes as soon as practicable to the extent necessary to perform or receive Transition Services, but no later than the last day Provider has implemented such changes with respect to restaurants operated by it or its Affiliates that receive services similar to the Transition Service affected by such addition or change. The Parties will reasonably cooperate in maintaining reasonable security measures with respect to any interfaces required between Provider and Recipient (and their respective Affiliates) in connection with the Transition Services.

(b) At all times during the Term, each Party shall not, and shall cause its Affiliates not to, introduce, and shall take, and shall cause its Affiliates to take, commercially reasonable measures to prevent the introduction, into the other Party's (or its Affiliates') computer systems, networks, databases, or software any viruses or any other contaminants (including, but not limited to, codes, commands, instructions, devices, techniques, bugs, web bugs, or design flaws) that (or that are intended to) access (without authorization), alter, delete, threaten, infect, assault, vandalize, defraud, disrupt, damage, disable, inhibit or shut down such other Party's (or its Affiliates') computer systems, networks, databases, software, or other information or property. Each Party shall not, and shall cause its Affiliates not to, tamper with, compromise or attempt to circumvent any physical or electronic security or audit measures employed by the other Party (or its Affiliates) in the course of its business operations or compromise the security of the other Party's (or its Affiliates') computer systems, networks, databases, or software.

8

# ARTICLE IV

# COMPENSATION

4.1 <u>Fees for Transition Services</u>. Recipient shall pay, or shall cause its Affiliates to pay, for Transition Services provided to Recipient and its Affiliates pursuant to the terms of this Agreement at the prices set forth for such Transition Services on the applicable Schedule. On or before the twentieth (20<sup>th</sup>) day of each month following the end of a month or Fiscal Quarter (at Provider's discretion) during the Term, or following the month during which a Service Termination Date for particular Transition Services occurs, Provider shall prepare and deliver (or cause its applicable Affiliate to prepare and deliver) to Recipient an invoice or invoices, as applicable (each, an "<u>Invoice</u>"), setting forth the amounts payable by Recipient, or by an Affiliate of Recipient, if applicable, for the Transition Services during the preceding month, Fiscal Quarter or portion of a Fiscal Quarter, as the case may be. Such amounts shall be calculated in accordance with the prices set forth in the applicable Schedules. The first Fiscal Quarter shall be deemed to be the period beginning on the date of this Agreement and ending on December 31, 2016.

# 4.2 <u>Payment</u>.

(a) Amounts payable by Recipient, or an Affiliate of Recipient, as set forth in an Invoice are due no later than twenty (20) days from the date of the Invoice.

(b) All payments hereunder shall be in United States dollars and shall be made by wire transfer to the account of Provider, as specified in writing by Provider from time to time. Payments pursuant to this Agreement that are not made by the date prescribed in this Agreement (the "<u>Due Date</u>") shall accrue interest for the period from and including the date immediately following the Due Date through and including the date of payment at a rate per annum equal to the Prime Rate plus three percent (3%). Such rate shall be redetermined at the beginning of each calendar quarter following such Due Date. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of three hundred sixty-five (365) days and the actual number of days for which due.

4.3 <u>Taxes</u>. Recipient shall pay Provider, in addition to the amounts calculated in accordance with <u>Section 4.1</u>, the amount of all Taxes in respect of the sale and delivery of any of the Transition Services; <u>provided</u>, that Recipient shall not be required to pay any Tax assessed on or measured by Provider's net income. All fees and other consideration with respect to Transition Services will be paid free and clear of and without deduction or withholding for or on account of any Tax, except as may be required by applicable Law. If Recipient shall be required by applicable Law to deduct or withhold any Taxes from such payments, then (i) Recipient shall make such deductions or withholdings as are required by applicable Law, (ii) Recipient shall timely pay the full amount deducted or withheld to the applicable taxing authorities and provide Provider with receipts or other proof of such payment promptly upon receipt, and (iii) Recipient shall gross up its payment to Provider so that the net amount that Provider receives is the same that it would have received had the deductions or withholding taxes (including such deductions and withholding taxes applicable to additional sums payable under this Section) imposed by the applicable tax authorities not applied. 4.4 <u>Adjustment to Prices for Transition Services</u>. Unless a different time period is agreed to in writing by the Parties, at the end of each twelve (12) months during the Term, Provider will review the charges, costs and expenses actually incurred by Provider in providing any Transition Service (collectively, "<u>Actual Cost</u>") during the previous twelve (12) months. In the event Provider determines that the Actual Cost for any Transition Service materially differs from the anticipated costs that were used by Provider to calculate the price for that Transition Service on the applicable Schedule, Provider will deliver to Recipient documentation for such Actual Cost and anticipated costs and the Parties will renegotiate in good faith to adjust the prices charged to Recipient for the applicable Transition Services prospectively.

# ARTICLE V

# CONFIDENTIALITY

# 5.1 <u>Confidentiality</u>.

(a) Each Party shall hold, and shall cause its Related Parties to hold, in strict confidence, with at least the same degree of care and confidentiality that applies to such Party's own confidential and proprietary information pursuant to policies in effect as of the Effective Time, all proprietary and confidential information of the other Party or any of such other Party's Affiliates received by such Party or any of its Related Parties at any time pursuant to this Agreement or otherwise (collectively, "<u>Confidential Information</u>") and shall not disclose the same to any third party which is not its Related Party nor use the same, except as expressly permitted by the terms hereof. A Party's or its Affiliate's information shall not constitute Confidential Information for purposes of this <u>Section 5.1(a)</u> if such information is not subject to the protections on confidential and proprietary information set forth in Section 6.9 of the Separation and Distribution Agreement. The provisions of Section 6.9 of the Separation and Distribution Agreement shall govern the confidential Information.

(b) Without limiting any confidentiality, disclosure or use obligations set forth in the Separation and Distribution Agreement or any other Ancillary Agreement, the obligations of confidentiality under this <u>Section 5.1</u> (i) with respect to Confidential Information that embodies trade secrets, know-how or similar Intellectual Property, shall indefinitely survive the expiration of the Term or other termination of this Agreement and (ii) with respect to all other Confidential Information, shall survive for a period of five (5) years from the date of the expiration of the Term or other termination of this Agreement.

### ARTICLE VI

# LIMITED WARRANTY; LIABILITY; RELATED MATTERS

6.1 <u>Limited Warranty</u>. Provider represents and warrants that it shall furnish or cause to be furnished all of the Transition Services only to the standard set forth in <u>Section 3.1(d)</u>.

6.2 <u>Disclaimer of Implied Warranties</u>. EXCEPT AS SET FORTH IN <u>SECTION 6.1</u>, PROVIDER MAKES NO AND DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED,

10

INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT, WITH RESPECT TO THE TRANSITION SERVICES. PROVIDER MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE QUALITY, SUITABILITY OR ADEQUACY OF THE TRANSITION SERVICES FOR ANY PURPOSE OR USE.

6.3 Limitations on Liability.

(a) Each Party acknowledges and agrees that the obligations of the other Party hereunder are exclusively the obligations of such other Party and are not guaranteed directly or indirectly by such other Party's Affiliates, directors, officers, managers, employees or agents or any other Person.

(b) Notwithstanding anything to the contrary in this Agreement, Recipient acknowledges and agrees that performance by Provider of the Transition Services pursuant to this Agreement will not subject Provider or any of its Related Parties to any liability whatsoever, except as directly caused by gross negligence or willful misconduct on the part of Provider or any of its Related Parties in providing the Transition Services; provided, that Provider's liability as a result of any such gross negligence or willful misconduct will be limited to an amount not to exceed the lesser of (i) the price paid for the particular Transition Service, (ii) Recipient's, or its Affiliate's, cost of performing the Transition Service itself until the applicable Service Termination Date, (iii) Recipient's cost of obtaining the Transition Service from a third party until the applicable Service Termination Date; provided further that Recipient will, and will cause its Affiliates to, exercise its commercially reasonable efforts to minimize the cost of any such alternatives to the Transition Services by selecting the most cost effective alternatives which provide the functional equivalent of the Transition Services replaced.

(c) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY OR ANY OF ITS RELATED PARTIES BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, COLLATERAL, CONSEQUENTIAL, EXEMPLARY, REMOTE, SPECULATIVE OR PUNITIVE DAMAGES, LOST PROFITS OR SIMILAR DAMAGES SUFFERED BY THE OTHER PARTY OR ANY OF ITS AFFILIATES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE), IN CONNECTION WITH ANY BREACH OR OTHER MATTER ARISING HEREUNDER OR ARISING IN ANY WAY OUT OF THIS AGREEMENT. Notwithstanding anything to the contrary in this Agreement, Provider shall have no liability to Recipient to the extent any failure to provide to Recipient, or defect in, any Transition Service is caused by Recipient's failure to comply with Section 3.1(g) or 3.4.

(d) Each Party agrees that it shall, in all circumstances, use commercially reasonable efforts to mitigate, and to otherwise minimize, its damages, and those of its Related Parties, whether direct or indirect, resulting from, or arising in connection with, any failure by the other Party to comply fully with its obligations under this Agreement.

6.4 <u>Compliance with Law and Governmental Regulations</u>. Recipient will be solely responsible for (a) compliance with all Laws affecting the Recipient Business and (b) any use Recipient may make of the Transition Services to assist it in complying with such Laws. Without

limiting any other provisions of this Agreement, the Parties agree and acknowledge that Provider has no responsibility or liability for advising Recipient with respect to, or ensuring Recipient's compliance with, any public disclosure, compliance or reporting obligations of Recipient (including under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002), regardless of whether any failure to comply relates to information or Transition Services provided hereunder.

### ARTICLE VII

#### **INDEMNIFICATION**

7.1 Indemnification. Subject to the limitations set forth in <u>Article 6</u>, Provider shall indemnify, defend and hold harmless Recipient and each of its Related Parties from and against any and all Liabilities directly arising or resulting from any gross negligence or willful misconduct by Provider or any of its Related Parties in providing the Transition Services. Recipient shall indemnify, defend and hold harmless Provider and each of its Related Parties from and against any and all Liabilities arising or resulting from the provision by Provider or any of its Related Parties of the Transition Services, excluding (i) any costs or expenses incurred by Provider or any of its Related Parties to provide the Transition Services in the ordinary course or (ii) Liabilities directly arising or resulting from Provider's, or any of its Related Parties', gross negligence or willful misconduct in performing the Transition Services.

7.2 <u>Treatment of the Indemnification Claims</u>. The procedures for indemnification pursuant to this <u>Article 7</u> shall be the same as the procedures set forth in Sections 4.5 and 4.6 of the Separation and Distribution Agreement.

#### ARTICLE VIII

# INDEPENDENT CONTRACTOR

8.1 Independent Contractor. The relationship of Provider and Recipient is that of vendor and customer, and this Agreement does not, and shall not be deemed or construed to, create any partnership or joint venture relationship between the Parties or any of their respective Affiliates, successors or assigns. Each Party understands and agrees that this Agreement does not make it or any of its Related Parties an agent or legal representative of the other Party or any of its Affiliates for any purpose whatsoever. No Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party or any of its Affiliates, or to bind the other Party or any of its Affiliates in any manner whatsoever. The Parties expressly acknowledge that Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Transition Services.

12

#### ARTICLE IX

# FORCE MAJEURE

9.1 <u>Force Majeure</u>. No Party shall be deemed in default of this Agreement for any delay or failure to fulfill any obligation (other than a payment obligation) hereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance of such obligation (other than a payment obligation) shall be extended for a period equal to the time lost by reason of the delay. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to the other Party of the nature and extent of any such Force Majeure condition and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement, as applicable, as soon as reasonably practicable.

### ARTICLE X

#### MISCELLANEOUS

10.1 <u>Notices</u>. Unless otherwise expressly provided herein, all notices, requests, claims, demands or other communications under this Agreement shall be delivered in accordance with the requirements for the provision of notice set forth in Section 10.5 of the Separation and Distribution Agreement.

10.2 <u>Amendments</u>. No provision of this Agreement may be waived, amended, supplemented or modified, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

10.3 <u>Non-Exclusivity</u>. Provider and its Affiliates may provide services of a nature similar to the Transition Services to any other Person. There is no obligation for Provider to provide the Transition Services to Recipient on an exclusive basis.

10.4 <u>Expenses</u>. Except as otherwise expressly provided for herein, or as otherwise agreed to in writing by the Parties, all out-of-pocket fees, costs and expenses incurred prior to the Effective Time in connection with the preparation, execution, delivery and implementation of this Agreement will be borne by the Party or the applicable member of such Party's Group incurring such fees, costs or expenses.

10.5 <u>Waivers of Default; Remedies Cumulative</u>. Waiver by a Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege. All rights and

remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

10.6 <u>Binding Effect; Assignability</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, <u>provided</u>, that neither Party may assign any of its rights or assign or delegate any of its obligations under this Agreement without the express prior written consent of the other Party, except that (a) Recipient may assign its rights under this Agreement to any Affiliate or Affiliates of Recipient without the prior written consent of Provider, (b) Provider may assign or delegate any rights and obligations hereunder to (i) any Affiliate or Affiliates of Provider capable of providing such Transition Services hereunder or (ii) Third-Parties to the extent such Third-Parties are used to provide the Transition Services, in either case without the prior written consent of Recipient, and (c) an assignment by operation of Law in connection with a merger or consolidation will not require the consent of the other Party. Notwithstanding the foregoing, each Party will remain liable for all of its respective obligations under this Agreement.

10.7 <u>No Third Party Beneficiaries</u>. Except as provided in <u>Articles 6</u> and <u>7</u>, (a) the provisions of this Agreement are solely for the benefit of the Parties and do not and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no Third Party beneficiaries of this Agreement, and this Agreement shall not provide any Third Party with any remedy, claim, Liability, reimbursement or other right in excess of those existing without reference to this Agreement.

10.8 <u>Severability</u>. If any provision of this Agreement is determined by an arbitrator or by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect, as closely as possible, the original intent of the Parties.

10.9 <u>Entire Agreement</u>. This Agreement, together with the Separation and Distribution Agreement and the other Ancillary Agreements, contain the entire agreement between the Parties with respect to the subject matter hereof, and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein.

10.10 <u>Governing Law</u>. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of either Party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware irrespective of the choice of laws principles of the State of Delaware including all matters of validity, construction, effect, enforceability, performance and remedies.

14

10.11 <u>Disputes</u>. The procedures for discussion, negotiation, mediation and arbitration set forth in Article VII of the Separation and Distribution Agreement shall apply to all disputes, controversies or claims that may arise out of or relate to this Agreement.

10.12 <u>Counterparts</u>. This Agreement may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Party. The provisions of Section 10.1(d) of the Separation and Distribution Agreement shall, for the avoidance of doubt, apply to the execution of this Agreement.

10.13 <u>Authority</u>. YUM represents on behalf of itself, and SpinCo represents on behalf of itself, as follows:

(a) it has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(b) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable against it in accordance with the terms hereof.

10.14 <u>Incorporation</u>. Sections 10.8 (No Set-Off), 10.10 (Headings), 10.15 (Interpretation) and 10.18 (Mutual Drafting) of the Separation and Distribution Agreement are hereby incorporated in this Agreement as if fully set forth herein.

[Signatures set forth on following page]

15

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

YUM! BRANDS, INC.

By: /s/ Greg Creed

Name: Greg Creed Title: Chief Executive Officer

YUM CHINA HOLDINGS, INC.

By: /s/ Micky Pant

Name: Micky Pant Title: Chief Executive Officer

[Signature Page to Transition Services Agreement]

# <u>Schedule 1</u>

## QUALITY ASSURANCE TRANSITION SERVICES PROVIDED BY SPINCO

### **Transition Services**

Service	Description	Service Termination Date
Quality Assurance Services	Kenny Poon to provide quality assurance and premium sourcing support to YUM, including identifying and qualifying suppliers for premium items (kid meal toys, balloons, etc.) to ensure they meet Yum! Brands Quality Assurance Standards (product quality, safety, regulatory compliance, etc.).	October 31, 2017
Price		
Actual cost for travel and expense; 55%	6 of actual cost for other costs, including compensation, benefits and occupancy.	
<u>Recipient and, if applicable, Affiliate</u>	of Recipient to receive the Transition Services	
YUM		
Provider and, if applicable, Affiliate	of Provider or Third Party to provide the Transition Services	
SpinCo; Bai Sheng Restaurants China	Holdings LTD	
Point of Contact, Recipient		
Clive Newton, YUM Chief Food Safet	y Officer	
Point of Contact, Provider		
Harry Wang, SpinCo Head of Engineer	ing	
	S-1-1	

Schedule 2

# BRAZIL POULTRY SUPPORT TRANSITION SERVICES PROVIDED BY YUM

# **Transition Services**

Service	Description	Service Termination Date
Brazil Poultry Sourcing	Yum! Restaurantes do Brasil Ltda. ("Yum Brazil") will source poultry from	October 31, 2017
	Brazil poultry suppliers according to SpinCo product and pricing	
	specifications, as described in the Goods Sourcing Agreement dated the date	
	hereof between SpinCo and Yum Brazil.	

### Price

U.S. \$6,000 per month, which represents the actual cost to Yum Brazil.

# Recipient and, if applicable, Affiliate of Recipient to receive the Transition Services

SpinCo; Yum Restaurants Consulting (Shanghai) Company Limited

# Provider and, if applicable, Affiliate of Provider or Third Party to provide the Transition Services

YUM; Yum! Restaurantes do Brasil Ltda.

### Point of Contact, Recipient

Danny Tan, SpinCo Chief Support Officer

# Point of Contact, Provider

# Schedule 3

# OFFICE LEASE TRANSITION SERVICES PROVIDED BY YUM

## **Transition Services**

Service	Description	Service Termination Date
Office Lease	Pizza Hut of America, LLC to lease 520 square feet to SpinCo at 7100	October 31, 2017
	Corporate Drive, Plano, Texas, 75024, as described in the office lease letter	
	agreement dated the date hereof between SpinCo and Pizza Hut of America,	
	LLC (the "Office Lease").	

# **Price**

Actual cost which will include any third-party expenses incurred by Provider after the date hereof in connection with providing this Transition Service as set forth in the Office Lease.

# Recipient and, if applicable, Affiliate of Recipient to receive the Transition Services

## SpinCo

# Provider and, if applicable, Affiliate of Provider or Third Party to provide the Transition Services

YUM; Pizza Hut of America, LLC

# Point of Contact, Recipient

Yuan Yuan Chen, Sr. Director Finance US Office

# Point of Contact, Provider

Jen Hall, Pizza Hut CORE Services

S-3-1

# Schedule 4

# INFORMATION TECHNOLOGY ("IT") TRANSITION SERVICES PROVIDED BY YUM

# **Transition Services**

Service	Description	Service Termination Date
IT and Data Support	YUM to provide certain IT and Data Support services related to forwarding and	February 28, 2017
	replying to emails, spam filtering, use of current YUM circuits, voice support	
	and virtual desktop (VDI) technology to access applications hosted in China for	
	the employees using the Plano, Texas office space (see Schedule 3 and the	
	Office Lease)	

### Price

Actual cost. Estimated costs, which may differ from actual costs, are as follows:

- Estimated monthly costs:
  - \$3,000 for spam filtering
  - \$7,900 to \$9,000 for circuits
  - \$45 per user for VDI
  - \$16 per user for voice support
- Estimated one time set up costs:
  - · \$4,000 for VDI

# Recipient and, if applicable, Affiliate of Recipient to receive the Transition Services

SpinCo

# Provider and, if applicable, Affiliate of Provider or Third Party to provide the Transition Services

YUM; Yum! Restaurant Services Group

# Point of Contact, Recipient

Johnson Huang, SpinCo Chief Information and Marketing Support Officer

# Point of Contact, Provider

David Held, YUM Director Corporate Systems

S-4-2

### NAME LICENSE AGREEMENT

THIS NAME LICENSE AGREEMENT (this "<u>Agreement</u>") is made effective as of October 31, 2016 (the "<u>Effective Date</u>") by and between Yum! Brands, Inc., a North Carolina corporation having its principal place of business at 1441 Gardiner Lane, Louisville, Kentucky 40213 ("<u>Licensor</u>"), and Yum China Holdings, Inc., a Delaware corporation having its principal place of business at 16/F Two Grand Gateway, 3 Hong Qiao Road, Shanghai 200030, People's Republic of China ("<u>Licensee</u>") (each, a "<u>Party</u>," and collectively, the "<u>Parties</u>").

# RECITALS

WHEREAS, Licensor owns rights to the name and mark "YUM!" in various countries throughout the world, including, without limitation, the People's Republic of China (the "PRC");

WHEREAS, under the Master License Agreement dated October 31, 2016 between Yum! Restaurants Asia Pte. Ltd., a wholly-owned indirect subsidiary of Licensor ("<u>YRAPL</u>"), and Yum Restaurants Consulting (Shanghai) Company Ltd., a wholly-owned indirect subsidiary of Licensee ("<u>YCCL</u>") (as such Master License Agreement may be amended from time to time in accordance with its terms, the "<u>MLA</u>"), YRAPL granted YCCL a license to the Brand System IP owned by Licensor and its subsidiaries to operate Brand Restaurant Businesses and to grant Sublicenses to others to operate Restaurants under the Brands in the Territory;

WHEREAS, Licensee was formed as a result of a spin-off of Licensor's business division with primary responsibility for the conduct of the Brand Restaurant Businesses in the PRC; and

WHEREAS, Licensee is incorporated under the corporate name Yum China Holdings, Inc. (the "Licensee Name") and would like to formalize, and Licensor is willing to formally grant to Licensee, the right and license to use (i) the name and mark "YUM" (without the exclamation mark) (the "Licensed Mark") as part of the Licensee Name and, on letterhead or business cards of Licensee, in conjunction with the Yum! Bubble Logo as shown in Schedule 1 and as may be amended by Licensor from time to time (the "Licensed Logo"); (ii) the Licensed Mark as part of the domain name "yumchina.com" (the "Domain Name"); and (iii) the Licensed Mark as part of its stock identification symbol "YUMC" (the "Licensee Ticker Symbol") on any stock exchange on which the Licensee's common stock is listed (each, an "Applicable Exchange"), and to permit those subsidiaries of Licensee established under the law of the PRC and identified on Schedule 2 to this Agreement (each, a "Subsidiary") to use as a part of such Subsidiary's corporate name the Licensed Mark, as such corporate name has been approved in advance in writing by Licensor to Licensee (each, a "Subsidiary Name").

NOW, THEREFORE, the Parties agree, in consideration for the mutual promises herein, as follows:

1. **Definitions.** Any capitalized term used in this Agreement and not defined in this Agreement (including, without limitation, the term "Territory") shall have the meaning given to such term in the MLA. In addition, the word "<u>Term</u>" means the period of time commencing on the Effective Date and ending upon the termination of this Agreement.

2. Licensee Name, Licensed Logo, Domain Name, and Licensee Ticker Symbol. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee during the Term a non-exclusive, non-transferable, non-sublicensable (except by Licensee to the Subsidiaries under Section 3), royalty-free right to use (i) the Licensed Mark solely as part of the Licensee Name as approved in advance in writing by Licensor to Licensee, (ii) the Licensed Logo on letterhead or business cards of Licensee, (iii) the Licensed Mark as part of the Domain Name, and (iv) the Licensed Mark as part of the Licensee Ticker Symbol, all only in connection with, and while, operating one or more Brand Restaurant Businesses in the Territory, always subject to and in compliance with the terms and conditions of this Agreement. Without Licensor's express prior written consent, Licensee shall not and shall cause its Affiliates not to: (i) use the Licensee Name, or the Licensee Ticker Symbol as or in or directly with a logo (including the Licensed Logo) or in a stylized form or appearance; (ii) use the Licensed Mark or a variation thereof in any domain name, or obtain a registration for a domain name

1

using the Licensed Mark or a variation thereof, other than the Domain Name; (iii) use any translation or transliteration of the Licensed Mark, Licensee Name, Domain Name, or Licensee Ticker Symbol; or (iv) make any use the Licensed Mark standing alone or otherwise apart from the Licensee Name, the Licensed Logo on letterhead or business cards of Licensee, the Domain Name, or the Licensee Ticker Symbol. For the avoidance of doubt, Licensor does not grant or give, and Licensor shall not be deemed in this Section 2 or otherwise under this Agreement to grant or give, any license or permission for any sublicensee or franchisee of Licensee or any Subsidiary to use, or for Licensee or any Subsidiary to grant any such sublicensee or franchisee the right to use, the Licensed Mark or any translation or transliteration thereof (other than Licensee's right to grant rights to the Subsidiaries under Section 3). For the purpose of clarification, the "□□" term is not a translation or transliteration of the Licensed Mark. Licensee agrees that it shall and that it shall cause its Subsidiaries to refer to Licensor solely as "Yum! Brands, Inc." (and not, for the avoidance of doubt, as any Chinese transliteration thereof), unless otherwise consented to in advance in writing by Licensor.

3. Subsidiary Names. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee during the Term a non-exclusive, non-transferable, royalty-free right to sublicense to each Subsidiary the right to use in the Subsidiary Name of such Subsidiary the Licensed Mark as approved in advance in writing by Licensor to Licensee for such Subsidiary Name, subject to, and on the condition that, such Subsidiary complies with all provisions in this Agreement with regard to such Subsidiary Name to the same extent as they apply to the Licensee Name, always subject to and in compliance with the terms and conditions of this Agreement. Without Licensor's express prior written consent, Licensee shall cause each Subsidiary not to: (i) use its Subsidiary Name as or in or directly with a logo or in a stylized form or appearance; or (ii) use any translation or transliteration of the Licensed Mark or Subsidiary Name.

4. Change of Licensee Name, Licensed Logo, Domain Name, or Licensee Ticker Symbol or Subsidiary Name. Licensee may not change, amend, alter, or replace all or any part of the Licensee Name, the Domain Name, or the Licensee Ticker Symbol, if the amended Licensee Name, Domain Name, or Licensee Ticker Symbol still incorporates the Licensed Mark or anything similar, without an amendment to this Agreement in accordance with Section 13(h). Licensee may not change, amend, or alter the Licensed Logo. In the event that Licensee is required, by applicable law, regulation, rule, or order of a court or governmental agency, or the applicable rules governing the listing of stock on any Applicable Exchange, to change, amend, alter, or replace all or any part of the Licensee Ticker Symbol, Licensee shall promptly notify Licensor of such requirement in writing. Licensee

shall cause each Subsidiary not to change, amend, alter, or replace all or any part of its Subsidiary Name, if the amended Subsidiary Name still incorporates the Licensed Mark or anything similar, without Licensor's express prior written consent to Licensee. In the event that a Subsidiary is required, by applicable law, regulation, rule, or order of a court or governmental agency, to change, amend, alter, or replace all or any part of its Subsidiary Name, Licensee shall promptly notify Licensor of such requirement in writing. Licensor shall have the discretionary right to refuse to agree to any change, amendment, alteration, or replacement of the Licensee Name, the Domain Name, the Licensee Ticker Symbol, or any Subsidiary Name, if the amended Licensee Name, Domain Name, or Licensee Ticker Symbol still incorporates the Licensed Mark or anything similar.

5. Limitations. Other than the limited rights under Sections 2 and 3 during the Term, Licensee does not have a license or right to, and Licensee shall not and shall cause each Subsidiary not to: (i) transfer, assign, sublicense, or grant the right to sublicense, or otherwise grant others, the right to use the Licensed Mark (or any other mark or name confusingly similar to the Licensed Mark or any translation or transliteration of the Licensed Mark or any other mark or name confusingly similar to the Licensed Mark or other publicly traded instruments, anywhere in the world other than an Applicable Exchange, without the express prior approval of Licensor; (iii) use, adopt, register, seek registration of, obtain a domain name registration for, or assert ownership or rights to any trademark, service mark, tradename, corporate name, business name, domain name, social media name or handle, or other source identifier that consists of or includes the Licensed Mark, or any other mark or name proprietary to Licensor, or any mark or name confusingly similar to, or any translation or transliteration of the Licensed Mark; (iv) challenge Licensor's ownership or rights in or to, or challenge the validity or enforceability of, the Licensed Mark or any other mark or name proprietary to Licensor assist with any

2

activity by a third party that would violate the foregoing provisions of this Section 5 if such activity had been that of Licensee or a Subsidiary.

6. Quality Control; Use. Licensee shall, at all times, cause the Brand Restaurant Businesses to be operated in accordance with the requirements, including, without limitation, the quality control requirements, under the MLA. Licensee shall and shall cause the Subsidiaries to comply with any standards for use of the Licensed Mark, as notified in writing by Licensor to Licensee from time to time. Licensee shall and shall cause the Subsidiaries to at all times conduct business and operations in compliance with all applicable laws and maintain a good reputation. Upon Licensor's request from time to time, Licensee shall promptly provide Licensor with documentary evidence showing Licensee's and each Subsidiary's representative use of the Licensed Mark. Licensor and/or its representatives shall be entitled to audit and inspect Licensee's and each Subsidiary's records related to the use of the Licensed Mark during Licensee's or such Subsidiary's ordinary business hours, as applicable.

Ownership and Reservation of Rights. Licensor is and shall be and remain the sole owner of all rights, title, and interest in and to the Licensed 7. Mark and all goodwill represented thereby or arising or resulting from the Licensed Mark. Any and all use of the Licensed Mark will inure to the sole benefit of Licensor, and all goodwill in or accruing in, or arising or resulting from any use of, the Licensed Mark shall belong to, and all value and benefits arising therefrom, shall be owned solely by Licensor without any claim thereto, or for any compensation in connection with same, by Licensee, a Subsidiary, or any third party. Licensor reserves all rights to the Licensed Mark. Licensor does not grant or give to Licensee, a Subsidiary, or any third party any ownership, right, title, interest, license (with the sole exception of the limited rights to use the Licensed Mark under Sections 2 and 3 during the Term), or encumbrance, or any claim or right to any ownership, right, title, interest, license, or encumbrance, in or to the Licensed Mark or any other name, mark, or intellectual property in or under this Agreement. Licensor shall have the sole discretionary right to file and prosecute any application for, and to seek and obtain and maintain any registration, for the Licensed Mark anywhere in the world. If Licensor decides to file any application or to seek or obtain any registration for the Licensed Mark, Licensee agrees to assist Licensor in connection therewith. In the event that Licensee or a Subsidiary acquires, obtains, or owns any right, title, interest, license (with the sole exception of the limited rights to use the Licensed Mark under Sections 2 and 3 during the Term), or encumbrance, or any claim or right thereto, in or to, or owns an application or a registration for, or a domain name registration (other than the Domain Name) including the Licensed Mark, or any other mark or name of Licensor or any of its Affiliates, or any mark or name confusingly similar to the Licensed Mark, or such other mark or name of Licensor or any of its Affiliates, or any translation or transliteration of the Licensed Mark, any such other mark or name, or any such confusingly similar mark or name, Licensee hereby assigns, transfers, and conveys, and shall cause such Subsidiary to assign, transfer, and convey, to Licensor all such right, title, interest, license, encumbrance, claim, application, and/or registration, free of any payment or payment obligation by Licensor. If and to the extent requested by Licensor, Licensee agrees to assist with any recordation, action, or step necessary to secure the continued ownership pursuant to this Section 7, to otherwise implementing and effecting the provisions of this Section 7, and to assist Licensor with enforcing any of its rights in and to the Licensed Mark, including, without limitation, by executing and filing any document, giving any statement or testimony, and provide any other assistance.

8. Warranties; Liability. Each Party represents and warrants that it has the full power and corporate authority to enter into and perform its obligations under this Agreement. WITH THE SOLE EXCEPTION OF THE FOREGOING REPRESENTATION AND WARRANTY OF A PARTY SET FORTH ABOVE IN THIS SECTION 8, NEITHER PARTY MAKES ANY, AND EACH PARTY DISCLAIMS ALL, REPRESENTATIONS, WARRANTIES, AND CONDITIONS OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY RELATED TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR TITLE. IN NO EVENT SHALL LICENSOR BE LIABLE FOR ANY DAMAGES RELATED TO THE LICENSED MARK, THE LICENSEE NAME, THE LICENSED LOGO, THE DOMAIN NAME, THE LICENSEE TICKER SYMBOL, A SUBSIDIARY NAME, OR ANY USE THEREOF, INCLUDING, WITHOUT LIMITATION, ANY INFRINGEMENT OR CLAIM OR ALLEGATION OF INFRINGEMENT.

3

9. Term. This Agreement, and the rights granted in Sections 2 and 3, shall be effective as of the Effective Date and continue until this Agreement is terminated pursuant to Section 10 or applicable law.

# 10. Termination.

a. <u>Termination of Agreement (Other than Right to Use Domain Name and Licensee Ticker Symbol).</u> Licensor may terminate this Agreement and the rights and licenses granted herein (other than Licensee's right to use the Domain Name and Licensee Ticker Symbol), at any time by written notice of termination to Licensee:

(i) in the event of a material breach of this Agreement by Licensee, which material breach shall be identified in such written notice, and which termination shall become effective at the end of thirty (30) days of such written notice of termination unless Licensee fully cures

such material breach within such thirty (30) day period; or

(ii) in the event of a termination of the license under the MLA for one or more of the Brands (other than the termination of the MLA resulting in the termination of this Agreement under Section 10(c)(i)); or

(iii) in the event of a material breach of the MLA as set forth in Sections 14.1.1 through 14.1.4 of the MLA; or

(iv) in the event of a non-curable material breach of the MLA as set forth in and determined in accordance with Sections 14.1.5.C (Failure to Comply with Brand Standards or Enforce the Sublicenses), .D (Loss of Rights in Brand System IP), .F (Failure to Meet Sales Growth Metric) or .G (Failure to Meet the Taco Bell Brand Development Initiative) of the MLA; or

(v) as provided in Section 12; or

(vi) if Licensor assigns its rights to the "YUM" mark to a third party that is not an Affiliate of Licensor; or

(vii) if Licensee discontinues its business operations, is dissolved or suspended from operating, takes steps to dissolve or cease to exist, admits its inability to pay its debts as they become due, files or is or becomes subject to a petition in bankruptcy (or similar reorganization proceeding) or makes a general assignment for the benefit of its creditors, or becomes subject to the appointment of a receiver.

b. <u>Termination of Agreement in Its Entirety by Licensor</u>. By written notice of termination to Licensee, Licensor may terminate this Agreement in its entirety, and the rights and licenses granted herein, including without limitation with respect to the Domain Name and the Licensee Ticker Symbol, following a non-curable material breach of the MLA as set forth in and determined in accordance with Sections 14.1.5.A (Criminal Conviction/Adverse Publicity), .B (Unauthorized Disclosure of Confidential Information; Violation of Non-Compete), or .E (Threat or Danger to Public Health or Safety) of the MLA, subject to Section 10(e).

c. <u>Automatic Termination of Agreement in Its Entirety.</u> This Agreement, and the rights and licenses granted herein, shall terminate automatically, without need for any additional or other notice or action, subject to Section 10(e), upon the earliest of the following events:

(i) the termination, expiration, or cancellation of the MLA; or

(ii) Licensor's written notice under Section 4 refusing to agree to any change, amendment, alteration, or replacement of the Licensee Name and/or the Licensee Ticker

4

Symbol required by applicable law, regulation, rule, or court order, or the applicable rules governing the listing of stock on any Applicable Exchange

d. <u>Actions Following Termination Under Section 10(a) or Section 12.</u> In the event of a termination pursuant to Section 10(a) or Section 12, Licensee shall discontinue use of the Licensed Logo and modify or replace its corporate name such that it does not include the Licensed Mark or any variation, translation, or transliteration thereof, which modification or replacement shall be legally effective and complete at the end of sixty (60) days from such termination or at the end of any longer period of time that is required or necessary to legally effect such modification or replacement in accordance with all applicable laws, regulations, rules, or orders of a court or governmental agency, provided that Licensee pursues such modification or replacement in good faith with all deliberate effort and speed; and Licensee shall cause each Subsidiary to modify or replace its corporate name such that it does not include the Licensed Mark, or any variation, translation, or other transliteration thereof, which modification or replacement shall be legally effective and complete at the end of sixty (60) days from such termination or at the end of any longer period of time that is required or necessary to legally effect such modification or replacement in accordance with end of sixty (60) days from such termination or at the end of any longer period of time that is required or necessary to legally effect such modification or replacement in accordance with all applicable laws, regulations, rules, or orders of a court or governmental agency, provided that such Subsidiary shall pursue such modification or replacement in good faith with all deliberate effort and speed. Upon Licensor's request, Licensee shall, at Licensee's cost, provide copies of all filings or submissions made for effecting the relevant corporate name changes.

e. Actions Following Termination Under Section 10(b) or (c). In the event of a termination pursuant to Section 10(b) or (c) (including without limitation to the extent not already implemented in connection with a termination under Section 10(a)): (i) Licensee shall discontinue use of the Licensed Logo and modify or replace its corporate name and its stock identification symbol such that it does not include the Licensed Mark or any variation, translation, or transliteration thereof, which modification or replacement shall be legally effective and complete at the end of thirty (30) days from this Agreement's termination or at the end of any longer period of time that is required or necessary to legally effect such modification or replacement in accordance with all applicable laws, regulations, rules, or orders of a court or governmental agency, or the applicable rules governing the listing of stock on any Applicable Exchange, provided that Licensee pursues such modification or replacement in good faith with all deliberate effort and speed; (ii) Licensee shall transfer the registration of the Domain Name free-of-charge to Licensor; and (iii) Licensee shall cause each Subsidiary to modify or replace its corporate name such that it does not include the Licensed Mark, or any variation, translation, or other transliteration thereof, which modification or replacement is termination or at the end of thirty (30) days from this Agreement's termination or at the end of any longer period of time that is required or necessary to legally effect such modification or replacement shall be legally effective and complete at the end of thirty (30) days from this Agreement's termination or at the end of any longer period of time that is required or necessary to legally effect such modification or replacement in accordance with all applicable laws, regulations, rules, or orders of a court or governmental agency, provided that such Subsidiary shall pursue such modification or replacement in good faith with all deliberate effort and sp

f. Notwithstanding the termination of this Agreement, all rights and remedies accrued under this Agreement theretofore, the provisions in Sections 7, 10(d) and 10(e), and this Section 10(f), and Sections 1, 11, and 13 as applicable to Sections 7, 10(d), 10(e) and 10(f), shall survive the termination of this Agreement.

11. Governing Law; Disputes. This Agreement, its interpretation and construction, its enforcement, and the resolution of any dispute under this Agreement will be governed by and in accordance with the laws of the State of Texas, United States of America, without regard to conflict of laws principles that may require the application of the laws of any other jurisdiction. The procedures for discussion, negotiation, mediation and arbitration set forth in Article 17 of the MLA shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with, this Agreement.

**12.** Acquisition or Operation of Other Brands. If Licensee or any of its Affiliates acquires, adopts, operates, licenses or franchises a brand (other than Little Sheep or East Dawning, or a homegrown brand that operates only in the Territory) that is not a Brand and that at any time comprises more than one hundred (100) restaurants or other outlets (such acquisition, adoption, operation, licensing or franchising, a "<u>New Business</u>"),

Licensee shall give prompt written notice of the New Business to Licensor, including such information as would be reasonably necessary for Licensor to assess the size, scope and nature of the New Business (the "<u>New Business Notice</u>"). If Licensee or any of its Affiliates acquires, adopts, operates, licenses or franchises a New Business, Licensor shall have the right to terminate this Agreement and the rights and licenses granted herein (other than Licensee's right to use the Domain Name and Licensee Ticker Symbol), subject to Section 10(d), upon written notice of termination to Licensee delivered at any time prior to the date which is thirty (30) days after Licensor's receipt of the New Business Notice.

## 13. General Provisions.

a. All notices, demands, or other communications to be given or delivered to a Party under or by reason of a provision of this Agreement shall be in writing and shall be deemed to have been given to such Party when delivered personally to such Party at, or sent to such Party by reputable express courier service (charges prepaid) to, such Party's address set forth in the caption of this Agreement or another address notified hereunder in writing at least thirty (30) days before such notice, demand, or other communication by such Party to the other Party, addressed to the attention of Scott A. Catlett if to Licensor or Shella Ng if to Licensee.

b. A reference in this Agreement to "including" (or "include" or like term) will not be construed restrictively but will mean "including (or "include" or like term) without prejudice to the generality of the foregoing" and "including (or "include" or like term) but without limitation". The term "shall" is a term of obligation. References to this Agreement will include any Recitals and Exhibits to it, and references to Sections are (unless otherwise indicated) to the sections of this Agreement. The headings are for convenience only and will not affect the interpretation of this Agreement. Unless the context otherwise requires or permits, references to the singular number will include references to the plural number and *vice versa*; references to a "person" will include any company, limited liability partnership, association, partnership, business trust, unincorporated association or other entity; references to a company will include any company, corporation or any body corporate, wherever incorporated; and words denoting any gender will include all genders.

c. Licensee recognizes that any violation, breach, or non-performance of, or default under, any provision in this Agreement may cause irreparable injury to Licensor for which Licensor may have no adequate remedy at law. Therefore, Licensor shall be entitled to injunctive relief or specific performance, without need or obligation to post any bond, to enforce any obligation, agreement, covenant, and provision of this Agreement in the event of any actual or impending violation, breach, or non-performance of, or default under, any provision of this Agreement by Licensee, in addition to any other rights and remedies available to Licensor as Licensor elects in its sole discretion. In the event that Licensor enforces any right or remedy under or related to this Agreement or any right herein against Licensee and prevails, Licensor shall be entitled to recover from Licensee all reasonable attorneys' fees and other legal costs incurred or accrued in connection with such enforcement, whether in or outside any judicial or governmental forum.

d. Licensor and Licensee are independent contractors. Neither Party shall hold itself out as a partner, joint-venturer, affiliate, associate, agent, employee, or legal representative of the other. Neither Party shall have any right to obligate or bind the other Party in any manner whatsoever, and nothing herein contained shall give or is intended to give any rights of any kind to any third persons.

e. The Parties do not intend any third party to be, and no third party is, a third party beneficiary under or in connection with this Agreement.

f. Licensor may transfer, assign, or extend this Agreement, without requirement for consent by or notice to Licensee. Licensee may not transfer this Agreement or assign any of its rights, or assign or delegate any of its obligations, in or under this Agreement to any third party without express prior written consent of the Licensor. The terms of this Agreement shall inure to the benefit of and be binding upon each Party and each Party's permitted successors and assigns.

g. Licensee shall and shall cause each Subsidiary to, at all times, strictly comply with all applicable laws and governmental orders, now or hereafter in effect, relating to the performance of its activities, and not engage in any practices or activities that are prohibited or in violation of any such law or

6

governmental order. Section 19.7 of the MLA is hereby incorporated by reference and shall apply between Licensor and Licensee to the same extent as between "Licensor" and "Licensee" under the MLA as if expressly set forth in this Section 13(g).

h. This Agreement constitutes the entire understanding and agreement between the Parties hereto related to the Licensee Name, the Licensed Mark, the Licensed Logo, the Domain Name, the Licensee Ticker Symbol, and the related rights and obligations of Licensee and Licensor in addition to provisions of the MLA included by reference herein.

(i) Neither this Agreement nor any term or provision hereof may be waived except by an instrument in writing signed by the person against whom the enforcement of any waiver is sought. A failure of a Party to exercise any right provided for herein shall not be deemed to be a waiver of any right hereunder, and the selection of any right or remedy shall not be deemed to be a waiver of any other right or remedy.

(ii) Other than a waiver of this Agreement or any term or provision hereof as provided under Section 13(h)(i), no modification, amendment, or supplement to this Agreement will be binding upon the Parties unless made in a writing identifying the relevant provisions and signed by each Party through its authorized representative. A transfer or assignment permitted under Section 13(f) shall not constitute any modification, amendment, variation, or extension under the immediately preceding sentence if this Agreement does not change as a result of such assignment (other than the identity and contact information of the assigner).

i. If any provision of this Agreement is held to be invalid or unenforceable, the meaning of said provision will be construed, to the extent feasible, so as to render the provision valid and enforceable, and if no feasible interpretation shall save such provision, it will be severed from the remainder of this Agreement, as appropriate. The remainder of this Agreement shall remain in full force and effect unless the severed provision is essential and material to the rights or benefits received by a Party. In such event, the Parties will use their best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement, which most nearly effects the Parties' intent in entering into this Agreement, as appropriate.

j. This Agreement may be executed in one or more counterparts (any one of which may be by facsimile or PDF), all of which shall constitute one and the same agreement.

[Signature page follows.]

7

Licensee:

Yum China Holdings, Inc.,

a Delaware corporation

IN WITNESS WHEREOF, each Party has signed this Agreement through its duly authorized representative as of the Effective Date.

### Licensor:

Yum! Brands, Inc., a North Carolina corporation

/s/ Greg Creed/s/ Micky PantName:Greg CreedName:Micky PantTitle:Chief Executive OfficerTitle:Chief Executive Officer

8

# **SCHEDULE 1**

## THE LICENSED LOGO



# **SCHEDULE 2**

## **SUBSIDIARIES**

Yum! (Shanghai) Food Co., Ltd. \* Yum! Asia Holdings Pte. Ltd. Yum China E-Commerce Limited Yum! China Finance S.à r.l. Yum! Franchise China IV S.à r.l. Yum! Franchise China Trust Yum! Franchise China Trust I S.à r.l. Yum! Franchise China Trust II Yum! Franchise China Trust III Yum! Franchise China Trust III S.à r.l. Yum! Franchise China Trust IV Yum! Global Investments I B.V. Yum! Global Investments II B.V. Yum! Global Investments III LLC Yum! Restaurants (Chengdu) Co., Ltd. \* Yum Restaurants (China) Investment Company Limited\* Yum! Restaurants (Fuzhou) Co., Ltd. \* Yum! Restaurants (Guangdong) Co., Ltd. \* Yum! Restaurants (Shenyang) Co., Ltd. \* Yum! Restaurants (Shenzhen) Co. Ltd. \* Yum! Restaurants (Wuhan) Co., Ltd. \* Yum! Restaurants (Xian) Co., Ltd. \* Yum Restaurants Consulting (Shanghai) Company Limited\* Yum! Restaurants International S.a.r.l.

10

<sup>\*</sup>Note: These Chinese companies' official company names (registered with relevant Chinese government authorities) are in Chinese, not in English. These Chinese companies use their English names in their operations mainly for the purpose of reference.

### **GUARANTY FOR MLA**

Yum China Holdings, Inc., a Delaware corporation ("<u>Guarantor</u>"), hereby executes this Guaranty (this "<u>Guaranty</u>"), which shall be deemed a part of the Master License Agreement (including, for the avoidance of doubt, the Exhibits thereto, the "<u>Agreement</u>") between Yum! Restaurants Asia Pte. Ltd., a private limited company organized and existing under the laws of Singapore ("<u>YRAPL</u>"), and Yum Restaurants Consulting (Shanghai) Company Limited, a company organized under the laws of the People's Republic of China ("<u>YCCL</u>"), for purposes of making the following guaranty in favor, and for the benefit, of YRAPL.

Capitalized terms used herein without definition shall have the meaning ascribed thereto in the Agreement.

### A. <u>Guaranty</u>

Guarantor, intending to be legally bound, hereby absolutely, irrevocably and unconditionally guarantees, as primary obligor and not merely as a surety, to YRAPL the prompt and complete performance of each and all of the obligations of YCCL under the Agreement, including prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, upon demand or otherwise, and at all times thereafter, of any and all of the payment obligations, whether for principal, interest, premiums, fees, indemnities, damages, costs, expenses or otherwise, of YCCL to YRAPL under the Agreement (each such obligation, a "Guarantee Obligation," and collectively, the "Guarantee Obligations"). Upon failure by YCCL to perform any Guarantee Obligation, Guarantor shall forthwith without demand perform such obligation in the manner specified herein. Guarantor hereby agrees that its obligations hereunder shall be an absolute, irrevocable and unconditional guarantee of payment and performance and not merely a guaranty of collection.

All payments made of a Guarantee Obligation will be paid free and clear of and without deduction or withholding for or on account of any Tax (as defined in the Tax Matters Agreement), except as may be required by Law. If Guarantor shall be required by Applicable Law to deduct or withhold any Taxes from such payments, then (i) Guarantor shall make such deductions or withholdings as are required by Applicable Law, (ii) Guarantor shall timely pay the full amount deducted or withheld to the applicable Tax Authority (as defined in the Tax Matters Agreement) and provide YRAPL with receipts or other proof of such payment promptly upon receipt, and (iii) if the amount received by YRAPL is less than the amount it would have received had the applicable payment been made by YCCL (after making any deductions or withholdings as YCCL would have been required to make under Applicable Law), Guarantor shall gross up the payment to YRAPL so that the net amount that YRAPL receives is the same as the amount it would have received (after making any deductions or withholdings) had the applicable payment been made by YCCL.

Guarantor hereby agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by any renewal, extension, adjustment or modification of any of the Guarantee Obligations, including the time, place or manner of payment or performance thereof, and Guarantor hereby consents to any changes in the terms of any of the Guarantee Obligations as agreed to by YRAPL and YCCL, and to any settlement or adjustment with respect to any of the Guarantee Obligations entered into between YRAPL and YCCL.

1

Guarantor hereby acknowledges that it will receive substantial benefits from the transactions contemplated by the Agreement, and this Guaranty, including the waivers set forth herein, is knowingly made in contemplation of such benefits. The Guarantee Obligations shall conclusively be deemed to have been created, contracted or incurred in reliance on this Guaranty.

No failure or delay on the part of YRAPL in the exercise of any right or remedy with respect to any of the Guarantee Obligations shall operate as a waiver thereof or any obligations of Guarantor hereunder, and no single or partial exercise by YRAPL of any right or remedy with respect to any of the Guarantee Obligations shall preclude any other or further exercise thereof or the exercise of any other right or remedy. YRAPL shall not have any obligation to proceed at any time or in any manner against, or to exhaust any or all of YRAPL's rights against, YCCL or any other Person liable for any of the Guarantee Obligations prior to proceeding against Guarantor hereunder. Without limiting the foregoing, YRAPL shall not be obligated to file any claim relating to the Guarantee Obligations in the event that YCCL becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of YRAPL to so file shall not affect the Guarantee Obligations or the obligations of Guarantor. Guarantor's obligations hereunder shall remain in full force and effect until all Guarantee Obligations shall have been performed in full. If at any time any performance of any Guarantee Obligation is rescinded or must be otherwise restored or returned upon YCCL's insolvency, bankruptcy or reorganization or otherwise, Guarantor's obligations hereunder with respect to such performance shall be reinstated as though such performance had been due but not made at such time.

Guarantor hereby acknowledges and agrees that its obligations hereunder shall not be released, discharged or affected by (a) any change in corporate existence, structure or ownership of YCCL or any other Person, (b) any insolvency, bankruptcy, reorganization or similar proceeding affecting YCCL or any other Person, (c) the addition, substitution or release of any Person now or hereafter liable with respect to the Guarantee Obligations, (d) any rescission, waiver or amendment of the Agreement, (e) the existence of any claim, set-off or other right that Guarantor may have against any Person, (f) the adequacy of any other means of YRAPL obtaining payment or performance related to any of the Guarantee Obligations, (g) the validity or enforceability of the Agreement, or (h) any other act or omission to act or delay of any kind by YRAPL, YCCL or any other Person or any other circumstance which might, but for the provisions hereof, constitute a legal or equitable discharge of or defense to Guarantor's obligations hereunder (other than to the extent such act, omission, delay or circumstance gives rise to a defense available to YCCL under the Agreement to performance of the Guarantee Obligations).

Guarantor hereby waives any and all rights or defenses which would otherwise require an election of remedies by YRAPL, and further waives promptness, diligence, presentment, demand for payment, default, dishonor and protest, notice of any Guarantee Obligations incurred and all other notices of any kind (other than those expressly required by the Agreement), all defenses that may be available by virtue of any valuation, stay, moratorium or similar Applicable Law now or hereafter in effect, any right to require the marshalling of assets of YCCL or any other Person and all suretyship defenses generally (other than fraud and defenses that are available to YCCL under the Agreement to performance of the Guarantee Obligations). Guarantor hereby waives and agrees not to exercise any rights that it may have or acquire against YCCL that arise from the existence, payment, performance or enforcement of the Guarantee Obligations (other than any such rights that YCCL has against YRAPL under the

Agreement), including any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of YRAPL against YCCL, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including the right to take or receive from YCCL, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until the Guarantee Obligations shall have been performed in full (including, with respect to any payment obligations, all such amounts due having been paid to YRAPL in cash in full). If any amount shall be paid to Guarantor in violation of the immediately preceding sentence at any time prior to the performance in full of the Guarantee Obligations, such amount shall be received and held in trust for the benefit of YRAPL, shall be segregated from other property and funds of Guarantor and shall forthwith be paid or delivered to YRAPL in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guarantee Obligations.

Guarantor hereby acknowledges and agrees that this Guaranty is a primary obligation of Guarantor, and that YRAPL shall be entitled to make a demand hereunder, and pursue all of its rights and remedies against Guarantor, whether or not YRAPL has made any demand or pursued any remedies, or during the pendency of any demand made or remedies pursued, against YCCL or any other Person. Guarantor represents and warrants to YRAPL that (a) Guarantor has the financial capacity to pay and perform the Guarantee Obligations, (b) Guarantor has all requisite power and authority to execute, deliver and perform this Guaranty, (c) the execution, delivery and performance of this Guaranty has been duly authorized by all necessary action by Guarantor, (d) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, (e) this Guaranty does not contravene any provision of Guarantor's organizational documents or violate, in any material respect, any Applicable Laws or contractual restriction binding on Guarantor or any of its assets and (f) all consents, approvals, authorizations and permits of, and all filings with and notifications to, any Governmental Authority necessary for the due execution, delivery and performance of this Guaranty by Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any Governmental Authority is required in connection with the execution, delivery or performance of this Guaranty.

## B. <u>Dispute Resolution</u>

- (1) <u>Certain Definitions</u>. For purposes of this Guaranty, the term "<u>Parties</u>" means YRAPL, YCCL and Guarantor and the term "<u>Party</u>" means any of them.
- (2) <u>Governing Law</u>. This Guaranty shall be interpreted and construed under the laws of the United States of America and the State of Texas, U.S.A. (without regard to, and without giving effect to, their conflict of laws rules).
- (3) Pre-Arbitration Dispute Resolution. Subject to Section 14.1.6.C. of the Agreement,
  - (a) Prior to submitting any dispute under the Agreement (with the exception of any disputes concerning breaches thereof which YRAPL has determined not to be curable) or this Guaranty to mediation, arbitration or any court or other tribunal, YRAPL or YCCL (in the case of the Agreement) or YRAPL or Guarantor (in

the case of this Guaranty) shall provide written notice of the dispute to the other Parties. Upon such notice appropriate executives of YCCL and YRAPL who have authority to resolve the dispute will meet either in person or by video conference or similar means and shall discuss and use good faith efforts to resolve the dispute. If the dispute cannot be resolved within thirty (30) days of such notice, then the Parties shall submit the claim for resolution to non-binding mediation in accordance with Section B(3)(b).

- (b) If the Parties are unable to resolve a dispute under the Agreement or this Guaranty accordance with Section B(3)(a), the Parties agree to submit the dispute (with the exception of any disputes concerning breaches of the Agreement which YRAPL has determined not to be curable) to non-binding mediation before bringing such dispute to arbitration in accordance with Section B(4). The Parties shall select a mediator within twenty (20) days of the date the dispute is submitted to mediation by a Party. The mediation shall be conducted in English by a mediator mutually and jointly approved by YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, and failing agreement of the Parties within the twenty (20) day period, by a mediator appointed by the International Institute for Conflict Prevention and Resolution ("<u>CPR</u>") in accordance with its mediation rules. The mediation shall be conducted at a location mutually and jointly selected by YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, and reacted by YRAPL, on the one hand, and YCCL and Guarantor, within ten (10) days following the date on which the mediator is appointed, and failing agreement of the Parties within such time period, then the mediation will be held in Dallas, Texas, U.S.A. The costs and expenses of any such mediation, including compensation and expenses of the mediator (and except for the lawyers' fees incurred by any Party), shall be borne by YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, equally.
- (4) <u>Arbitration</u>. If the Parties are unable to resolve a dispute under the Agreement or this Guaranty by mediation in accordance with Section B(3)(b), then such dispute and any other controversy or claim arising out of or relating to the Agreement or this Guaranty, or the breach hereof, including without limitation the determination of the scope or applicability of this agreement to arbitrate, shall, upon written request of a Party (the "<u>Arbitration Request</u>"), be determined by arbitration administered by CPR in accordance with the CPR Rules for Administered Arbitration ("<u>Administered Rules</u>"). Subject to Section 14.1.6.C of the Agreement, details of the arbitration are as follows:
  - (a) There shall be three (3) arbitrators. The panel of three (3) arbitrators will be chosen as follows: (i) within fifteen (15) days from the date of the receipt of the Arbitration Request, each of YRAPL, on the one hand, and YCCL and Guarantor, on the other hand, will name an arbitrator; and (ii) the two (2) arbitrators so appointed will thereafter name a third, independent arbitrator who will act as chairperson of the arbitral tribunal. In the event that YRAPL, on the one hand, or YCCL and Guarantor, on the other, fails to name an arbitrator within fifteen (15) days following the date of receipt of the Arbitration Request, then upon written application by a Party, that arbitrator shall be appointed pursuant to the Administered Rules. In the event that, within thirty (30) days from

the date on which the second of the two (2) arbitrators was named, the two (2) appointed arbitrators fail to appoint the third, then the third arbitrator will be appointed pursuant to the Administered Rules.

- (b) The arbitration shall be conducted in English. Any document that a Party seeks to use that is not in English shall be provided along with an English translation.
- (c) The place of arbitration shall be Dallas, Texas, U.S.A.
- (d) The arbitrators shall establish procedures under which each Party will be entitled to conduct discovery.
- (e) The arbitrators shall award to the substantially prevailing Party (as determined by the arbitrators) the costs and expenses of the proceeding, including reasonable attorneys' and experts' fees.
- (f) The arbitrators will issue a reasoned award.
- (g) Notwithstanding any language herein to the contrary, the Parties agree that the award rendered by the arbitrators (the "<u>Original Award</u>") may be appealed under the CPR Arbitration Appeal Procedure ("<u>Appeal Procedure</u>"). Appeals must be initiated within thirty (30) days of receipt of an Original Award, in accordance with Rule 2 of the Appeal Procedure, by filing a written notice with CPR. The Original Award shall not be considered final until after the expiration of the time for filing the notice of appeal pursuant to the Appeal Procedure. Following the appeal process, either (i) the Original Award, if no changes have been made by the appellate Tribunal, or (ii) the appellate award, if the Original Award has been changed by the appellate tribunal, may be entered in any court having jurisdiction thereof. Unless otherwise agreed by the Parties, the appeal shall be conducted at the place of the original arbitration.
- (h) Any award rendered by the arbitrators that is not appealed in accordance with the foregoing provisions or that is not modified by the appeal tribunal, and any award as modified or established by the appeal tribunal, shall be final and judgment may be entered thereon in any court having jurisdiction thereof.
- (i) Each Party retains the right to apply to any court of competent jurisdiction for provisional and/or conservatory relief, including
  prearbitral attachments or injunctions, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver
  of the right to arbitrate.
- (j) The existence and content of the arbitral proceedings and any rulings or award shall be kept confidential by the Parties and members of the arbitral tribunal except (i) to the extent that disclosure may be required of a Party to comply with Applicable Laws or the rules of any applicable stock exchange, protect or pursue a contractual right or perform a contractual obligation, or enforce or challenge an award in bona fide legal proceedings before a court or other judicial authority, (ii) with the consent of all Parties, (iii) where needed for the preparation or presentation of a claim or defense in arbitration, (iv) where such information is already in the public domain other than as a result of a breach of this Section, or (v) by order of the arbitral tribunal upon application of a Party.
- (5) <u>Limitations Period</u>. Any claim arising out of or relating to the Agreement or this Guaranty shall be governed by the statute of limitations under the governing law set forth in Section B(2).

~
۰.
2

(6) <u>Enforcement Costs</u>. Each Party shall bear its own legal costs (including attorneys' and experts' fees, and all other expenses) incurred in enforcing the Agreement or this Guaranty or in otherwise pursuing, or defending against, a claim, demand, action, or proceeding under or in connection with the Agreement or this Guaranty.

## C. <u>Miscellaneous</u>

If any term or other provision of this Guaranty is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, provisions and conditions of this Guaranty shall nevertheless remain in full force and effect. No Party hereto shall assert, and each Party shall cause its respective Affiliates not to assert, that this Guaranty or any part hereof is invalid, illegal or unenforceable. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Guaranty so as to effect the original intent of the Parties as closely as possible to the fullest extent permitted by Applicable Law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

This Guaranty, together with the Agreement, constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof. No amendment, modification or waiver of any provision hereof shall be enforceable unless approved by each Party in writing.

The provisions of this Guaranty are solely for the benefit of the Parties and do not and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and there are no third-party beneficiaries of this Guaranty and this Guaranty shall not provide any third Person with any remedy, claim, liability, reimbursement or other right in excess of those existing without reference to this Guaranty.

This Guaranty shall remain in full force and effect and shall be binding on Guarantor, and its successors and assigns, until all the Guarantee Obligations have been performed in full.

Section 19.10 (Construction) of the Agreement is hereby incorporated in this Guaranty as if fully set forth herein. This Guaranty may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Parties (it being agreed that delivery of a manual, stamp or mechanical signature, whether in person, by courier, by facsimile or by email in portable document format, shall be effective).

[Signatures to Follow]

6

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

YUM CHINA HOLDINGS, INC.

By: /s/ Micky Pant

Name:Micky PantTitle:Chief Executive Officer

Address:

Yum China Holdings, Inc. 16/F Two Grand Gateway, 3 Hongqiao Road Shanghai, the People's Republic of China

[Signature Pages to Guaranty]

Accepted and agreed to by:

YUM! RESTAURANTS ASIA PTE. LTD.

/s/ Vinod Mahboobani

Name:Vinod MahboobaniTitle:Director

Address: Yum! Restaurants Asia Pte. Ltd. 99 Bukit Timah Road, #06-09 Singapore 229835

YUM RESTAURANTS CONSULTING (SHANGHAI) COMPANY LIMITED

/s/ Mark Chu Name: Mark Chu Title: Legal Representative

Address: Yum Restaurants Consulting (Shanghai) Company Limited 16/F Two Grand Gateway, 3 Hongqiao Road

Shanghai, the People's Republic of China

[Signature Pages to Guaranty]

# YUM CHINA HOLDINGS, INC.

# SHAREHOLDERS AGREEMENT

Dated as of November 1, 2016

# TABLE OF CONTENTS

		Page
ARTICLE I G	OVERNANCE; ADDITIONAL AGREEMENTS	1
1.1.	Composition of the Board of Directors	1
1.2.	Certificate of Incorporation and Bylaws	5
1.3.	Share Repurchases	5
1.4.	Financing Cooperation	5
1.5.	Directors' and Officers' Indemnification and Insurance	6
ARTICLE II T	RANSFERS; STANDSTILL PROVISIONS; COMPLIANCE	6
2.1.	Investor Transfer Restrictions	6
2.2.	Standstill	8
2.3.	Compliance with Laws	10
ARTICLE III	INFORMATION RIGHTS	11
3.1.	Financial Statements; Access	11
3.2.	Confidentiality; Privileged Information	11
ARTICLE IV	REGISTRATION RIGHTS	13
4.1.	Demand Registrations	13
4.2.	Piggyback Registrations	15
4.3.	Shelf Registration Statement	16
4.4.	Withdrawal Rights	17
4.5.	Holdback Agreements	18
4.6. 4.7.	Registration Procedures Registration Expenses	18 23
4.7.	Miscellaneous	23
4.9.	Registration Indemnification	24
ARTICLE V E	DEFINITIONS	26
5.1.	Defined Terms	26
5.2.	Terms Generally	35
ARTICLE VI	MISCELLANEOUS	35
6.1.	Term	35
6.2.	No Inconsistent Agreements	35
6.3.	Legend	35
6.4.	Notices	36
6.5.	Amendment and Waiver	38

6.6.	Interpretation	38
6.7.	Counterparts	38
6.8.	Entire Agreement; No Third Party Beneficiaries	38
6.9.	Governing Law	39
6.10.	Severability	39
6.11.	Assignment	39
6.12.	Submission to Jurisdiction; Waivers	39
6.13.	Enforcement	39
6.14.	Descriptive Headings	40
6.15.	Mutual Drafting	40
6.16.	No-Recourse; No Partnership	40
6.17.	AF Joinder	40

- Exhibit A Form of Resignation Letter
- Exhibit B Form of Joinder
- Exhibit C Form of Issuer Agreement
- Exhibit D Form of AF Deed of Adherence

SHAREHOLDERS AGREEMENT, dated as of November 1, 2016 (as it may be amended from time to time, this "<u>Agreement</u>"), among (i) Yum China Holdings, Inc., a Delaware corporation (the "<u>Company</u>"), (ii) Pollos Investment L.P., a Cayman Islands Limited Partnership ("<u>PV</u>"), and (iii) API (Hong Kong) Investment Limited ("<u>AF</u>") (each of AF and PV an "<u>Investor</u>" and collectively, the "<u>Investors</u>"). The Investors, collectively with the Company, are referred to herein as the "<u>Parties</u>".

### WITNESSETH:

WHEREAS, pursuant to (i) an Investment Agreement, dated as of September 1, 2016, among Yum! Brands, Inc., a North Carolina corporation and former parent of the Company ("<u>Parent</u>"), the Company and PV (as it may be amended from time to time) (the "<u>PV Investment Agreement</u>") and (ii) an Investment Agreement, dated as of September 1, 2016, among Parent, the Company and AF (as it may be amended from time to time) (the "<u>AF Investment Agreement</u>") and (iii) an Investment Agreement, dated as of September 1, 2016, among Parent, the Company and AF (as it may be amended from time to time) (the "<u>AF Investment Agreement</u>" and, collectively with the PV Investment Agreement, the "<u>Investment Agreements</u>"), the Investors have agreed to purchase and acquire from the Company, and the Company has agreed to issue and sell to Investors, the Investor Shares and will issue the Warrants (as such terms are defined in the Investment Agreements), on such terms and subject to such conditions as are set forth in the Investment Agreements (the "<u>Investment</u>");

WHEREAS, pursuant to the Investment Agreements, the Company and the Investors have agreed to execute and deliver this Agreement; and

WHEREAS, each of the Parties hereto wishes to set forth in this Agreement certain terms and conditions regarding the Investment and Investors' ownership of the Investor Shares and Warrants (and the Warrant Shares), including certain registration rights applicable to such shares, restrictions on the transfer of such securities, restrictions on certain actions relating to the Company, and the governance of the Company.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Parties hereto hereby agree as follows:

### ARTICLE I

## **GOVERNANCE; ADDITIONAL AGREEMENTS**

### 1.1. <u>Composition of the Board of Directors</u>.

(a) As of one (1) Business Day after the date hereof, the board of directors of the Company (the "<u>Board</u>") shall consist of up to eleven (11) directors designated by Parent, one (1) of which shall be Dr. Fred Hu ("<u>FH</u>"), who shall be appointed as the Company's initial Chairman; <u>provided</u>, that, and notwithstanding anything contained in this <u>Section 1.1</u> to the contrary, if FH is unable to serve due to death, disability or incapacity as of such time of appointment, PV shall be entitled to designate another Person to serve as the Investor Designee and a director (who need not be the Chairman) of the Company effective as of one Business Day after the Effective Time, in which event the Board shall consist of eleven (11) directors or twelve

(12) directors, as determined in the Board's discretion. FH and any other Investor Designee (as defined below) shall, at the time of his or her appointment to the Board, execute and deliver to the Company an irrevocable conditional letter of resignation in the form attached hereto as Exhibit A (the "Resignation Letter").

Following the Effective Time, so long as PV together with its Affiliates Beneficially Owns a number of shares of Company (b)Common Stock that is at least fifty percent (50.0%) of the number of PV Shares as of immediately following the Closing (as defined in the PV Investment Agreement) (but giving effect to any adjustment pursuant to Section 2.4(b) or Section 2.4(c) of the PV Investment Agreement) (the "PV Shareholding Requirement"), PV shall have the right to nominate one (1) Investor Designee who shall be a Qualified Director for election at each meeting of stockholders or action by written consent at which directors are to be elected and, for the avoidance of doubt, the Board shall include such Investor Designee in the slate of nominees recommended by the Board in the Company's proxy statement (and any related proxy cards); provided, that prior to the third annual meeting of stockholders of the Company after the date hereof, PV shall only have the right to nominate an Investor Designee for election at an annual meeting at which such Investor Designee's term expires in accordance with the Certificate; provided, further, that prior to the third annual meeting of stockholders of the Company, unless FH is unable to serve due to death, disability, incapacity or retirement or ceases to be employed by PV or any of its Affiliates, the Investor Designee shall be FH. FH or any person designated to serve as a director by PV pursuant to the foregoing sentence is referred to as the "Investor Designee." At such time when the PV Shareholding Requirement is not met, then (x) the conditions set forth in the applicable Investor Designee's Resignation Letter shall be satisfied and the Board shall be entitled (but not required) to accept such Investor Designee's resignation (and, for the avoidance of doubt, such Investor Designee's resignation shall not be effective until accepted by the Board) and (y) in the event the Board accepts such Investor Designee's resignation, PV's right to designate the PV Observer (as defined below) in accordance with Section 1.1(f) shall terminate and the PV Observer shall automatically cease to be a Board Observer and shall have no further rights as a Board Observer. In connection with the election of directors at any annual meeting of stockholders or action by written consent of the Company after the Effective Time, and subject to the terms of this Agreement (including the immediately preceding sentence) and Applicable Law, the Company shall take all actions necessary to provide that the Investor Designee is nominated for election or re-election (including by using substantially the same level of efforts and providing no less than substantially the same level of support as is used and/or provided for the other director nominees of the Company with respect to the applicable meeting of stockholders or action by written consent), as applicable, to the Board at such annual meeting or pursuant to such action by written consent and the remaining directors shall be nominated in accordance with the provisions of this Agreement, the Certificate and the Bylaws, and the Company shall solicit proxies for such Investor Designee to the same extent as it does for any of its other nominees to the Board. For the avoidance of doubt, failure of the stockholders of the Company to elect such Investor Designee provided for in this Section 1.1(b) to the Board shall not affect the right of PV to nominate a director for election in any future election of directors. The Company shall take all actions necessary to provide that, upon his appointment to the Board, FH is included as a "Class III" director as such term is used in the Certificate.

(c) PV shall have the right to designate, subject to <u>Section 1.1(b)</u>, any replacement for the Investor Designee, who shall be a Qualified Director, upon the death, resignation, retirement, disqualification or removal from office of any such Investor Designee and the Board shall take all necessary action to appoint such replacement Investor Designee, subject in all cases to (i) compliance with the Certificate, the Bylaws, Applicable Law and applicable stock exchange rules and (ii) the execution, delivery and acceptance of a Resignation Letter to the Company.

(d) For purposes of this Agreement, a "Qualified Director" shall mean a director who (i) qualifies as an Independent Director and (ii) is otherwise reasonably acceptable to the Board (as determined by a majority of the directors not including any Investor Designee); provided, that no Person shall be a Qualified Director if such Person Engages in a Competing Business. Notwithstanding anything to the contrary, (x) if at any time an Investor Designee Engages in a Competing Business, then the conditions set forth in such Investor Designee's Resignation Letter shall be satisfied (and the Board shall be entitled (but not required) to accept such Investor Designee's resignation (and, for the avoidance of doubt, such Investor Designee's resignation shall not be effective until accepted by the Board)), and (y) if at any time from and after the Effective Time, PV or any of its Affiliates Engages in a Competing Business, then, PV shall no longer have the right to designate an Investor Designee (provided, however, that nothing in this Agreement shall be deemed to prohibit PV from seeking a waiver from the Company with respect to this subclause (y), which waiver may be given or withheld at the Company's sole discretion).

(e) For so long as an Investor Designee is serving on the Board, the Company shall not implement or maintain any trading policy or similar guideline or policy with respect to the trading of securities of the Company that is targeted at PV or its Affiliates (including a policy that limits, prohibits, restricts Investor or its Affiliates from entering into the hedging or derivative arrangements referenced herein), in each case, other than (i) with respect to the Investor Designee, (ii) with respect to the trading of securities of the Company while in possession of material non-public information concerning the Company or its Subsidiaries, (iii) with respect to compliance with applicable federal securities or other laws, and/or (iv) with respect to compliance with the terms of this Agreement.

(f) From and after the Effective Time, and for so long as AF together with its Affiliates Beneficially Owns a number of shares of Company Common Stock that is at least fifty percent (50.0%) of the number of AF Shares as of immediately following the Closing (as defined in the AF Investment Agreement) (but giving effect to any adjustment pursuant to Section 2.4(b) or Section 2.4(c) of the AF Investment Agreement), AF shall have the right to designate one (1) non-voting Board observer (the "AF Observer"); provided; that at any time from and after the Effective Time, (A) if AF or any of its Affiliates Engages in a Competing Business, then AF shall immediately cease to have the right to retain the AF Observer, and (B) if the PV Shareholding Requirement ceases to be met, then AF shall cease to have the right to retain the AF Observer following the date that is three years following the date on which the PV Shareholding Requirement ceases to be met (unless such right shall have been previously terminated pursuant to the terms of this Agreement). From and after the Effective Time, and for so long as the PV Shareholding Requirement is met, subject to the last sentence of Section 2.2(b), PV shall have the right to designate one (1) non-voting Board observer (the "<u>PV</u>

<u>Observer</u>" and each of the PV Observer and the AF Observer, a "<u>Board Observer</u>"). Each Board Observer (x) must be reasonably acceptable to the Board (as determined by a majority of the directors not including any Investor Designee), (y) cannot be Engaged in a Competing Business and (z) shall enter into a customary confidentiality agreement with the Company. No Board Observer shall have the right to vote on any matter presented to the Board or any committee thereof but shall have the right to (1) receive the same materials distributed to members of the Board at the same time and in the same manner such materials are distributed to members of the Board, and (2) otherwise fully participate in meetings and discussions of the Board, except for the right to vote, as if he or she were a member of the Board. For the avoidance of doubt, no Board Observer shall be entitled to receive from the Company or any of its Affiliates any compensation or reimbursement of expenses, costs or any fees in connection with the Board Observer's attendance at meetings of the Board or otherwise.

(g) Each Investor Designee (and any replacement therefor pursuant to <u>Section 1.1(c)</u>) and Board Observer shall, prior to such Investor Designee's or Board Observer's nomination or designation, as applicable, provide any and all information as shall be reasonably requested by the Board (including the completion of a customary directors' and officers' questionnaire, as well as any information regarding such proposed Investor Designee to the extent reasonably required by the Certificate, the Bylaws, Applicable Law and applicable stock exchange rules). PV shall direct the Investor Designee and the PV Observer to comply, and AF shall direct the AF Observer to comply, with all policies, procedures, processes, codes, rules, standards and guidelines applicable to Board members generally, including the Company's code of business conduct and ethics, securities trading policies, anti-hedging policies, Regulation FD-related policies, director confidentiality policies and corporate governance guidelines (collectively, the "<u>Company Policies</u>"); provided that Parent and the Company acknowledge and agree that any share ownership requirement for an Investor Designee serving on the Board will be deemed satisfied by the Investor Shares Beneficially Owned by Investor and/or its Affiliates and under no circumstances shall any of such Company Policies impose any restrictions on Investor's or Affiliates' transfers of securities pursuant to <u>ARTICLE IV</u>.

(h) Notwithstanding anything contained in this Agreement to the contrary, the Company reserves the right to withhold any information and to exclude any Board Observer from any meeting or portion thereof if access to such information or attendance at such meeting would reasonably be expected to adversely affect the attorney-client privilege between the Company and its counsel, or result in disclosure of trade secrets or a conflict of interest.

1.2. <u>Certificate of Incorporation and Bylaws</u>. Immediately after the Effective Time, and for so long as this Agreement is in effect, (i) the Company and the Investors shall take or cause to be taken all lawful action necessary to ensure at all times as of and following the Effective Time that the provisions of this Agreement or the transactions contemplated hereby are not inconsistent with Applicable Law and (ii) the Company shall take or cause to be taken all lawful action necessary to ensure at all times as of the Certificate and Bylaws of the Company are not inconsistent with the provisions of this Agreement and the Investment Agreements.

1.3. <u>Share Repurchases</u>. The Company shall not, prior to the expiration of the Measurement Period, repurchase, or publicly announce any share repurchase programs relating to, any shares of Company Common Stock.

Financing Cooperation. Upon the request of any Investor or of its Affiliates that it wishes to pledge, hypothecate or grant security interests 1.4. in any or all of the Investor Shares in connection with one or more Permitted Loans, including to banks or financial institutions as collateral or security for loans, advances or extensions of credit, the Company agrees to use reasonable best efforts to provide to such Investor and its Affiliates, as applicable, such cooperation as may be reasonably necessary to consummate any such pledge, hypothecation or grant, including entry into letter agreements with lenders substantially in the form of Exhibit C hereto (each, an "Issuer Agreement") and, if requested by such Investor or any of its Affiliates (and notwithstanding anything to the contrary in this Agreement and the Investment Agreements, including Section 3.1(k) of each Investment Agreement and Section 6.3 hereof), instructing the transfer agent to transfer any such Investor Shares subject to the pledge, hypothecation or grant into the facilities of The Depository Trust Company without, to the extent permitted by Applicable Laws, restrictive legends subject to receipt of an opinion from nationally recognized coursel reasonably satisfactory to the Company. The Company's obligation to deliver an Issuer Agreement is conditioned on (i) the Investor delivering to the Company (A) at least five (5) Business Days prior to the date of the requested Issuer Agreement, a substantially final draft of the Permitted Loan to which the Issuer Agreement relates, and (B) an executed copy of the Permitted Loan to which the Issuer Agreement relates and (ii) the Investor certifying to the Company in writing that (A) the loan agreement with respect to which the Issuer Agreement is being delivered constitutes a Permitted Loan being entered into in accordance with this Agreement, the Investor has pledged the Investor Shares as collateral to the lenders under such Permitted Loan and the execution of such Permitted Loan and the terms thereof do not violate the terms of this Agreement, (B) an event of default (as described in such loan agreement) constitutes the sole circumstances under which the lenders under the Permitted Loan may foreclose on the Investor Shares and that such provisions do not violate the terms of this Agreement, (C) pursuant to the provisions of such loan agreement, the Investor may sell Investor Shares in order to satisfy a margin call or repay a Permitted Loan, in each case, to the extent necessary to satisfy a bone fide margin call on such Permitted Loan or otherwise in compliance with the terms of this Agreement and that such provisions do not violate the terms of this Agreement and (D) the Investor acknowledges and agrees that the Company will be relying on such certificate when entering into the Issuer Agreement and any inaccuracy in such certificate will be deemed a breach of this Agreement. The Investor acknowledges and agrees that the statements and agreements of the Company in an Issuer Agreement are solely for the benefit of the applicable lenders party thereto and that in any dispute between the Company and the

5

Investor under this Agreement, the Investor shall not be entitled to use the statements and agreements of the Company in an Issuer Agreement against the Company. The Company agrees and acknowledges that (a) no lender or collateral agent with respect to a Permitted Loan shall become party to this Agreement or be subject to any provision hereunder and (b) that it shall not condition its cooperation under this <u>Section 1.4</u> on (i) any lender or collateral agent agreeing to become party to this Agreement or becoming subject to any such provision or (ii) any agreement, representation, warranty or obligation by the Investor or any of its Affiliates other than as set forth in this Agreement or in any Issuer Agreement.

1.5. Directors' and Officers' Indemnification and Insurance. Immediately following the date of this Agreement, the Company shall adopt (or, as applicable, maintain in effect) directors' and officers' liability insurance that shall extend to the Investor Designee to the same extent applicable to all Company directors. The Company acknowledges and agrees that the Company shall be the indemnitor of first resort with respect to any indemnification and advancement of expenses and provided in the Company's certificate of incorporation and/or bylaws to any Investor Affiliated Director and such insurance shall be the insurance of first resort for any Investor Affiliated Director, in each case, in his or her capacity as a director of the Company or its Subsidiaries (such that the Company's obligations to such indemnitees in their capacities as directors are primary and any obligation of PV or its Affiliates to advance expenses or to provide indemnification or insurance for the same expenses or liabilities incurred by such indemnitees are secondary). No advancement or payment by PV or its Affiliates on behalf of such indemnitees with respect to any claim for which such indemnitees have sought indemnification, advancement of expenses of insurance from the Company in their capacities as directors shall affect the foregoing, and PV or its Affiliates, as applicable, shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such indemnitees against the Company. The Company shall indemnify each Board Observer from and against any and all claims, actions, costs, expenses or losses incurred by such Board Observer as a result of such Board Observer being named as a defendant in any lawsuit or other legal action solely in his or her capacity as a Board Observer.

### ARTICLE II

### TRANSFERS; STANDSTILL PROVISIONS; COMPLIANCE

### 2.1. Investor Transfer Restrictions.

(a) Other than in the case of a Permitted Transfer, no Investor shall, and each Investor shall cause its Affiliates not to, Transfer all or any portion of the Investor Shares, Warrants or Warrant Shares owned by such Investor prior to the date that is twelve (12) months after the Effective Time (such period, the "<u>Restricted Period</u>"); provided, however, that the foregoing restriction shall cease to apply with respect to the Warrants and Warrant Shares (and any hedging or monetization transactions effected pursuant to Rule 144 that reference Company Common Stock and do not exceed, in the aggregate during the Restricted Period, the number of shares of Company Common Stock underlying the Warrants, each a "<u>Permitted Warrant Hedge</u>") if the Reference Price is, at any time after the date that is six (6) months after the Effective Time, less than seventy percent (70%) of the Adjusted VWAP Price Per Share. "<u>Reference Price</u>" with respect to any point in time means the volume weighted average price of a share of Company

6

Common Stock listed on the New York Stock Exchange over the consecutive ten (10) trading days immediately prior to such time.

(b) "<u>Permitted Transfers</u>" means, in each case, so long as such Transfer is in accordance with Applicable Law:

(i) a Transfer to a Permitted Transferee of such Investor, so long as such Permitted Transferee, in connection with such Transfer, (A) executes a customary joinder to this Agreement, substantially in the form attached hereto as <u>Exhibit B</u> and (B) covenants and agrees in writing, subject to the terms and conditions of any Permitted Loan made to such Permitted Transferee, to Transfer the previously Transferred Investor Shares or Warrants (or Warrant Shares) back to such Investor immediately upon ceasing to be a Permitted Transferee;

(ii) a Transfer in connection with an Acquisition Transaction approved by the Board (including if the Board (A) recommends that its stockholders tender in response to a tender or exchange offer that, if consummated, would constitute an Acquisition Transaction, or (B) does not recommend that its stockholders reject any such tender or exchange offer within the ten (10) Business Day period specified in Rule 14e-2(a) under the Exchange Act);

(iii) a Transfer made pursuant to and in accordance with <u>Section 2.4(b)</u> of the applicable Investment Agreement;

(iv) a Transfer that constitutes a tender into a tender or exchange offer commenced by the Company or any of its Affiliates;

(v) a Transfer that constitutes a pledge, hypothecation or other grant of security interest in the Investor Shares, Warrants or Warrant Shares as collateral for a Permitted Loan or Permitted Warrant Hedge; or

(vi) a Transfer by any Investor to any Person (other than an Affiliate of such Investor) for cash, solely to the extent that all of the net proceeds of such sale are solely used to satisfy a margin call *(i.e., posted as collateral)* or repay a Permitted Loan to the extent necessary to satisfy a bona fide margin call on such Permitted Loan or avoid a bona fide margin call on such Permitted Loan that is, in the good faith judgment of the Investor or its applicable Affiliate that is the borrower under such Permitted Loans, as applicable, reasonably likely to occur (in each case through no fault of Investor or any of its Affiliates).

The Investor shall provide at least five (5) Business Days' advanced written notice of any proposed Transfer that is a Permitted Transfer pursuant to <u>Section 2.1(b)(i)</u> or <u>Section 2.1(b)(v)</u>, and shall, to the extent reasonably practicable, provide at least two (2) Business Days' advanced written notice of any proposed Transfer that is a Permitted Transfer pursuant to <u>Section 2.1(b)(vi)</u>.

(c) Notwithstanding anything to the contrary contained herein, including <u>ARTICLE IV</u> hereof and/or the expiration of the Restricted Period, neither any Investor nor any

7

of its Affiliates, shall cause, permit, or suffer any Transfer of all or any portion of the Investor Shares, Warrants, or Warrant Shares owned by such Investor or any of its Affiliate (i) if such Transfer would be in violation of any Applicable Laws or breach of any terms and conditions of this Agreement; or (ii) to a Prohibited Person. Notwithstanding the foregoing, the sale of the Investor Shares through open market transactions, or through registration rights where the identity of prospective buyers is not known to the selling Investor shall not be subject to <u>Section 2.1(c)(ii)</u>.

(d) To the extent that any Transfer or attempted Transfer of Investor Shares or Warrants (or the Warrant Shares) by an Investor or any of its Affiliates is in violation of this <u>Section 2.1</u>, (i) such Transfer shall, to the fullest extent permitted by Applicable Law, be null and void *ab initio*, (ii) the Company shall not, and shall instruct its transfer agent and other third parties not to, record or recognize any such purported Transfer on the share register of the Company, and (iii) the Company shall be entitled to seek, and recover, from such Investor any and all costs, expenses and damages (including reimbursement of any costs and expenses incurred by the Company) incurred or suffered by the Company in connection with any such purported Transfer.

(e) Nothing contained in this Agreement shall prohibit or otherwise restrict the ability of any lender (or its securities' affiliate) or collateral agent to foreclose upon and sell, dispose of or otherwise Transfer Investor Shares mortgaged, hypothecated and/or pledged to secure the obligations of the borrower following an event of default under a Permitted Loan and (ii) notwithstanding the foregoing or anything to the contrary herein, in the event that any lender or other creditor under a Permitted Loan (including any agent or trustee on their behalf) or any Affiliate of the foregoing exercises any rights or remedies in respect of the Investor Shares or any other collateral for any Permitted Loan, no lender, creditor, agent or trustee on their behalf or Affiliate of any of the foregoing (other than, for the avoidance of doubt, an Investor or any of its Affiliates) or transfere of any of the foregoing (except as permitted under <u>Section 6.11</u>) shall be entitled to any rights or have any obligations, or be subject to any Transfer restrictions or limitations, hereunder (including the rights or benefits provided for in this <u>Section 2.1</u>).

(f) Notwithstanding anything contained herein to the contrary, a Transfer resulting from (x) any issuance of limited partnership or other investor interests by a Primavera Fund, (y) any Transfer of limited partnership or other interests in a Primavera Fund, or (z) any Transfer of an interest in a Primavera Fund among employees of Primavera Capital GP II Ltd. or its Affiliates, in each case, shall not be deemed a "Transfer" for purposes of this Agreement.

# 2.2. <u>Standstill</u>.

(a) During the Standstill Period, without the express prior written invitation or consent of the Board, each Investor shall not, and shall cause its respective Affiliates and any representatives acting on such Investor's or one of such Investor's Affiliate's behalf not to, in any manner, directly or indirectly: (i) effect or seek, offer or propose (whether publicly or otherwise) to effect, or participate in, facilitate or encourage any other Person to effect or seek, offer or propose (whether publicly or otherwise) to effect, or participate in, (A) any acquisition of any voting securities (or beneficial ownership thereof), or rights or options to acquire any voting securities (including Company Common Stock and any voting debt securities) (or

beneficial ownership thereof) (for the avoidance of doubt, other than an Investor's exercise of the Warrants in accordance with their respective terms), or any assets, or businesses of the Company, (B) any tender offer or exchange offer, merger or other business combination involving the Company, any of the assets of the Company or the Subsidiaries constituting a material portion of the consolidated assets of the Company and the Company's Subsidiaries, (C) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to the Company or (D) any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Commission) or consents to vote any voting securities of the Company, including soliciting consents or taking other action with respect to the calling of a special meeting of the Company's shareholders; (ii) form, join or in any way participate in a "group" (as defined under the Exchange Act) with respect to the Company or to obtain representation on the Board of the Company (provided, that this clause (iii) shall in no way limit the activities of the Investor Designee taken in good faith solely in his or her capacity as a director of the Company); (iv) disclose or direct any Person to disclose, any intention, plan or arrangement inconsistent with the foregoing; or (v) advise, assist or encourage, or direct any Person to advise, assist

or encourage any other Person in connection with any of the foregoing. Each Investor also agrees during such period not to request the Company to amend or waive any provision of this Section 2.2(a) (including this sentence).

The provisions of <u>Section 2.2(a)</u> shall not, in any manner, limit or prohibit (i) any actions, or the rights or authority of the Investor (b)Designee acting in his or her capacity as a member of the Board or otherwise consistent with his or her fiduciary duties, (ii) the full participation of any Investor Designee in any Board (or Board committee, as applicable) discussions, deliberations, negotiations or determinations, or other actions or matters with respect to which any other members of the Board participate, regarding any Change of Control of the Company or any Acquisition Transaction, (iii) either Investor or any of such Investor's Affiliates, or any of their respective representatives from communicating privately with the Company's directors, officers or representatives so long as such communications are not intended to, and would not reasonably be expected to, require any public disclosure of such communications, (iv) Investor or any of its Affiliates' acquisition or offering to acquire, directly or indirectly, any company or business unit that Beneficially Owns any securities of the Company; provided that, in the event the Investor or any of its Affiliates acquire Control of such company or business unit, the fair market value of such company or business unit's Beneficial Ownership in the Company (at the time definitive agreements with respect to such acquisition are entered into) shall represent five percent (5%) or less of the total assets of such company or business unit; provided, further, that any Beneficial Ownership in the Company so acquired by Investor or any of its Affiliates shall be taken in account when determining the Ultimate Standstill Level (as defined below), (v) the activities of any Portfolio Company of any Investor; provided that such Portfolio Company is not acting at the direction of such Investor, (vi) any acquisition by either Investor, such Investor's Affiliates or any of their respective representatives of any voting securities (or Beneficial Ownership thereof), or rights or options to acquire any voting securities (including Company Common Stock), or the exercise of any rights or options to acquire any voting securities (including Company Common Stock), that does not immediately following the consummation of any such transaction result, directly or indirectly (and taking into account any other Beneficial Ownership of Company Common Stock including pursuant to the

9

foregoing clause (iv)), in (x) an aggregate Beneficial Ownership by PV and its Affiliates, collectively, of more than 17.74%, or, (y) an aggregate Beneficial Ownership by AF and its Affiliates, collectively, of more than 2.16%, (in each case of (x) and (y), taking into account, for purposes of such calculation, all Warrant Shares underlying the Warrants that are held by the applicable Investor and have not yet been exercised as of the date of determination, and as the percentages specified in the immediately preceding subsections (x) and (y) may be adjusted by mutual agreement between PV and AF for so long as the sum of such percentages do not exceed 19.9%) of the outstanding amount of any class of voting securities of Company Common Stock; provided, that notwithstanding anything to the contrary, nothing in this clause (vi) shall permit PV, AF and their respective Affiliates to Beneficially Own, in the aggregate, more than 19.9% of any voting securities or rights or options to acquire any voting securities of the Company Common Stock) (the "<u>Ultimate Standstill Level</u>"), or (vii) PV proposing to the Company, at any time after the date that is six (6) months after the Effective Time, that the Company consider increasing the size of the Board by one (1) director and nominating a second Investor Designee selected by PV (in addition to the Investor Designee pursuant to <u>Section 1.1(b)</u>) for election at the next annual meeting of stockholders of the Company at which directors of the Company are to be elected. Any such proposal made in compliance with clause (vii) of the preceding sentence shall be presented for consideration by the Board at the next regularly-scheduled meeting of the full Board. PV shall not have the right to designate the PV Observer (and any PV Observer then serving as such shall automatically cease to be a Board Observer and shall have no further rights as a Board Observer) for so long as two or more Investor Designees are directors of the Company.

(c) Other than this Agreement, the Company will not (i) enter into any Contract, (ii) amend the Certificate or Bylaws or (iii) amend or adopt any policies, procedures, processes, codes, rules, standards and guidelines, in each case, which in any manner, either directly or indirectly restrict either Investor or any of their respective Affiliates from acquiring, agreeing to acquire, proposing or offering to acquire, or facilitating the acquisition of any class of voting securities of Company Common Stock (including any derivative instruments thereof) not in excess of the Ultimate Standstill Level.

2.3. <u>Compliance with Laws</u>. In connection with the applicable Investment Agreement, this Agreement and any of the transactions contemplated thereby and from and after the date hereof, each Investor on behalf of itself and its respective Affiliates (as well as any director or officer of any of the foregoing) and the Company covenants and agrees to comply with and abide by all Applicable Laws. Without limiting the foregoing, each Investor on behalf of itself and its respective Affiliates (as well as any director or officer of any of the foregoing) and the Company covenants and agrees to comply with and abide by all Applicable Laws. Without limiting the foregoing, each Investor on behalf of itself and its respective Affiliates (as well as any director or officer of any of the foregoing) and the Company covenants and agrees that it (a) has not made, offered, or promised, and will not make, offer, or promise any unlawful payment, or given, offered to give, or promised to give, and will not give, offer to give, or promise to give anything of value (whether in the form of property or services or in any other form), to any foreign or domestic official or employee of any Governmental Entity (which, for the purposes of this <u>Section 2.3</u>, also includes any political party or candidate), or to any finder, agent, representative or other party acting for, on behalf of, or under the auspices of any official or employee of any Governmental Entity (each, a "<u>Government Official</u>") for purposes of (i) influencing any act or decision of any Government Official in his or her official capacity, (ii) inducing any Government Official to do or omit to do any act in violation of his or her lawful duty, (iii) securing any improper advantage, or (iv) inducing any Government Official

to influence or affect any act or decision of any Governmental Entity, in each case, for the purpose of obtaining or retaining business or directing business to any Person; (b) has not used and will not use any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity and (c) has not taken or made, and will not take or make, any other action or omission that would or would reasonably be expected to result in a violation of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, or any other law of the United States, the People's Republic of China, or of any other jurisdiction where the Investor or its Affiliates conduct business governing corrupt practices, commercial bribery, money laundering, pay-to-play, anti-bribery or anticorruption or that otherwise prohibits payments to any government or public officials or employees.

### ARTICLE III

### **INFORMATION RIGHTS**

3.1. <u>Financial Statements; Access</u>. Subject to <u>Section 3.2</u>, for as long as PV has the right to appoint an Investor Designee pursuant to <u>Section 1.1(b)</u>, in the case of PV, and for so long as AF has the right to designate a Board Observer pursuant to <u>Section 1.1(f)</u>, in the case of AF, the Company will provide PV and AF, as applicable, with its monthly (as and when such monthly financial statements are furnished to the Board, but only to the extent that they are so furnished), quarterly and annual financial statements, unless such statements are available on the Electronic Data Gathering, Analysis and Retrieval (EDGAR) database of the SEC, in which case such statements shall be deemed delivered to Investors for purposes of this Agreement. In addition, for as long as PV has the right to appoint an Investor Designee pursuant to <u>Section 1.1(f)</u>, in the case of PV, and for so long as AF has the right to designate a Board Observer pursuant to <u>Section 1.1(f)</u>, in the case of AF, upon the request of the applicable Investor, no more than four (4) times per year, the Company

<sup>10</sup> 

will cause members of its senior management to meet with PV and AF, as applicable (in person or by conference telephone as agreed by the Parties) to provide PV and AF, as applicable, with an update regarding developments relating to the Company's business and to respond to questions from the Investors; provided, that any costs and expenses incurred by PV or AF in connection with such meetings shall be borne solely by PV of AF, as applicable.

## 3.2. Confidentiality; Privileged Information.

(a) Each Investor and Board Observer expressly acknowledge that Confidential Information obtained or received by such Investor is confidential and that the disclosure of such Confidential Information, either publicly or privately to other parties, would cause irreparable injury to the Company. Except with the prior written consent of the Company, no Investor or Board Observer shall (and each Investor and Board Investor shall instruct their respective representatives not to) disclose any such Confidential Information to a third party, and PV, AF and any Board Observer shall use the same level of efforts utilized by PV and AF and their respective Affiliates, and the Board Observer's principal organization, respectively, in the protection of such organization's own confidential information to preserve the confidentiality of such Confidential Information (and each Investor and Board Observer shall cause its representatives to do the same). The obligations of each Investor and any Board Observer under this Section 3.2 shall survive the termination of this Agreement for a period of five (5) years;

11

provided, that with respect to any trade secret, such obligations shall continue to apply to such trade secret for so long as such trade secret remains a trade secret. Notwithstanding the foregoing, the Investors, any Board Observer and their respective Affiliates shall not be bound by the confidentiality obligations of this Section 3.2 with respect to any Confidential Information that is required to be disclosed pursuant to Applicable Law; provided, that in such case, such Investor, any Board Observer or the respective Affiliate of such Investor or Board Observer shall disclose only that portion of such Confidential Information that is required to be disclosed and, to the extent reasonably practicable provide advance notice to the Company of such disclosure and provide the Company a reasonable amount of time and opportunity to seek a protective order or similar remedy, and to reasonably cooperate (at the Company's sole expense) with the seeking of such protective order or similar remedy. Notwithstanding the foregoing, and for the avoidance of doubt, (A) an Investor or Board Observer may disclose Confidential Information to (x) their respective Affiliates and their respective representatives in connection with the transactions contemplated by this Agreement and the Transaction Agreements (or their rights and obligations hereunder), (y) to any direct or indirect, actual or potential shareholder, member, partner or other investor in such Investor or Board Observer's principal organization, in each case of subclauses (x) and (y) so long as such Persons are informed of the confidential nature of such information and are directed to treat such information confidentially and (z) solely with respect to PV, any potential financing source and their respective representatives in connection with a Permitted Loan; provided, that such financing sources shall enter into customary confidentiality agreements with respect to any Confidential Information to be provided thereunder, and (B) any Investor Designee and Board Observer may disclose to PV, AF or any of their respective Affiliates any information obtained or received by such Investor Designee or Board Observer in his or her capacity as such. Each Investor, on behalf of itself and its respective Affiliates and respective Board Observer, hereby acknowledges and agrees that such Investor shall be responsible for any failure of any of the Persons enumerated in this Section 3.2 to whom it discloses Confidential Information to treat such information as required by the terms of this Section 3.2.

(b) Nothing contained in this <u>Section 3.2</u> will require the Company to take any action that would, after consultation with outside counsel, constitute a waiver of the attorney-client or similar privilege or violate any Applicable Law or confidentiality obligations owing to third parties, including under any material Contract.

(c) Notwithstanding anything in the Confidentiality Agreements or the Investment Agreements to the contrary, from and after the date hereof, (x) any disclosure of information (other than any information relating to the Parent or its Subsidiaries (excluding, for the avoidance of doubt, the Company and its Subsidiaries)) that is not prohibited by this <u>Section 3.2</u> shall not be deemed to be a breach of <u>Section 5.8</u> of the Investment Agreements or of the Confidentiality Agreements, and (y) any action that is not prohibited by <u>Section 2.2</u> shall not be deemed to be a breach of the standstill obligations of the Investors solely in respect of the Company set forth in the seventh paragraph of the Confidentiality Agreements.

(d) This <u>Section 3.2</u> shall survive any termination of this Agreement.

12

### ARTICLE IV

### **REGISTRATION RIGHTS**

## 4.1. Demand Registrations.

(a) Subject to the limitations set forth in this Agreement (including <u>ARTICLE II</u>), from and after the first anniversary of the Effective Time, subject to the terms and conditions hereof (x) solely during any period that the Company is then-ineligible under Applicable Law to register Registrable Securities on Form S-3 pursuant to <u>Section 4.3</u> or, if the Company is so eligible but has failed to comply with its obligations under <u>Section 4.3</u> or (y) following the expiration of the Company's obligation to keep the Shelf Registration Statement continuously effective pursuant to <u>Section 4.3(b)</u>, but only if there is no Shelf Registration Statement then in effect, the Investors shall be entitled to make no more than two (2) written requests of the Company in any given calendar year and no more than four (4) in the aggregate (each, a "<u>Demand</u>") for registration under the Securities Act of an amount of Registrable Securities then held by the Investors that equals or is greater than the Registrable Amount (a "<u>Demand Registration</u>"). Thereupon the Company will, subject to the terms of this Agreement, use its commercially reasonable efforts to effect such registration to permit or facilitate the offer, sale and distribution of the securities specified in such Demand as promptly as reasonably practicable under the Securities Act of:

(i) the Registrable Securities which the Company has been so requested to register by the Investors for disposition in accordance with the intended method of disposition stated in such Demand; and

(ii) all shares of Company Common Stock which the Company may elect to register in connection with any offering of Registrable Securities pursuant to this <u>Section 4.1</u>, but subject to limitation as provided in <u>Section 4.1(g)</u>; all to the extent necessary to permit the disposition (in accordance with the intended methods thereof) of the Registrable Securities and the additional shares of Company Common Stock, if any, to be so registered.

(b) A Demand shall specify: (i) the aggregate number of Registrable Securities requested to be registered in such Demand Registration; and (ii) the intended method(s) of disposition in connection with such Demand Registration.

(c) A Demand Registration shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective and has remained effective for a period of at least (A) one hundred eighty (180) days or such shorter period in which all Registrable Securities included in such Demand Registration have actually been sold thereunder (provided, that such period shall be extended for a period of time equal to the period the holder of Registrable Securities refrains from selling any securities included in such registration that involves an Underwritten of flead managing underwriter(s) pursuant to the provisions of this Agreement) or (B) in connection with a Demand Registration that involves an Underwritten Offering, such longer period as, in the opinion of counsel for the lead managing underwriter, a prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer, or (ii) if, (A) after it has become effective and prior to the sale of all Registrable Securities included therein, such Demand Registration becomes subject, prior to one hundred eighty (180) days after effectiveness, to any stop order, injunction or other or requirement of the Commission or other Governmental

Entity, other than by reason of any act or omission by the Investors or (B) in connection with a Demand Registration that involves an Underwritten Offering, the conditions specified in the underwriting agreement or similar agreement entered into in connection with such registration are not satisfied, other than as the result of a wrongful act, misrepresentation or breach of such agreement by the Investors.

(d) Demand Registrations shall be on such appropriate registration form of the Commission as shall be selected by the Company and reasonably acceptable to the Investors.

(e) The Company shall not be obligated to (i) subject to the proviso of <u>Section 4.1(c)</u>, maintain the effectiveness of a registration statement under the Securities Act filed pursuant to a Demand Registration, for a period longer than one hundred eighty (180) days or (ii) effect any Demand Registration (A) within six (6) months of a "firm commitment" Underwritten Offering in which the Investors were offered "piggyback" rights pursuant to <u>Section 4.2</u> (subject to <u>Section 4.2(b)</u>) and at least 50% of the number of Registrable Securities requested by the Investors to be included in such Demand Registration were included and were actually sold thereunder, (B) within six (6) months of the completion of any other Demand Registration (including, for the avoidance of doubt, any Underwritten Offering pursuant to any Shelf Registration Statement) or (C) if, in the Company's reasonable judgment, it is not feasible for the Company to proceed with the Demand Registration because of the unavailability of audited or other required financial statements of the Company; provided, that the Company shall use its commercially reasonable efforts to obtain such financial statements as promptly as practicable.

(f) The Company shall be entitled to postpone (upon written notice to the Investors) the filing or the effectiveness of a registration statement or to require the Investors to suspend the use of the prospectus for sales of Registrable Securities in respect of any Demand Registration in the event of a Blackout Period under clause (ii) of the definition thereof until the expiration of such Blackout Period. In the event of such Blackout Period, the Company shall deliver to the Investors a certificate signed by either the chief executive officer or the chief financial officer of the Company certifying that, in the good faith judgment of the Board, the conditions described in clause (ii) of the definition of Blackout Period have been met. Such certificate shall contain, to the extent practicable, an approximation of the anticipated duration of such Blackout Period.

(g) If, in connection with a Demand Registration that involves an Underwritten Offering, the lead managing underwriter(s) advise(s) the Company that, in its (their) opinion, the inclusion of all of the securities sought to be registered in connection with such Demand Registration would adversely affect the success thereof, then the Company shall include in such registration statement only such securities as the Company is advised by such lead managing underwriter(s) can be sold without such adverse effect as follows and in the following order of priority: (i) first, up to the number of Registrable Securities requested to be included in such Demand Registration by the Investors, which, in the opinion of the lead managing underwriter(s), can be sold without adversely affecting the success thereof; and (ii) second, the securities the Company proposes to sell.

(h) Any time that a Demand Registration involves an Underwritten Offering, the Investors shall select the investment banker(s) and manager(s) that will serve as managing

14

underwriters (including which such managing underwriters will serve as lead or co-lead) and underwriters with respect to the offering of such Registrable Securities; <u>provided</u>, that such investment banker(s) and manager(s) shall be reasonably acceptable to the Company.

# 4.2. <u>Piggyback Registrations</u>.

(a) Subject to the limitations set forth in this Agreement (including <u>ARTICLE II</u>), from and after the first anniversary of the Effective Time, subject to the terms and conditions hereof, whenever the Company proposes to register any Company Common Stock under the Securities Act (other than a registration by the Company (i) on Form S-4 or any successor form thereto, (ii) on Form S-8 or any successor form thereto, (iii) on a Shelf Registration Statement or (iv) pursuant to <u>Section 4.1</u> (a "<u>Piggyback Registration</u>")), whether for its own account or for the account of others, the Company shall give the Investors prompt written notice thereof (but not less than ten (10) days prior to the filing by the Company Common Stock proposed to be registered, the proposed date of filing of such registration statement with the Commission, the proposed means of distribution, the proposed managing underwriter(s) (if any) and a good faith estimate by the Company of the proposed minimum offering price of such shares of Company Common Stock, in each case, to the extent then known. Subject to <u>Section 4.2(b)</u>, the Company shall include in each such Piggyback Registration all Registrable Securities held by the Investors with respect to which the Company has received written requests (which written requests shall specify the number of Registrable Securities requested to be disposed of by the Investors) for inclusion therein within five (5) days after such Piggyback Notice is received by the Investors.

(b) If, in connection with a Piggyback Registration that involves an Underwritten Offering, the lead managing underwriter(s) advises the Company that, in its (their) opinion, the inclusion of all the shares of Company Common Stock sought to be included in such Piggyback Registration would adversely affect the success thereof, then the Company shall include in the registration statement applicable to such Piggyback Registration only such shares of Company Common Stock as the Company is so advised by such lead managing underwriter(s) can be sold without such an effect and in the

following order of priority: (i) first, the securities the Company proposes to sell; and (ii) up to the number of Registrable Securities requested to be included in such Piggyback Registration by the Investors, which, in the opinion of the lead managing underwriter(s), can be sold without adversely affecting the success thereof.

(c) For clarity, in connection with any Underwritten Offering under this <u>Section 4.2</u> for the Company's account, the Company shall not be required to include the Registrable Securities of the Investors in the Underwritten Offering unless the Investors accept the terms of the underwriting agreement (which shall be in customary form) as agreed upon between the Company and the lead managing underwriter(s), which shall be selected by the Company.

(d) If, at any time after giving written notice of its intention to register any shares of Company Common Stock as set forth in this <u>Section 4.2</u> and prior to the time the registration statement filed in connection with such Piggyback Registration is declared effective, the Company shall determine for any reason not to register such shares of Company Common

Stock, the Company may, at its election, give written notice of such determination to the Investors and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such particular withdrawn or abandoned Piggyback Registration; provided, that the Investors may elect to require the Company to continue the registration as a Demand Registration pursuant to the terms of Section 4.1.

(e) Any time that a Piggyback Registration involves an Underwritten Offering, the Company shall select (in its sole discretion) the investment banker(s) and manager(s) that will serve as managing underwriters (including which such managing underwriters will serve as lead or co-lead) and underwriters with respect to the offering of such Registrable Securities.

# 4.3. Shelf Registration Statement.

(a) Subject to the limitations set forth in this Agreement (including <u>ARTICLE II</u>), from and after the first anniversary of the Effective Time, subject to the terms and conditions hereof, and further subject to the eligibility of the Company to file a registration statement on Form S-3 or any successor form thereto ("Form S-3"), the Investors may by written notice delivered to the Company require the Company to file as soon as reasonably practicable, and to its commercially reasonable efforts to cause to be declared effective by the Commission, if applicable, as soon as reasonably practicable after such filing date, a Form S-3 providing for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act to permit or facilitate the offer, sale and distribution, from time to time, of an amount of Registrable Securities then held by the Investors that equals or is greater than the Registrable Amount (the "Shelf Registration Statement"). To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act), the Company shall file the Shelf Registration Statement in the form of an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) or any successor form thereto.

(b) Subject to <u>Section 4.3(c)</u>, the Company will use its commercially reasonable efforts to keep the Shelf Registration Statement continuously effective (including by filing amendments thereto or replacement registration statements thereof) until the earlier of (i) five (5) years after the Shelf Registration Statement has been declared effective; (ii) the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold thereunder in accordance with the plan and method of distribution disclosed in the prospectus included in the Shelf Registration Statement, or otherwise cease to be Registrable Securities; and (iii) the date on which the Investors no longer hold Registrable Securities that represent at least two percent (2.0%) of the Total Voting Power of Company Common Stock in the aggregate.

(c) Notwithstanding anything to the contrary contained in this Agreement, if so advised by the Company in writing (which shall describe the reason for the Blackout Period and, to the extent practicable, an approximation of the anticipated duration of such Blackout Period), the Investors shall be required to suspend the use of the prospectus for sales of Registrable Securities under the Shelf Registration Statement during any Blackout Period. In the event such Blackout Period is of the type described in clause (ii) of the definition thereof, the Company shall (i) deliver to the Investors a certificate signed by either the chief executive officer or the chief financial officer of the Company certifying that, in the good faith judgment of the

16

Board, the conditions described in clause (ii) of the definition of Blackout Period have been met. After the expiration of any Blackout Period and without any request or demand from the Investors, the Company to the extent necessary shall as promptly as reasonably practicable prepare and file a post-effective amendment or supplement to the Shelf Registration Statement or the prospectus, or any document incorporated or deemed incorporated therein by reference, or any other required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the prospectus will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) At any time that a Shelf Registration Statement is effective, if the Investors deliver a notice to the Company (a "<u>Take-Down</u> <u>Notice</u>") (which Take-Down Notices shall not total more than two (2) in the aggregate during any calendar year) stating that the Investors intend to sell all or part of their Registrable Securities included on the Shelf Registration Statement (a "<u>Shelf Offering</u>"), then, the Company shall amend or supplement the Shelf Registration Statement or the prospectus as may be necessary in order to enable such Registrable Securities to be distributed pursuant to the Shelf Offering. In connection with any Shelf Offering that is an Underwritten Offering and where the offering of the securities includes a customary "road show" (including an "electronic road show") or other substantial marketing effort by the Company and the underwriters (a "<u>Marketed Underwritten Shelf Offering</u>"), if the lead managing underwriter(s) advises the Company and the Investors that, in its opinion, the inclusion of all of the securities sought to be sold in connection with such Marketed Underwritten Shelf Offering would adversely affect the success thereof, then there shall be included in such Marketed Underwritten Shelf Offering only such securities as the Investors are advised by such lead managing underwriter(s) can be sold without such adverse effect. Except as otherwise expressly specified in this <u>Section 4.3</u>, any Marketed Underwritten Shelf Offering shall be subject to the same requirements, limitations and other provisions of this <u>ARTICLE IV</u> as would be applicable to a Demand Registration (*i.e.*, as if such Marketed Underwritten Shelf Offering were a Demand Registration), including <u>Section 4.1(g)</u>.

4.4. <u>Withdrawal Rights</u>. The Investors, after having notified or directed the Company to include any or all of their Registrable Securities in a registration statement under the Securities Act, shall have the right to withdraw any such notice or direction with respect to any or all of the Registrable

Securities designated by it for registration by giving written notice to such effect to the Company. In the event of any such withdrawal, the Company shall not include such Registrable Securities in the applicable registration (or shall withdraw them from the applicable registration) and such Registrable Securities shall continue to be Registrable Securities for all purposes of this Agreement (subject to the other terms and conditions of this Agreement). No such withdrawal shall affect the obligations of the Company with respect to the Registrable Securities not so withdrawn; provided, however, that in the case of a Demand Registration, if such withdrawal shall reduce the number of Registrable Securities sought to be included in such registration below the Registrable Amount, then the Company shall as promptly as practicable give the Investors notice to such effect and, within ten (10) days following the mailing of such notice, the Investors shall, by written notice to the Company, elect to register additional Registrable Securities to satisfy the Registrable Amount or elect that such registration statement not be filed or, if theretofore filed, be withdrawn. During such ten (10) day period, the Company

shall not file such registration statement if not theretofore filed or, if such registration statement has been theretofore filed, the Company shall not seek, and shall use commercially reasonable efforts to prevent, the effectiveness thereof.

4.5. <u>Holdback Agreements</u>. The Investors agree to enter into customary agreements restricting the public sale or distribution of Equity Securities of the Company (including sales pursuant to Rule 144 under the Securities Act) to the extent required by the lead managing underwriter(s) with respect to an applicable Underwritten Offering during the period commencing on the date of the request (which shall be no earlier than fourteen (14) days prior to the expected "pricing" of such Underwritten Offering) and continuing for not more than ninety (90) days after the date of the "final" prospectus (or "final" prospectus supplement if the Underwritten Offering is made pursuant to a Shelf Registration Statement), pursuant to which such Underwritten Offering shall be made.

If any Demand Registration or Shelf Offering involves an Underwritten Offering, the Company will not effect any public sale or distribution of any common equity (or securities convertible into or exchangeable or exercisable for common equity) (other than a registration statement on Form S-4, Form S-8 or any successor forms thereto) for its own account, within sixty (60) days (plus an extension period as may be proposed by the lead managing underwriter(s) for such Underwritten Offering to address FINRA regulations regarding the publication of research, or such shorter periods as such lead managing underwriter(s) may agree to with the Company), after the effective date of such registration except as may otherwise be agreed between the Company and the lead managing underwriter(s) of such Underwritter(s) of such Underwritter Offering.

## 4.6. <u>Registration Procedures</u>.

(a) If and whenever the Company is required to effect the registration of any Registrable Securities under the Securities Act as provided in Section 4.1, Section 4.2 or Section 4.3, the Company shall as expeditiously as reasonably practicable:

(i) prepare and file with the Commission a registration statement to effect such registration in accordance with the Investors' intended method or methods of distribution of such securities and thereafter use its commercially reasonable efforts to cause such registration statement to become and remain effective pursuant to the terms of this <u>ARTICLE IV</u>; provided, however, that the Company may discontinue any registration of securities which are not Registrable Securities at any time prior to the effective date of the registration statement relating thereto; provided, further, however, that at least ten (10) days before filing such registration statement or any amendment, supplement or exhibit thereto or prospectus included therein, the Company will furnish to the Investors, their counsel and the lead managing underwriter(s), if any, copies of all such documents proposed to be filed, which documents will be subject to the review and reasonable comment of the Investors and their counsel, and other documents reasonably requested by the Investors and their counsel, including any comment letters or other communications from the Commission, and, if requested by the Investors and/or their counsel, provide the Investors and their counsel reasonable opportunity to participate in

18

the preparation of such registration statement, amendment, supplement, exhibit and each prospectus included therein;

(ii) prepare and file with the Commission such amendments, supplements and exhibits to such registration statement and the prospectus used in connection therewith as may be necessary to make and to keep such registration statement effective pursuant to the terms of this <u>ARTICLE IV</u>, and comply with the applicable provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(iii) if requested by the lead managing underwriter(s), if any, or the Investors, promptly include in a prospectus supplement or post-effective amendment such information as the lead managing underwriter(s), if any, or the Investors may reasonably request in order to permit or facilitate the intended method of distribution of such securities and make all required filings of such prospectus supplement or such post-effective amendment as soon as reasonably practicable after the Company has received such request; provided, however, that the Company shall not be required to take any actions under this Section 4.6(a)(iii) that are not, in the opinion of counsel for the Company, in compliance with Applicable Law;

(iv) furnish to the Investors and each underwriter, if any, of the securities being sold by the Investors such number of conformed copies of such registration statement and of each amendment and supplement thereto and document incorporated or deemed incorporated by reference therein, such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus) and each free writing prospectus (as defined in Rule 405 of the Securities Act) (a "Free Writing Prospectus") utilized in connection therewith and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents as the Investors and each underwriter, if any, may reasonably request in order to permit or facilitate the public sale or other disposition of the Registrable Securities owned by the Investors;

(v) use its commercially reasonable efforts to cooperate with the Investors, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities covered by such registration statement under such other securities laws or "blue sky" laws of such jurisdictions as the Investors and any underwriter of the securities being sold by the Investors shall reasonably request, and to use commercially reasonable efforts to keep each such registration or qualification (or exemption therefrom) effective during the period such registration statement is required to be kept effective and take any other

action which may be necessary or reasonably advisable to enable the Investors and underwriters to consummate the disposition in such jurisdictions of the Registrable Securities owned by the Investors, except that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this Section 4.6(a)(v) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(vi) use its commercially reasonable efforts to cause such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(vii) use its commercially reasonable efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other Governmental Entities as may be reasonably necessary to enable the Investors to consummate the disposition of such Registrable Securities;

(viii) use its commercially reasonable efforts to provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement;

(ix) enter into an underwriting agreement (in form, scope and substance as is customary in Underwritten Offerings) and use its commercially reasonable efforts to take all such other actions reasonably requested by the holders of a majority of the Registrable Securities being sold in connection therewith (including those reasonably requested by the lead managing underwriter(s), if any) to expedite or facilitate the disposition of such Registrable Securities, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Offering, (A) make such representations and warranties to the holders of such Registrable Securities and the underwriters, if any, with respect to the business of the Company and its Subsidiaries, and the registration statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers in Underwritten Offerings, and, if true, confirm the same if and when requested, (B) if an underwriting agreement has been entered into, the same shall contain indemnification provisions and procedures substantially to the effect set forth in <u>Section 4.9</u> hereof with respect to all parties to be indemnified pursuant to such Section and (C) deliver such documents and certificates as reasonably requested by the holders of a majority of the Registrable Securities being sold, their counsel and the lead managing underwriters(s), if any, to evidence the continued validity of the representations and warranties made pursuant to this <u>Section 4.6(a)(ix)</u> and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The foregoing shall be done at each closing under such underwriting or similar agreement, or as and to the extent required thereunder;

(x) in connection with an Underwritten Offering, use its commercially reasonable efforts to deliver or arrange for the delivery to the Investors and each underwriter(s) (A) opinions of counsel for the Company, in the customary form and scope and covering the matters customarily covered in opinions delivered in Underwritten Offerings and such other matters as may be reasonably requested by the Investors and such underwriter(s) and (B) "comfort" letters and updates thereof (or, in the case of any such Person which does not satisfy the conditions for receipt of a "comfort" letter specified in Statement on Auditing Standards No. 72, an "agreed upon procedures" letter) signed by the independent public accountant who has certified the Company's

20

financial statements included in such registration statement, covering the matters customarily covered in "comfort" letters in connection with Underwritten Offerings;

(xi) make available for inspection by the Investors, any underwriter participating in any disposition pursuant to any registration statement, and any attorney, accountant or other agent or representative retained in connection with such offering by the Investors or such underwriter (collectively, the "Inspectors"), financial and other records, corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably requested, to enable them to exercise their due diligence responsibility, and cause the officers, directors and employees of the Company and its Subsidiaries to supply all information in each case reasonably requested by any such representative, underwriter, attorney, agent or accountant in connection with such registration statement; provided, however, that the Company shall not be required to provide any information under this Section 4.6(a)(xi) if (A) the Company believes, after consultation with counsel for the Company, that to do so would cause the Company to forfeit an attorney-client privilege that was applicable to such information or (B) if either (1) the Company has requested and been granted from the Commission confidential treatment of such information contained in any filing with the Commission or documents provided supplementally or otherwise or (2) the Company reasonably determines in good faith that such Records are confidential and so notifies the Inspectors in writing; unless prior to furnishing any such information with respect to clause (1) or (2) the Investors requesting such information enters into, and causes each of its Inspectors to enter into, a confidentiality agreement on customary terms; provided, further, however, that the Investors agree that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction or by another Governmental Entity, give notice to the Company and allow the Company, at its expense, to undertake appropriate action seeking to prevent disclosure of the Records deemed confidential;

(xii) as promptly as practicable notify in writing the Investors and the underwriters, if any, of the following events: (A) the filing of the registration statement, any amendment or supplement thereto, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement or any Free Writing Prospectus utilized in connection therewith, and, with respect to the registration statement or any post-effective amendment thereto, when the same has become effective; (B) any request by the Commission or any other Governmental Entity for amendments or supplements to the registration statement or the prospectus or for additional information; (C) the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose; (D) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation or threat of any proceeding for such purpose; and (E) unless a Blackout Period is then in effect, upon the happening of any event that makes any statement made in such registration statement or related prospectus or any document incorporated to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such registration statement, prospectus or documents so that, in the case of the registration statement, it will not contain any untrue statement of a material fact or omit to state any material fact required

to be stated therein or necessary to make the statements therein not misleading, and that, in the case of the prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and, at the request of the Investors, promptly prepare and furnish to the Investors a reasonable number of copies of a supplement to or an amendment of such registration statement or prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xiii) use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction as promptly as reasonably practicable, except that, subject to the requirements of Section 4.6(a)(v), the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (xiii) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(xiv) cooperate with the Investors and the lead managing underwriter(s) to facilitate the timely preparation and delivery of certificates, if any (which shall not bear any restrictive legends unless required under Applicable Law) representing securities sold under any registration statement, and enable such securities to be in such denominations and registered in such names as the lead managing underwriter(s) or the Investors may request and keep available and make available to the Company's transfer agent prior to the effectiveness of such registration statement a supply of such certificates;

(xv) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA; and

(xvi) have appropriate officers of the Company prepare and make presentations at a reasonable number of "road shows" and before analysts and other information meetings reasonably organized by the underwriters, and otherwise use its commercially reasonable efforts to facilitate, cooperate with and participate in, as reasonably requested by the Investors and the underwriters in the offering, the marketing or selling of the Registrable Securities.

(b) The Company may require the Investors and each underwriter, if any, to furnish the Company in writing such information regarding the Investors or underwriter and the distribution of such Registrable Securities as may be required to complete or amend the information required by such registration statement.

(c) The Investors agree that upon receipt of any notice from the Company of the happening of any event of the kind described in clauses (B), (C), (D), and (E) of Section 4.6(a)(xii), the Investors shall forthwith discontinue the Investors' disposition of Registrable Securities pursuant to the applicable registration statement and prospectus relating thereto until the Investors' receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.6(a)(xii), or until it is advised in writing by the Company that the use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus; provided, however, that the Company shall extend the time periods under Section 4.1(c) with respect to the length of time that the effectiveness of a registration statement must be maintained by the amount of time the holder is required to discontinue disposition of such securities.

(d) With a view to making available to the holders of Registrable Securities the benefits of Rule 144 under the Securities Act and any other rule or regulation of the Commission that may at any time permit a holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3 (or any successor form), the Company shall:

(i) use its commercially reasonable efforts to make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(ii) use its commercially reasonable efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Exchange Act, at any time when the Company is subject to such reporting requirements; and

(iii) furnish to the Investors so long as the Investors own Registrable Securities, promptly upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act and of the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed or furnished by the Company with the Commission as the Investors may reasonably request in connection with the sale of Registrable Securities without registration (in each case to the extent not readily publicly available).

4.7. <u>Registration Expenses</u>. All fees and expenses incident to the Company's performance of its obligations under this <u>ARTICLE IV</u>, including (a) all registration and filing fees, including all fees and expenses of compliance with securities and "blue sky" laws (including the reasonable and documented fees and disbursements of counsel for the underwriters in connection with "blue sky" qualifications of the Registrable Securities pursuant to <u>Section 4.6(a)(v)</u>) and all fees and expenses associated with filings required to be made with FINRA (including, if applicable, the fees and expenses of any "qualified independent underwriter" as such term is defined in FINRA Rule 5121), (b) all printing (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by a holder of Registrable Securities) and copying expenses, (c) all messenger,

telephone and delivery expenses, (d) all fees and expenses of the Company's independent certified public accountants and counsel (including with respect to "comfort" letters and opinions) and counsel for the Investors, and (e) expenses of the Company incurred in connection with any "road show", shall be borne solely by the Company whether or not any registration statement is filed or becomes effective. In connection with the Company's performance of its obligations under this <u>ARTICLE IV</u>, the Company will pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties and the expense of any annual audit) and the expenses and fees for listing the securities to be registered on each securities exchange and included in each established over-the-counter market on which similar securities issued by the Company are then listed or traded. The Investors shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale of the Investors' Registrable Securities pursuant to any registration.

4.8. <u>Miscellaneous</u>. (a) Not less than ten (10) Business Days before the expected filing date of each registration statement pursuant to this Agreement, the Company shall notify the Investors of the information, documents and instruments from such holder that the Company or any underwriter reasonably requests in connection with such registration statement, including a questionnaire, custody agreement, power of attorney, lock-up letter and underwriting agreement.

(b) From and after the date of this Agreement, the Company shall not, without the prior written consent of the Investors, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder to (i) require the Company to effect a registration or (ii) include any securities in any registration filed under <u>Section 4.1</u>, <u>Section 4.2</u> or <u>Section 4.3</u> hereof unless, in each case, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not diminish the amount of Registrable Securities that are included in such registration.

### 4.9. <u>Registration Indemnification</u>.

(a) The Company agrees, without limitation as to time, to indemnify and hold harmless, to the fullest extent permitted by law, the Investors and their Affiliates and their respective officers, directors, members, shareholders, employees, managers, partners, accountants, attorneys and agents and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) the Investors or such other indemnified Person and the officers, directors, members, shareholders, employees, managers, partners, accountants, attorneys and agents of each such controlling Person, each underwriter, if any, and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such underwriter, from and against all losses, claims, damages, liabilities, costs, expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses), judgments, fines, penalties, charges and amounts paid in settlement (collectively, the "Losses"), as incurred, arising out of, caused by, resulting from or relating to (A) any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus or preliminary prospectus or Free Writing Prospectus prepared pursuant to this Agreement or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

(B) any violation or alleged violation by the Company of any federal, state or common law rule or regulation applicable to the Company in connection with any such registration, qualification, compliance or sale, or (C) any failure to register or qualify Registrable Securities in any state where the Company or its agents have affirmatively undertaken or agreed in writing that the Company (the undertaking of any underwriter being attributed to the Company) will undertake such registration or qualification on behalf of the Investors of such Registrable Securities (provided, that in such instance the Company shall not be so liable if it has undertaken its commercially reasonable efforts to so register or qualify such Registrable Securities), and (without limitation of the preceding portions of this <u>Section 4.9(a)</u>) will reimburse, as incurred, the Investors, each of their Affiliates, and each of their respective officers, directors, members, shareholders, employees, managers, partners, accountants, attorneys and agents and each such Person who Controls the Investors or each of their Affiliates and the officers, directors, members, shareholders, employees, managers, partners, accountants, attorneys and agents and each such Person who Controls the Investors or each of their Affiliates and the officers, directors, members, shareholders, employees, managers, partners, accountants, attorneys and agents of each such controlling Person, each such underwriter and each such Person who Controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, Loss, damage, liability or action, except insofar as the same is caused by any information furnished in writing to the Company expressly for inclusion therein by Investor or any underwriter.

(b) In connection with any registration statement in which the Investors are participating, the Investors shall indemnify the Company, its directors and officers, and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) the Company, from and against all Losses, as incurred, arising out of, caused by, resulting from or relating to any untrue statement (or alleged untrue statement) of material fact contained in the registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (without limitation of the preceding portions of this <u>Section 4.9(b)</u>) will reimburse the Company, its directors and officers and each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, Loss, damage, liability or action, in each case, solely to the extent, but only to the extent, that such untrue statement or omission is made in such registration statement, prospectus or any amendment or supplement thereto in reliance upon and in conformity with information furnished in writing to the Company expressly for inclusion therein by the Investors; provided, however, that the aggregate liability of the Investors hereunder shall be limited to the gross proceeds after underwriting discounts and commissions received by the Investors upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Any Person entitled to indemnification hereunder shall give prompt written notice to the indemnifying Party of any claim with respect to which it seeks indemnification; provided, however, the failure to give such notice shall not release the indemnifying Party from its obligation, except to the extent that the indemnifying Party has been actually prejudiced by such failure to provide such notice on a timely basis.

(d) In any case in which any such action is brought against any indemnified Party, and it notifies an indemnifying Party of the commencement thereof, the indemnifying Party will be entitled to participate therein, and, to the extent that it may wish, to assume and control the defense thereof, with counsel reasonably satisfactory to such indemnified Party, and after notice from the indemnifying Party to such indemnified Party of its election so to assume the defense thereof and acknowledging the obligations of the indemnifying Party with respect to such proceeding, the indemnifying Party will

<sup>24</sup> 

not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such indemnified Party hereunder for any legal or other expense subsequently incurred by such indemnified Party in connection with the defense thereof (unless (i) such indemnified Party reasonably objects to such assumption on the grounds that, based on advice of counsel, there may be defenses available to it which are different from or in addition to the defenses available to such indemnifying Party and, as a result, a conflict of interest exists or (ii) the indemnifying Party shall have failed within a reasonable period of time to assume such defense and the indemnified Party is or would reasonably be expected to be materially prejudiced by such delay, in either event the indemnified Party shall be promptly reimbursed by the indemnifying Party for the expenses incurred in connection with retaining one separate legal counsel (for the avoidance of doubt, for all indemnified parties in connection therewith)). For the avoidance of doubt, notwithstanding any such assumption by an indemnifying Party, the indemnified Party shall have the right to employ separate counsel in any such matter and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified Party except as provided in the previous sentence. An indemnifying Party shall not be liable for any settlement of an action or claim effected without its consent. No matter shall be settled by an indemnifying Party without the consent of the indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), unless such settlement (x) includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified Party of a release from all liability in respect to such claim or litigation, (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on beh

(e) The indemnification provided for under this Agreement shall survive the Transfer of the Registrable Securities and the termination of this Agreement.

### ARTICLE V

### DEFINITIONS

5.1. <u>Defined Terms</u>. Capitalized terms when used in this Agreement have the meanings set forth in this Agreement or, when so indicated, in the applicable Transaction Agreement. As used in this Agreement:

"<u>Acquisition Transaction</u>" means any transaction or series of related transactions involving: (i) (a) any acquisition (whether direct or indirect, including by way of merger, share exchange, consolidation, business combination or other similar transaction) or purchase from the Company or any of its Subsidiaries that would result in any Person or Group Beneficially

26

Owning fifty percent (50%) or more in interest of the total outstanding Equity Securities of the Company or any of its Subsidiaries (measured by voting power or economic interest), or (b) any tender offer, exchange offer or other secondary acquisition that would result in any Person or Group Beneficially Owning fifty percent (50%) or more in interest of the total outstanding Equity Securities of the Company or any of its Subsidiaries (measured by voting power or economic interest), or (c) any merger, consolidation, share exchange, business combination or similar transaction involving the Company or any of its Subsidiaries that would result in the stockholders of the Company immediately preceding such transaction Beneficially Owning less than fifty percent (50%) in interest of the total outstanding Equity Securities in the surviving or resulting entity of such transaction (measured by voting power or economic interest); provided, that this clause (c) shall not apply if such transaction or series of related transactions is an acquisition by the Company effected, in whole or in part, through the issuance of Equity Securities of the Company; (ii) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute fifty percent (50%) or more of the consolidated assets, business, revenues, net income, assets or deposits of the Company; or (iii) any liquidation or dissolution of the Company.

"Adjusted VWAP Price Per Share" has the meaning set forth in the Investment Agreements.

"AF" has the meaning set forth in the Preamble.

"AF Investment Agreement" has the meaning set forth in the Recitals.

"AF Observer" has the meaning set for in Section 1.1(f).

"AF Shares" has the meaning ascribed to "Investor Shares" as set forth in the AF Investment Agreement.

"Affiliate" means (except as specifically otherwise defined), when used with respect to a specified Person, a Person that, directly or indirectly, through one (1) or more intermediaries, Controls, is Controlled by, or is Under common Control with, such specified Person; provided that (x) from and after the date hereof, (a) neither the Company nor any of its Subsidiaries shall be considered an Affiliate of Parent or any of its Subsidiaries or of any Affiliate of Parent or its Subsidiaries; and (b) neither Parent nor any of its Subsidiaries shall be considered an Affiliate of the Company or any of its Subsidiaries or of any Affiliate of the Company or its Subsidiaries and (y) no Portfolio Company of PV shall be deemed an Affiliate of PV. Notwithstanding anything herein to the contrary, with respect to AF, "Affiliate" shall mean (i) Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., or (ii) a Person that, directly or indirectly, through one (1) or more intermediaries, is Controlled by Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., but in any event excluding the Persons listed in <u>Annex B</u> of the AF Investment Agreement and their respective controlled Persons; <u>provided</u>, that solely for purposes of <u>Section 2.2</u> hereof, the first two Persons set forth on <u>Annex B</u> shall only be excluded to the extent such Persons would not otherwise by deemed to be an Affiliate under this definition. For purposes of this definition, "<u>Portfolio Company of PV</u>" shall mean any Person in which any pooled investment fund or managed account managed and/or advised by Primavera Capital GP II Ltd. and/or its Affiliates has made an investment (including without limitation direct or indirect

investments in shares, debentures, convertible loan stock, options, swaps, forward contracts, other derivative contracts, guarantees, warrants, debt instruments and loans (whether secured, unsecured or subordinated) other than such Person in which the Fund and other Affiliates of the Fund are the sole nonmanagement investors.

"Agreement" has the meaning set forth in the Preamble.

"<u>Applicable Law</u>" means any applicable national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Entity.

"Beneficially Own" with respect to any securities shall mean having "beneficial ownership" of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing.

"<u>Blackout Period</u>" means (i) any regular quarterly period during which directors and executive officers of the Company are not permitted to trade under the insider trading policy of the Company then in effect and (ii) in the event that the Company determines in good faith that the registration or offering would reasonably be expected to materially adversely affect or materially interfere with any bona fide material financing of the Company or any material transaction under consideration by the Company or would require disclosure of information that has not been, and is not otherwise required to be, disclosed to the public, the premature disclosure of which would adversely affect the Company, a period of up to sixty (60) days; <u>provided</u>, that a Blackout Period described in this clause (ii) may not occur more than once in any period of twelve (12) consecutive months.

"Board" has the meaning set forth in Section 1.1(a).

"Board Observer" has the meaning set forth in Section 1.1(f).

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions are generally authorized or required by law to close in the cities of New York, New York, Dallas, Texas, Hong Kong, Singapore and Shanghai, China.

"Bylaws" means the Amended and Restated Bylaws of the Company.

"Certificate" means the Amended and Restated Certificate of Incorporation of the Company.

"<u>Change of Control</u>" means any transaction or series of related transactions involving: (i) (a) any acquisition (whether direct or indirect, including by way of merger, share exchange, consolidation, business combination or other similar transaction) or purchase from the Company or any of its Subsidiaries that would result in any Person or Group Beneficially Owning fifty percent (50%) or more in interest of the total outstanding Equity Securities of the Company or any of its Subsidiaries (measured by voting power or economic interest), or (b) any tender offer, exchange offer or other secondary acquisition that would result in any Person or Group

28

Beneficially Owning fifty percent (50%) or more in interest of the total outstanding Equity Securities of the Company or any of its Subsidiaries (measured by voting power or economic interest), or (c) any merger, consolidation, share exchange, business combination or similar transaction involving the Company or any of its Subsidiaries that would result in the stockholders of the Company immediately preceding such transaction (the "<u>Pre-Transaction Stockholders</u>") Beneficially Owning less than fifty percent (50%) in interest of the total outstanding Equity Securities in the surviving or resulting entity of such transaction (measured by voting power or economic interest); provided, that this clause (c) shall not apply if (1) such transaction or series of related transactions is an acquisition by the Company effected, in whole or in part, through the issuance of Equity Securities of the Company and (2) the Pre-Transaction Stockholders continue to Beneficially Own, directly or indirectly, at least fifty percent (50%) of the outstanding Equity Securities (measured by voting power and economic interest); (ii) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute fifty percent (50%) or more of the consolidated assets, business, revenues, net income, assets or deposits of the Company; or (iii) any liquidation or dissolution of the Company.

"China Division" has the meaning set forth in the Investment Agreements.

"Closing" has the meaning set forth in the Investment Agreements.

"Commission" means the U.S. Securities and Exchange Commission or any other federal agency administering the Securities Act.

"Company" has the meaning set forth in the Preamble.

"Company Common Stock" means shares of the Company's common stock, par value \$0.01 per share.

"Company Policies" has the meaning set forth in Section 1.1(g).

"Competing Business" has the meaning set forth in Schedule 1.1 to the PV Investment Agreement.

"<u>Confidential Information</u>" means all information (irrespective of the form of communication, and irrespective of whether obtained prior to or after the date hereof) provided to any Investor or its representatives by or on behalf of the Company or its respective representatives, other than information which (i) was or becomes available to the public other than as a result of (A) a breach of this Agreement by any Investor or any of its representatives or (B) improper or unlawful action on the part of any Investor or any of its representatives, (ii) was or becomes available to an Investor or any of its representatives on a nonconfidential basis from a source other than the Company or its representatives; provided that the source thereof is not known by such Investor or such of its representatives to be bound by an obligation of confidentiality to the Company in respect of such information, (iii) is independently developed by an Investor or such of its representatives without the use of any such information that would otherwise be Confidential Information hereunder. Subject to clauses (i)-(iii) above, Confidential Information also includes all non-public information previously provided by the Company or its representatives under the provisions of the Confidentiality Agreement. "Contract" has the meaning given to it in the Investment Agreements.

"<u>Control</u>" means (including, with its correlative meanings "<u>Controlled by</u>" and "<u>Under common Control with</u>"), when used with respect to any specified Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interests, by contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise.

"Demand" has the meaning set forth in Section 4.1(a).

"Demand Registration" has the meaning set forth in Section 4.1(a).

"Distribution" has the meaning set forth in the Investment Agreements.

"Effective Time" has the meaning set forth in the Investment Agreements.

"Engages" and "Engaged" has the meaning set forth in Schedule 1.1 to the PV Investment Agreement.

"Equity Securities" means any and all (i) shares, interests, participations or other equivalents (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit) or voting interests in a Person (other than a corporation), (ii) securities convertible into or exchangeable for shares, interests, participations or other equivalents (however designated) of capital stock or voting securities of (or other ownership or profit or voting interests in) such Person, and (iii) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal statute and the rules and regulations thereunder, as in effect from time to time.

"Executive Committee" means an executive committee of the Board or any committee performing the functions of an executive committee of the Board.

"FH" has the meaning set forth in Section 1.1(a).

"<u>FINRA</u>" means the Financial Industry Regulatory Authority.

"Form S-3" has the meaning set forth in Section 4.3(a).

"Free Writing Prospectus" has the meaning set forth in Section 4.6(a)(iv).

"Fund" has the meaning set forth in the Investment Agreements.

"Government Official" has the meaning set forth in Section 2.3.

30

"<u>Governmental Entity</u>" means any supranational, national, federal, state, municipal, local or foreign government, any instrumentality, subdivision, court, agency, department, board, tribunal, commission or other authority thereof, any public international organization, any arbitral tribunal, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

"Group" has the meaning assigned to such term in Section 13(d)(3) of the Exchange Act.

"<u>Independent Director</u>" means a member of the Board who qualifies, as of the date of such member's appointment and as of any other date on which the determination is being made, (a) as an "Independent Director" under the listing requirements of the New York Stock Exchange, as amended from time to time, and (b) as an "Independent Director" under Rule 10(A)-3 under the Exchange Act as well as any other requirements of the U.S. securities laws which are then applicable to the Company.

"Inspectors" has the meaning set forth in Section 4.6(a)(xi).

"Investment" has the meaning set forth in the Recitals.

"Investment Agreements" has the meaning set forth in the Recitals.

"Investor" and "Investors" have the meanings set forth in the Preamble.

"Investor Designee" has the meaning set forth in Section 1.1(b).

"Investor Shares" has the meaning set forth in the Investment Agreements.

"Issuer Agreement" has the meaning set forth in Section 1.4.

"Losses" has the meaning set forth in Section 4.9(a).

"Marketed Underwritten Shelf Offering" has the meaning set forth in Section 4.3(d).

"Measurement Period" has the meaning set forth in the Investment Agreements.

"Non-Liable Persons" has the meaning set forth in Section 6.16.

"Parent" has the meaning set forth in the Recitals.

"Parties" has the meaning set forth in the Preamble.

"<u>Permitted Loan</u>" means any bona fide loans or other extensions of credit entered into by an Investor or any of its Affiliates with one or more financial institutions and secured by a pledge, hypothecation or other grant of security interest in the Investor Shares, Warrants, Warrant Shares, any other shares of Company Common Stock and/or related assets and/or cash, cash equivalents and/or letters of credit.

"<u>Permitted Transferee</u>" means any Affiliate (other than any individual) of an Investor; <u>provided</u>, that such Transferee would continue to qualify as a Permitted Transferee of such

31

Investor, as applicable if such Transfer were to take place as of any time of determination (and, in the event that such Transferee would no longer so qualify, such Transferee shall immediately Transfer back the Transferred securities to such Investor, as applicable, and such initial Transfer shall, to the fullest extent permitted by law, be null and void *ab initio*, and the Company shall no longer, and shall instruct its transfer agent and other third parties to no longer, record or recognize such initial Transfer on the share register of the Company).

"Permitted Transfers" has the meaning set forth in Section 2.1(b).

"Permitted Warrant Hedge" has the meaning set forth in Section 2.1(a).

"Person" means an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an association, an unincorporated organization, or another entity or group (as defined in the Exchange Act), including any Governmental Entity.

"Piggyback Notice" has the meaning set forth in Section 4.2(a).

"Piggyback Registration" has the meaning set forth in Section 4.2(a).

"Plan of Reorganization" has the meaning set forth in the Investment Agreements.

"<u>Portfolio Company</u>" of an Investor means, (i) with respect to PV, any Person in which a Primavera Fund has made a Portfolio Investment, and (ii) with respect to AF, any Person in which AF or any of its Affiliates has made a Portfolio Investment.

"<u>Portfolio Investment</u>" means an investment made by a Primavera Fund or AF, as applicable, including (but not limited to) direct or indirect investments in shares, debentures, convertible loan stock, options, swaps, forward contacts, other derivative contracts, guarantees, warrants, debt instruments and loans (whether secured, unsecured or subordinated).

"Primavera Fund" means any pooled investment fund or managed account which is managed and/or advised by Primavera Capital GP II Ltd. and/or its Affiliates.

"Prohibited Person" means any Person that appears on any list issued by an applicable Governmental Entity or the United Nations with respect to money laundering, terrorism financing, drug trafficking, or economic or arms embargoes or is a Competing Business.

"PV" has the meaning set forth in the Preamble.

"PV Investment Agreement" has the meaning set forth in the Recitals.

"PV Observer" has the meaning set forth in Section 1.1(f).

"PV Shareholding Requirement" has the meaning set forth in Section 1.1(b).

"PV Shares" has the meaning ascribed to "Investor Shares" set forth in the PV Investment Agreement.

"Qualified Director" has the meaning set forth in Section 1.1(d).

32

"Records" has the meaning set forth in Section 4.6(a)(xi).

"Reference Price" has the meaning set forth in Section 2.1(a).

"<u>Registrable Amount</u>" means an amount of Registrable Securities having an aggregate value of at least \$150 million (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission, or such lesser amount of Registrable Securities as would result in the disposition of all of the Registrable Securities Beneficially Owned by the Investors; <u>provided</u>, that such lesser amount shall have an aggregate value of at least \$50 million (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission.

"Registrable Securities" means (i) the Investor Shares, (ii) the Warrant Shares; (iii) any other stock or securities that the Investors may be entitled to receive, or will have received, pursuant to the Investors' ownership of the Investor Shares, in lieu of or in addition to the Investor Shares, or (iv) any Equity

Securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clauses by way of conversion or exchange thereof or by share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization. As to any particular securities constituting Registrable Securities, such securities will cease to be Registrable Securities when (x) they have been registered pursuant to an effective registration statement filed under the Securities Act and disposed of in accordance with such registration statement, (y) they have been sold pursuant to Rule 144 or Rule 145 or other exemption from registration under the Securities Act, or (z) they cease to be owned by the Investors or a Permitted Transferee.

"Regulation FD" means Regulation FD as promulgated by the SEC under the Securities Act and Exchange Act.

"Resignation Letter" has the meaning set forth in Section 1.1(a).

"Restricted Period" has the meaning set forth in Section 2.1(a).

"Rule 144" means Rule 144 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"Rule 145" means Rule 145 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"Rule 415" means Rule 415 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act of 1933, as amended, or any similar federal statute and the rules and regulations thereunder, as in effect from time to time.

33

"Shelf Offering" has the meaning set forth in Section 4.3(d).

"Shelf Registration Statement" has the meaning set forth in Section 4.3(a).

"<u>Standstill Period</u>" means the period from the execution of this Agreement until the date that is six (6) months after the date on which no Investor Designee serves as a director on the Board and PV either no longer has any rights under this Agreement to designate an Investor Designee to serve on the Board or has irrevocably waived, in writing, any such rights; provided that the Standstill Period shall terminate upon the occurrence of a Change of Control.

"Subsidiary" means, when used with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (i) Beneficially Owns, either directly or indirectly, more than fifty percent (50%) of (A) the total combined voting power of all classes of voting securities, (B) the total combined equity interests, or (C) the capital or profit interests, in the case of a partnership, or (ii) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors of such Person. Unless the context otherwise requires, a reference to a "Subsidiary" of the Company after giving effect to the Plan of Reorganization.

"Take-Down Notice" has the meaning set forth in Section 4.3(d).

"Total Voting Power" at any time shall mean the total combined voting power in the general election of directors of all the Equity Securities then outstanding.

"Transaction Agreement" has the meaning set forth in the Investment Agreements.

"Transfer" means (i) any direct or indirect offer, sale, lease, assignment, encumbrance, pledge, hypothecation, disposition or other transfer (by operation of law or otherwise), either voluntary or involuntary, or entry into any contract, option or other arrangement or understanding with respect to any offer, sale, lease, assignment, encumbrance, pledge, hypothecation, disposition or other transfer (by operation of law or otherwise), of any capital stock or interest in any capital stock or Equity Security or (ii) in respect of any capital stock, interest in any capital stock, or Equity Security, to enter into any swap or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such capital stock, interest in capital stock, or Equity Security, whether any such swap, agreement, transaction or series of transactions is to be settled by delivery of securities, in cash or otherwise. "Transferee" means a Person to whom a Transfer is made or is proposed to be made.

"Ultimate Standstill Level" has the meaning set forth in Section 2.2(b).

"Underwritten Offering" means a sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

"Warrant Shares" has the meaning set forth in the Investment Agreements.

"Warrants" has the meaning set forth in the Investment Agreements.

5.2. <u>Terms Generally</u>. The words "hereby," "herein," "hereof," "hereunder" and words of similar import refer to this Agreement as a whole and not merely to the specific section, paragraph or clause in which such word appears. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The definitions given for terms in this <u>ARTICLE V</u> and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and

neuter forms. References herein to any agreement or letter (including the Investment Agreements) shall be deemed references to such agreement or letter as it may be amended, restated or otherwise revised from time to time. Whenever a reference is made to the business being operated "in the ordinary course consistent with past practice" such reference shall refer to the business of the China Division.

### ARTICLE VI

### **MISCELLANEOUS**

6.1. <u>Term</u>. This Agreement will be effective as of the date hereof (or, if the Closing contemplated by the AF Investment Agreement shall not have occurred on the date hereof, then this Agreement will be effective as of the date hereof only with respect to the Company and PV, and will become effective with respect to AF in accordance with <u>Section 6.17</u>), and will continue in effect thereafter until the earliest of (a) the written consent of all Parties hereto or their respective successors in interest, (b) except for those provisions of this Agreement that terminate as of a date specified in such provisions, which provisions shall terminate in accordance with the terms thereof, the date on which neither Investor holds any shares of, or any other securities of the Company convertible, exchangeable or exercisable for shares of Company Common Stock, (c) a Change of Control or (d) the dissolution, liquidation or winding up of the Company.

6.2. <u>No Inconsistent Agreements</u>. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the Investors in this Agreement.

6.3. Legend.

(a) If and to the extent shares of Company Common Stock, Warrants or Warrant Shares are in certificate form, all certificates representing the shares of Company Common Stock held by each shareholder shall bear a legend substantially in the following form:

"The securities evidenced by this certificate have been issued and sold without registration under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other foreign, federal, state, local or other jurisdiction (a "Foreign or State Act"). The securities evidenced by this certificate cannot be sold, assigned or otherwise transferred unless such sale, assignment or other transfer is (i) made pursuant to an effective registration statement under the Securities Act and in accordance with

35

each applicable Foreign or State Act or (ii) exempt from, or not subject to, the Securities Act (including pursuant to Regulation S thereunder) and each applicable Foreign or State Act. If the proposed sale, assignment or other transfer will be made pursuant to clause (ii) above, the holder must, prior to such sale, assignment or other transfer, furnish to the issuer such certifications, legal opinions and other information as the issuer may reasonably require to determine that such sale, assignment or other transfer is being made in accordance with such clause.

The securities evidenced by this certificate are subject to restrictions on transfer set forth in the Shareholders Agreement dated November 1, 2016, among the Company and certain other parties thereto (a copy of which is on file with the Secretary of the Company)."

(b) Upon the permitted sale of any shares of Company Common Stock, Warrants or Warrant Shares pursuant to (i) an effective registration statement under the Securities Act or pursuant to Rule 144, or (ii) another exemption from registration under the Securities Act or upon the termination of this Agreement, the certificates, if any, representing such shares of Company Common Stock shall be replaced, at the expense of the Company, with certificates or instruments not bearing the legends required by this <u>Section 6.3</u>; provided that the Company may condition such replacement of certificates under the foregoing clause (ii) upon the receipt of an opinion of securities counsel retained by each Investor at each Investor's expense and reasonably satisfactory to the Company.

6.4. <u>Notices</u>. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, (b) upon confirmation of receipt if delivered by telecopy or telefacsimile, (c) on the second Business Day following the date of dispatch if delivered by a recognized next-day courier service, or (d) on the date received if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the Party to receive such notice:

if to the Company, to:

Yum China Holdings, Inc. 16/F Two Grand Gateway 3 Hongqiao Road Shanghai 200030 The People's Republic of China Attention: Shella Ng, Chief Legal Officer Facsimile: +86-21-2407-7898

with a copy (which shall not constitute notice) to:

Sidley Austin LLP One South Dearborn Street Chicago, Illinois 60603 Attention: Paul L. Choi Beth E. Flaming Facsimile: (312) 853-7036

and

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Benjamin M. Roth Facsimile: (212) 403-2000

if to PV, to:

Pollos Investment L.P. c/o Primavera Capital Limited 28th Floor, 28 Hennessy Road Hong Kong Attention: Ena Leung Facsimile: +852-3767-5001

with a copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017 Attention: Patrick J. Naughton Facsimile: +1-212-455-2502

if to AF, to:

API (Hong Kong) Investment Limited c/o Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. Block B, Dragon Times Plaza, 18 Wantang Road, Xihu District Hangzhou, China 310099 Attention: Jason Zhu Facsimile: +86-571-8163-5410

with a copy (which shall not constitute notice) to:

Legal Department c/o Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.

37

Block B, Dragon Times Plaza, 18 Wantang Road, Xihu District Hangzhou, China 310099 Facsimile: +86-571-8163-5410

and

Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017 Attention: Patrick J. Naughton Facsimile: +1-212-455-2502

or to such other persons or addresses as may be designated in writing by the Party to receive such notice as provided above.

6.5. <u>Amendment and Waiver</u>. This Agreement may not be amended, supplemented or changed, and any provision hereof cannot be waived, except by an instrument in writing making specific reference to this Agreement signed on behalf of each of the Parties hereto. The failure of any Party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

6.6. <u>Interpretation</u>. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

6.7. <u>Counterparts</u>. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one Party, but all such counterparts taken together will constitute one and the same Agreement.

### 6.8. Entire Agreement; No Third Party Beneficiaries.

(a) This Agreement, and the Exhibits and Schedules hereto and the other agreements and instruments of the Parties delivered in connection herewith and therewith, when executed, constitute the entire agreement and supersede all prior agreements, understandings, representations and

warranties, both written and oral, among the Parties with respect to the subject matter hereof and thereof.

(b) Nothing in this Agreement, express or implied, is intended to or shall confer any rights upon any Person other than the Parties and each such Party's respective heirs, successors and permitted assigns, all of whom shall be third party beneficiaries of this Agreement; provided, that the Persons indemnified under <u>ARTICLE IV</u> are intended third party beneficiaries of <u>ARTICLE IV</u>. For the avoidance of doubt, in no event shall any holder of Parent common stock or any other voting securities of Parent, in each case, in their capacity as such, have any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

6.9. <u>Governing Law</u>. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without giving effect to choice of law principles thereof).

6.10. <u>Severability</u>. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, and the application of such provision to Persons or circumstances other than those as to which it has been held invalid and unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon any such determination, the Parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect, as closely as possible, the original intent of the Parties.

6.11. <u>Assignment</u>. This Agreement shall not be assignable by any Party without the prior written consent of the other Parties, except that (i) any Investor may assign all or any of its rights and obligations under <u>ARTICLE IV</u> to a transferee in a Permitted Transfer, and (ii) any Investor may assign all or any of its rights and obligations under this Agreement to a Permitted Transferee. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and assigns. Any purported assignment in violation of this <u>Section 6.11</u> shall be void and of no effect.

6.12. Submission to Jurisdiction; Waivers. Each of PV, AF and the Company hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the Delaware Court of Chancery (or if, (but only if) the Delaware Court of Chancery shall be unavailable, any other court of the State of Delaware or any federal court sitting in the State of Delaware), with respect to any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby and further agree that service of any process, summons, notice or document by registered mail to the addresses set forth on this Agreement shall be effective service of process for any action, suit or proceeding brought against any such Party in any such court. Each of PV, AF, and the Company hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of Chancery shall be unavailable, any other court of the State of Delaware or any federal court sitting in the State of Delaware Court of Chancery (or if, (but only if) the Delaware Court of Chancery shall be unavailable, any other court of the state of Delaware or any federal court sitting in the State of Delaware Court of Chancery (or if, (but only if) the Delaware Court of Chancery shall be unavailable, any other court of the State of Delaware or any federal court sitting in the State of Delaware), and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF PV, AF, PARENT AND THE COMPANY HEREBY WAIVES TRIAL BY JURY AND/OR ANY DEFENSES BASED UPON THE VENUE, THE INCONVENIENCE OF THE FORUM, OR THE LACK OF PERSONAL JURISDICTION IN ANY ACTION OR SUIT ARISING FROM SUCH DISPUTE WITH JURISDICTION AND/OR VENUE SO SELECTED.

6.13. <u>Enforcement</u>. Each Party hereto acknowledges that money damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limiting any other remedy or right it may have, the non-breaching Party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and

39

provisions hereof. Notwithstanding the foregoing, no Investor will have any right to an injunction to prevent the filing or effectiveness of the Form 10 and the consummation of the Distribution in connection therewith.

6.14. <u>Descriptive Headings</u>. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

6.15. <u>Mutual Drafting</u>. This Agreement shall be deemed to be the joint work product of PV, AF, and the Company and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

6.16. <u>No-Recourse; No Partnership</u>. Only the Parties shall have any obligation or liability under this Agreement. Notwithstanding anything that may be expressed or implied in this Agreement, no recourse under this Agreement, shall be had against any current or future Affiliate of any Investor, any current or future direct or indirect shareholder, member, general or limited partner, controlling Person or other Beneficial Owners of any Investor, or any such Affiliate, any of their respective representatives or any of the successors and assigns of each of the foregoing (collectively, "<u>Non-Liable Persons</u>"), whether by enforcement of any assessment or any legal or equitable proceeding, or by virtue of any statute, regulation or other Applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Non-Liable Person for any obligation of an Investor under this Agreement for any claim based on, in respect of or by reason of such obligations or their creation; <u>provided</u> that the foregoing shall not apply to any Non-Liable Person who becomes a party to this Agreement in accordance with the terms hereof. Nothing in this Agreement shall be deemed to constitute a partnership among any of the Parties hereto.

6.17. <u>AF Joinder</u>. In the event that the Closing (as defined in the AF Investment Agreement) shall not have occurred on the date hereof, then, upon the occurrence of the Closing (as defined in the AF Investment Agreement), AF shall execute and deliver a deed of adherence, substantially in the form attached hereto as <u>Exhibit D</u>, to the Company and PV, whereupon AF will be joined as a party hereto and shall have the rights and be subject to the obligations hereunder from and after the date of delivery of such deed of adherence; <u>provided</u> that, for the avoidance of doubt, no provision of this Agreement shall be operative with respect to AF until AF becomes a party to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement by their authorized representatives as of the date first above written.

### YUM CHINA HOLDINGS, INC.

By: /s/ Micky Pant

Name: Micky Pant Title: Chief Executive Officer

[Signature Page to Shareholders Agreement]

### POLLOS INVESTMENT L.P.

By: /s/ Michael Collins Name: Michael Collins Title: Director

[Signature Page to Shareholders Agreement]

## API (HONG KONG) INVESTMENT LIMITED

By: /s/ Leiming Chen Name: Leimin

Name:Leiming ChenTitle:Authorized Signatory

[Signature Page to Shareholders Agreement]

### EXHIBIT A

### Form of Resignation Letter

[Date]

Attention: Chairman of the Board of Directors

Reference is made to the Shareholders Agreement, dated as of [•], 2016 (the "Agreement"), by and among Yum China Holdings, Inc. (the "Company"), [Investor] ("Investor"), and the other parties thereto. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Agreement.

In accordance with the Agreement, I hereby tender my resignation as a director of the Board of Directors of the Company (the "Board"); <u>provided</u> that this resignation shall be effective only upon the Board's acceptance of this resignation pursuant to the terms set forth in the Agreement. I hereby acknowledge that this resignation as a director of the Board is as a result of the terms and conditions of the Agreement.

This resignation may not be withdrawn by me at any time.

Very truly yours,

Director

A-1

### EXHIBIT B

#### Form of Joinder

[Attached beginning on next page]

### FORM OF JOINDER AGREEMENT

JOINDER AGREEMENT, dated as of [·], (this "<u>Agreement</u>") by and between Yum China Holdings, Inc., a Delaware corporation (the "<u>Company</u>"), and [·], a [·] (the "<u>New Investor</u>").

WHEREAS, the Company, Pollos Investment L.P., a Cayman Islands Limited Partnership, and API (Hong Kong) Investment Limited, a company incorporated under the laws of Hong Kong, entered into that certain Shareholders Agreement, dated as of [October 31], 2016, (as it may be amended from time to time in accordance with its terms, the "Shareholders Agreement"); and

WHEREAS, capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Shareholders Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

- 1. The New Investor is hereby made a party to the Shareholders Agreement, and the New Investor hereby agrees to be bound by and obligated to comply with all the terms and provisions of the Shareholders Agreement, as an Investor thereunder as of the date hereof.
- 2. The New Investor represents and warrants to the Company and the other Investors that:
  - a) this Agreement has been duly and validly executed and delivered by such New Investor and this Agreement and the Shareholders Agreement constitute legal and binding obligations of such New Investor, enforceable against such New Investor in accordance with its terms; and
  - b) the execution and delivery by such New Investor of this Agreement and performance by such New Investor of this Agreement and the Shareholders Agreement and the consummation by such New Investor of the transactions contemplated hereby and thereby will not, with or without the giving of notice or lapse of time, or both (A) violate any Applicable Law, or (B) conflict with, or result in a breach or default under, any term or condition of any agreement or other instrument to which the New Investor is a party or by which the New Investor is bound, except for such violations, conflicts, breaches or defaults that would not, in the aggregate, materially affect the New Investor's ability to perform its obligations hereunder and thereunder.
- 3. All references in the Shareholders Agreement to "Investor" shall be deemed to include the New Investor.
- 4. The New Investor acknowledges and agrees that, except as expressly set forth in the Shareholders Agreement, it shall not have any of the rights or privileges of the Person Transferring any of the Investor Shares, the Warrant Shares, or the Warrants (as applicable) (such Person, the "<u>Transferor</u>"), except for the rights and privileges contained in Article IV

of the Shareholders Agreement, but will be bound by and obligated to comply with the terms and provisions of the Shareholders Agreement as if it were the Transferor.(1)

5. All of the terms and conditions of the Shareholders Agreement are unmodified and shall continue in full force and effect and shall be binding upon the New Investor and its successors and assigns in accordance with the terms thereof.

[Signature page follows]

(1) Paragraph 4 shall not apply to transfers undertaken in accordance with 6.11(ii) of the Shareholders Agreement.

Accordingly, the New Investor has executed and delivered this Agreement as of the date first written above.

[NEW INVESTOR]

Email ·

By:			
Name:		-	
Title:			
Notice Deta	ila.		
Notice Deta	<u>1115.</u>		
Address:	ſ		1
	Ĩ		j
	Ĩ		]
Attention:		G1	
Attention: Fax:		[•] [•]	

Ы

## YUM CHINA HOLDINGS, INC.

By: Name:

Title:

## EXHIBIT C

#### Form of Issuer Agreement

[Attached beginning on next page]

C-1

Issuer Agreement

[], 20[]

[Bank]

## Re: Margin Loan Agreement and Pledge Agreement to be entered into by [Borrower]

Ladies and Gentlemen:

This letter agreement is being entered into at the request of [], a [jurisdiction of organization] [type of entity] (the "<u>Borrower</u>"), in connection with (i) the Margin Loan Agreement dated as of [], 20[] between the Borrower and [Bank], as lender (the "<u>Lender</u>") (as amended and supplemented from time to time, the "<u>Margin Loan Agreement</u>") and (ii) the Pledge Agreement related thereto dated as of [], 20[] among the Borrower, the Lender and [Bank] as collateral agent (the "<u>Collateral Agent</u>") (as amended and supplemented from time to time, the "<u>Pledge Agreement</u>") (as amended and supplemented from time to time, the "<u>Pledge Agreement</u>") (as amended and supplemented from time to time, the "<u>Pledge Agreement</u>"), and the transactions contemplated by the Margin Loan Agreement and the Pledge Agreement, collectively, the "<u>Transactions</u>"). Pursuant to the Pledge Agreement, the Lender is acquiring a security interest in, inter alia, certain shares of common stock of [Yum China Holdings, Inc.] (the "<u>Company</u>") currently held by the Borrower (the "<u>Collateral Shares</u>").

In connection with the Transactions:

1. The Lender and the Collateral Agent acknowledge that the Collateral Shares cannot be sold, assigned or otherwise transferred unless such transaction is registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and is in accordance with the securities laws of each other foreign, federal, state, local or other jurisdiction (a "Foreign or State Act"), or such transaction is exempt from the registration requirements of the Securities Act and each applicable Foreign or State Act.

2. The Lender and the Collateral Agent agree that if any Collateral Shares are returned to the Borrower upon release from the security interest created by the Pledge and Security Agreement, they will cooperate in good faith with Company to the extent reasonably requested by the Company to facilitate the relegending of such Collateral Shares upon such release. The Borrower hereby agrees to re-legend any such Collateral Shares that are returned to it upon release from such security interest, if reasonably requested by the Company.

3. The Company confirms that (a) it has no objection to the Transactions and (b) none of the Transactions nor any exercise by the Collateral Agent of its remedies under the Pledge and Security Agreement violates or requires any consent under the Shareholders Agreement or any other material contract to which the Company is a party or any constitutive documents of the

C-2

Company or any insider trading or other policy or rule of the Company, including any policy or rule applicable to the Borrower.

4. (a) The Company will not take any actions intended to hinder or delay the exercise of any remedies by Collateral Agent or Lender pursuant to the Margin Loan Agreement or the Pledge and Security Agreement, (b) the Company will not require any opinions of counsel or other documents in connection with any sale or transfer of Collateral Shares in connection with the exercise of any such remedies and (c) to the extent reasonably requested by the Collateral Agent, the Company agrees to use reasonable best efforts to provide to such Investor and its Affiliates, as applicable, such cooperation as may be reasonably necessary to consummate any transfer of Collateral Shares made pursuant to any exercise by the Collateral Agent of its remedies under the Pledge and Security Agreement.

5. The Company acknowledges that (x) as of the date hereof, it does not, and (y) following an event of default under the Margin Loan Agreement, it would not, based solely on account of the rights and remedies that would be available under the Margin Loan Agreement and/or Pledge Agreement to the Lender on

account of such event of default, consider the Lender an "affiliate" (within the meaning of Rule 144 under the Securities Act) of the Company.

C-3

Accej	ed and agreed,	
Yum	hina Holdings, Inc.	
By:		
Name		
Title:		
[Bank	, as Lender	
By:		
Name		
Title:		
[Bank	, as Collateral Agent	
By:		
Name		
Title:		
C-4		

## EXHIBIT D

## Form of AF Deed of Adherence

#### **DEED OF ADHERENCE**

The undersigned is executing and delivering this Deed of Adherence dated [•], pursuant to the Shareholders Agreement dated as of [•], 2016 (the "Shareholders Agreement"), by and among Yum China Holdings, Inc., a Delaware corporation and certain other parties named therein.

Capitalized terms used but not defined in this Deed of Adherence shall have the meanings ascribed to them in the Shareholders Agreement.

The undersigned hereby acknowledges, agrees and confirms that, from and after the date hereof, it shall be deemed to be a party to the Shareholders Agreement as of the date hereof and shall have all of the rights and obligations of "<u>AF</u>", an "<u>Investor</u>" and a "<u>Party</u>" thereunder as if it had executed the Shareholders Agreement. The undersigned hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Shareholders Agreement.

IN WITNESS WHEREOF, the undersigned has caused this Deed of Adherence to be duly executed and delivered as of the date first written

above.

D-1

)

)

)

**SIGNED** as a **DEED** by By API (Hong Kong) Investment Limited in the presence of:

Name:

Name of witness

Address:

#### INDEMNIFICATION AGREEMENT

AGREEMENT, dated as of , , by and between Yum China Holdings, Inc., a corporation organized under the laws of the State of Delaware (the "<u>Company</u>"), and the undersigned (the "<u>Indemnitee</u>").

WHEREAS, it is essential to the Company to retain and attract as directors the most capable persons available;

WHEREAS, the Indemnitee is a director of the Company;

WHEREAS, the Company and the Indemnitee recognize the risk of litigation and other claims being asserted against directors of companies in today's environment;

WHEREAS, Section 145 of the Delaware General Corporation Law and the Company's Amended and Restated Certificate of Incorporation ("<u>Charter</u>") authorize the Company to indemnify and advance expenses to its directors and officers to the extent provided therein, and the Indemnitee has agreed to serve as a director of the Company, in part, in reliance on such provisions;

WHEREAS, the Company has determined that its inability to retain and attract as directors the most capable persons would be detrimental to the interests of the Company, and that the Company therefore should seek to assure such persons that indemnification and insurance coverage will be available in the future; and

WHEREAS, in recognition of the Indemnitee's need for substantial protection against personal liability in order to enhance the Indemnitee's service to the Company in an effective manner and the Indemnitee's reliance on the Company's Charter, and in part to provide the Indemnitee with specific contractual assurance that the protection promised by the Company's Charter will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of the applicable provisions of the Company's Charter or any change in the composition of the governing bodies of the Company or any acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to the Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of the Indemnitee under the directors' and officers' liability insurance policy of the Company.

NOW, THEREFORE, in consideration of the premises and of the Indemnitee agreeing to serve the Company directly or, on its behalf or at its request, as an officer, director, manager, member, partner, fiduciary or trustee of, or in a similar capacity with, another Person (as defined below) or any employee benefit plan, and intending to be legally bound hereby, the parties hereto agree as follows:

1. <u>Certain Definitions</u>. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement:

- (a) <u>Agreement</u>: means this Indemnification Agreement, as amended from time to time hereafter.
- (b) <u>Board of Directors</u>: means the Board of Directors of the Company.
- Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the (c) Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing twenty (20%) or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.
- (d) <u>Claim</u>: means any threatened, asserted, pending or completed civil, criminal, administrative, investigative or other action, suit or proceeding of any kind whatsoever, including any arbitration or other alternative dispute resolution mechanism, or any appeal of any kind thereof, or any inquiry or investigation (including any internal investigation), whether instituted by the Company, any governmental agency or any other party, that the Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other, including any arbitration or other alternative dispute resolution mechanism.

<sup>(</sup>e) <u>Excluded Claim</u>: means any payment for Losses or Indemnifiable Expenses in connection with any Claim: (i) based upon or attributable to Indemnitee gaining in fact any personal profit or advantage to which Indemnitee is not entitled; or (ii) for the return

by Indemnitee of any remuneration paid to Indemnitee without the previous approval of the stockholders of the Company which is illegal; or (iii) for an accounting of profits in fact made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, or similar provisions of any state law; or (iv) resulting from Indemnitee's knowingly fraudulent, dishonest or willful misconduct; or (v) the payment of which by the Company under this Agreement is not permitted by applicable law.

(f) Indemnifiable Expenses: means (i) all reasonable expenses and liabilities, including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Company, and counsel fees and disbursements (including, without limitation, experts' fees, court costs, retainers, transcript fees, duplicating, printing and binding costs, as well as telecommunications, postage and courier charges) paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event by reason of the fact that Indemnitee is, was or has agreed to serve as a director of the Company, or while serving as a director of the Company, is or was serving or has agreed to serve on behalf of or at the request of the Company as a director, officer, manager, member, partner, fiduciary, trustee or in a similar capacity of another Person, or by reason of any action alleged to have been taken or omitted in any such capacity, whether occurring before, on or after the date of this Agreement (any such event, an "Indemnifiable Event"), (ii) any liability pursuant to a loan guaranty (other than a loan guaranty given in a personal capacity) or otherwise, for any indebtedness of the Company or any subsidiary of the Company, including, without limitation, any indebtedness which the Company or any subsidiary of the Company has assumed or taken subject to and (iii) any liabilities which an Indemnitee incurs as a result of acting on behalf of the Company (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the United States Internal Revenue Service, any federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, penalties assessed by the United States Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise).

3

- (g) Indemnitee-Related Entities: means any foreign or domestic corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise (other than the Company or any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise Indemnitee has agreed, on behalf of the Company or at the Company's request, to serve as a director, officer, employee or agent and which service is covered by the indemnity described in this Agreement) from whom an Indemnitee may be entitled to indemnification or advancement of expenses with respect to which, in whole or in part, the Company may also have an indemnification or advancement obligation (other than as a result of obligations under an insurance policy).
- (h) <u>Independent Legal Counsel</u>: means an attorney or firm of attorneys (following a Change in Control, selected in accordance with the provisions of Section 2(i) hereof), who is experienced in the matters of corporate law and who shall not have otherwise performed services for the Company or the Indemnitee within the last five (5) years (other than with respect to matters concerning the rights of the Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements).
- (i) <u>Jointly Indemnifiable Claim</u>: means any Claim for which the Indemnitee shall be entitled to indemnification from both an Indemnitee-Related Entity and the Company pursuant to applicable law, any indemnification agreement or the certificate of incorporation, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or comparable organizational documents of the Company and an Indemnitee-Related Entity.
- (j) <u>Loss</u>: means all losses, Claims, damages, fines, or penalties, including, without limitation, any reasonable legal or other expenses (including, without limitation, any legal fees, judgments, fines, appeal bonds or related expenses) incurred and which the Indemnitee is legally obligated to pay in connection with defending, investigating or settling any Claim, fine, penalty or similar action.
- (k) <u>Person</u>: means any individual, foreign or domestic corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.
- (l) <u>Reviewing Party</u>: means any appropriate person or body consisting of a member or members of the Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which the Indemnitee is seeking indemnification, or Independent Legal Counsel.

4

- (m) <u>Voting Securities</u>: means any securities of the Company which vote generally in the election of directors.
- 2. <u>Basic Indemnification Arrangement; Advancement of Indemnifiable Expenses.</u>

(a) Promptly after receipt by Indemnitee of notice of any Claim, Indemnitee shall, if indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement thereof; <u>provided</u>, <u>however</u>, that the failure to give such notice promptly shall not affect or limit the Company's obligations with respect to the matters described in the notice of such Claim, except to the extent that the Company is prejudiced thereby. Indemnitee agrees further not to make any admission or effect any settlement with respect to such Claim without the consent of the Company, except any Claim with respect to which the Indemnitee has undertaken the defense in accordance with Section 15 hereof.

(b) In the event that the Indemnitee was, is or becomes a party to, or witness or other participant in, or is threatened to be made a party to, or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify the Indemnitee, or cause such Indemnitee to be indemnified, to the fullest extent permitted by applicable law in effect on the date hereof and as amended from

time to time, and shall hold the Indemnitee harmless from and against all Losses that arise by reason of (or arising in part out of) an Indemnifiable Event; <u>provided</u>, <u>however</u>, that no change in such law shall have the effect of reducing the benefits available to the Indemnitee hereunder based on the such law as in effect on the date hereof or as such benefits may improve as a result of any amendments thereto after the date hereof. The rights of the Indemnitee provided in this Section 2 shall include, without limitation, the rights set forth in the other sections of this Agreement. Payments of Indemnifiable Expenses shall be made as soon as practicable but in any event no later than twenty (20) calendar days after written demand is presented to the Company.

(c) Upon request by the Indemnitee, the Company shall advance, or cause to be advanced, any and all Indemnifiable Expenses incurred by the Indemnitee (an "Expense Advance") on the terms and subject to the conditions of this Agreement, as soon as practicable but in any event no later than five (5) business days after written demand is presented to the Company. The Company shall, in accordance with such request (but without duplication), either (i) pay, or cause to be paid, such Indemnifiable Expenses on behalf of the Indemnitee or (ii) reimburse, or cause the reimbursement of, the Indemnitee for such Indemnifiable Expenses. The Indemnitee's right to an Expense Advance is absolute and shall not be subject to any condition that the Reviewing Party shall not have determined that the Indemnitee is not entitled to be indemnified under applicable law. However, the obligation of the Company to make an Expense Advance pursuant to this Section 2(c) shall be subject to the condition that, if, when and to the extent that a final judicial determination is made (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be reimbursed by the Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid (it being understood and agreed that the foregoing agreement by the Indemnitee shall be deemed to satisfy any requirement that the Indemnitee provide the Company with a written undertaking to repay any Expense Advance if it is ultimately determined that the Indemnitee is not entitled to be

5

indemnification under applicable law). The Indemnitee's undertaking to repay such Expense Advances shall be unsecured and interest-free.

(d) Notwithstanding anything in this Agreement to the contrary, the Indemnitee shall not be entitled to indemnification or advancement of Indemnifiable Expenses pursuant to this Agreement in connection with any Claim initiated by the Indemnitee unless (i) the Company has joined in or the Board of Directors has authorized or consented to the initiation of such Claim or (ii) the Claim is one to enforce the Indemnitee's rights under this Agreement (including an action pursued by the Indemnitee to secure a determination that the Indemnitee should be indemnified under applicable law).

(e) The indemnification obligations of the Company under Section 2(b) shall be subject to the condition that the Reviewing Party shall not have determined in a written legal opinion, in any case in which the Independent Legal Counsel is involved following a Change of Control as required by Section 2(i), that the indemnification of the Indemnitee is not proper in the circumstances because the Indemnitee is not entitled to be indemnified under applicable law. If the Reviewing Party determines that the Indemnitee is not entitled to be indemnified in whole or in part under applicable law, the Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper, seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. If the Indemnitee commences legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnified under applicable law, any determination made by the Board of Directors that the Indemnitee is not entitled to be indemnified under applicable law, any determination to be entitled to receive Expense Advances, and the Indemnitee shall not be required to reimburse the Company for any Expense Advance, until a final judicial determination is made in the Claim (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be so indemnified under applicable law. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and the Indemnitee.

(f) To the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, the Indemnitee shall be indemnified against all Indemnifiable Expenses actually and reasonably incurred in connection therewith, notwithstanding an earlier determination by the Reviewing Party that the Indemnitee is not entitled to indemnification under applicable law.

(g) Notwithstanding anything to the contrary herein, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee for any acts or omissions or transactions from which a director, officer, employee or agent may not be relieved of liability under applicable law or for any Excluded Claim.

(h) Notwithstanding any other provisions contained herein, this Agreement and the rights and obligations of the parties hereto are subject to the requirements, limitations and prohibitions set forth in state and federal laws, rules, regulations, and orders regarding

6

indemnification and prepayment of expenses, legal or otherwise, and liabilities, including, without limitation, Section 145 of the Delaware General Corporation Law, Section 18(k) of the Federal Deposit Insurance Act and Part 359 of the Federal Deposit Insurance Corporation's Rules and Regulations and any successor regulations thereto.

(i) The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the directors on the Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnity payments and Expense Advances under this Agreement or any provision of the Charter or the Company's Amended and Restated Bylaws ("<u>Bylaws</u>") hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably delayed, conditioned or withheld). Such Independent Legal Counsel, among other things, shall render its written opinion to the Company and the Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. <u>Indemnification for Additional Expenses</u>. The Company shall indemnify, or cause the indemnification of, the Indemnitee against any and all Indemnifiable Expenses and, if requested by the Indemnitee, shall advance such Indemnifiable Expenses to the Indemnitee, subject to and in accordance with Section 2, which are incurred by the Indemnitee in connection with any action brought by the Indemnitee, the Company or any other Person with respect

to the Indemnitee's right to: (i) indemnification or an Expense Advance by the Company under this Agreement or any provision of the Company's Charter and/or Bylaws and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether the Indemnitee ultimately is determined to be entitled to such indemnification, Expense Advance or insurance recovery, as the case may be; <u>provided</u> that the Indemnitee shall be required to reimburse such Indemnifiable Expenses in the event that a final judicial determination is made in the Claim (as to which all rights of appeal therefrom have been exhausted or lapsed) that such action brought by the Indemnitee, or the defense by the Indemnitee of an action brought by the Company or any other Person, as applicable, was frivolous or in bad faith.

4. <u>Partial Indemnity, Etc.</u> If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Indemnifiable Expenses in respect of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

5. <u>Burden of Proof</u>. In connection with any determination by the Reviewing Party, any court or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the Reviewing Party, court, any finder of fact or other relevant person shall presume that the Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification,

7

and the burden of proof shall be on the Company or its representative to establish, by clear and convincing evidence, that the Indemnitee is not so entitled.

6. Reliance as Safe Harbor. The Indemnitee shall be entitled to indemnification for any action or omission to act undertaken (a) in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to the Indemnitee by the officers or employees of the Company or any of its subsidiaries in the course of their duties, or by committees of the Board of Directors, or by any other Person as to matters the Indemnitee reasonably believes are within such other Person's professional or expert competence or (b) on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon, and in accordance with, the advice of legal counsel or accountants, provided such legal counsel or accountants were selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any other director or any officer, agent or employee of the Company shall not be imputed to the Indemnitee for purposes of determining the right to indemnification hereunder.

7. <u>No Other Presumptions</u>. For purposes of this Agreement, the termination of any Claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not in itself create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law, but such a judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere* or its equivalent may be considered by in such determination. In addition, neither the failure of the Reviewing Party to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that the Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by the Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law shall be a defense to the Indemnitee's claim or create a presumption that the Indemnitee has not met any particular standard of conduct or did not have any particular belief, but such failure of the Reviewing Party to have made a determination as to whether the Indemnitee has not met any particular standard of conduct or did not have any particular belief, but such failure of the Reviewing Party to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, or actual determination by the Reviewing Party to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, or actual determination by the Reviewing Party to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular b

8. <u>Nonexclusivity, Etc.</u> The rights of the Indemnitee hereunder shall be in addition to any other rights the Indemnitee may have under the Charter and Bylaws, the laws of the State of Delaware or otherwise. To the extent that a change in the laws of the State of Delaware or the interpretation thereof (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Charter and Bylaws, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. To the extent that there is a conflict or inconsistency between the terms of this Agreement and the Charter or Bylaws, it is the intent of the parties hereto that the Indemnitee shall enjoy the greater benefits regardless of whether contained herein, in the Charter or Bylaws. No amendment or alteration of the Charter or Bylaws or any other agreement shall adversely affect the rights provided to Indemnitee under this Agreement.

8

9. Liability Insurance. The Company shall use its reasonable best efforts to purchase and maintain a policy or policies of insurance with reputable insurance companies with A.M. Best ratings of "A" or better, providing Indemnitee with coverage for any liability asserted against, or incurred by, Indemnitee or on Indemnitee's behalf by reason of the fact that Indemnitee is or was or has agreed to serve as a director of the Company, or while serving as a director of the Company, is or was serving or has agreed to serve on behalf of or at the request of the Company as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, fiduciary, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, or arising out of Indemnitee's status as such, whether or not the Company would have the power to indemnify Indemnitee against such liability under the provisions of this Agreement. Such insurance policy or policies shall have coverage terms and policy limits at least as favorable to Indemnitee as the insurance coverage provided to any other director of the Company. If the Company has such insurance in effect at the time the Company receives from Indemnitee any notice of the commencement of an action, suit or proceeding, the Company shall give prompt notice of the commencement of such action, suit or proceeding to the insurers in accordance with the procedures set forth in the policy. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policy.

10. <u>Period of Limitations</u>. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two (2) year period; <u>provided</u>, <u>however</u>, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. <u>Amendments, Etc.</u> No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. In the event the Company enters into an indemnification agreement with another director

of the Company containing a term or terms more favorable to that indemnitee than the terms contained herein (as determined by the Indemnitee), the Indemnitee shall be afforded the benefit of such more favorable term or terms and such more favorable term or terms shall be deemed incorporated by reference herein as if set forth in full herein. As promptly as practicable following the execution by the Company or of each indemnification agreement with any such other director (i) the Company shall send a copy of the indemnification agreement to the Indemnitee and (ii) if requested by the Indemnitee, the Company shall prepare, execute and deliver to the Indemnitee an amendment to this Agreement containing such more favorable term or terms.

12. <u>Subrogation</u>. Subject to Section 13, in the event of payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee with respect to any insurance policy. Indemnitee shall execute all papers reasonably required and shall do everything that may be reasonably necessary

to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights. The Company shall pay or reimburse all expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

13. <u>Jointly Indemnifiable Claims</u>. Given that certain Jointly Indemnifiable Claims may arise due to the relationship between the Indemnitee-Related Entities and the Company and the service of the Indemnitee as a director and/or officer of the Indemnitee-Related Entities at the request of the Company, the Company acknowledges and agrees that the Company shall be fully and primarily responsible for the payment to the Indemnitee in respect of indemnification and advancement of Indemnifiable Expenses in connection with any such Jointly Indemnifiable Claim, pursuant to and in accordance with the terms of this Agreement, irrespective of any right of recovery the Indemnitee may have from the Indemnitee-Related Entities. Under no circumstance shall the Company be entitled to any right of subrogation or contribution by the Indemnitee-Related Entities, and no right of recovery the Indemnitee may have from the Indemnitee-Related Entities shall reduce or otherwise alter the rights of the Indemnitee or the obligations of the Company hereunder. In the event that any of the Indemnitee-Related Entities shall make any payment to the Indemnitee in respect of indemnification or advancement of expenses with respect to any Jointly Indemnifiable Claim, the Indemnitee-Related Entity making such payment shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee against the Company under the terms of this Agreement, and the Indemnitee shall execute all papers reasonably required and shall do all things that may be reasonably necessary to secure such rights. Each of the Indemnitee-Related Entities shall be third-party beneficiaries with respect to this Section 13, entitled to enforce this Section 13 against the Company as though each such Indemnitee-Related Entity were a party to this Agreement.

14. <u>No Duplication of Payments</u>. Subject to Section 13 hereof, the Company shall not be liable under this Agreement to make any payment in connection with any Claim made against the Indemnitee to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, any provision of the Company's Charter and Bylaws, or otherwise) of the amounts otherwise indemnifiable hereunder.

15. <u>Defense of Claims</u>. The Company shall be entitled to participate in the defense of any Claim relating to an Indemnifiable Event or to assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee upon giving written notice to the Indemnitee. After delivery of such notice, the Company will not be liable to Indemnitee under this Agreement for any legal or other Indemnifiable Expenses subsequently incurred by Indemnitee in connection with such defense other than reasonable Indemnifiable Expenses of investigation; <u>provided</u> that Indemnitee shall have the right to employ its counsel in such Claim but the fees and expenses of such counsel incurred after delivery of notice from the Company of its assumption of such defense shall be at the Indemnitee's expense; <u>provided further</u> that if: (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such action, the reasonable fees and expenses of

10

counsel shall be at the expense of the Company (but not more than one law firm plus, if applicable, local counsel in respect of any particular Claim). The Company shall not be liable to the Indemnitee under this Agreement for any amounts paid in settlement of any Claim relating to an Indemnifiable Event effected without the Company's prior written consent. The Company shall not, without the prior written consent of the Indemnitee, effect any settlement of any Claim relating to an Indemnifiable Event which the Indemnitee is or could have been a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnitee from all liability on all claims that are the subject matter of such Claim. Neither the Company nor the Indemnitee shall unreasonably withhold its or his or her consent to any proposed settlement; provided that the Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of the Indemnitee as to any Claim actually made or which could have been made based on the subject matter of the Claim. To the fullest extent permitted by the laws of the state of Delaware, the Company's assumption of the defense of a Claim pursuant to this Section 15 will constitute an irrevocable acknowledgement by the Company that any Indemnifiable Expenses incurred by or for the account of Indemnitee incurred in connection therewith are indemnifiable by the Company under Section 2 of this Agreement.

16. <u>Binding Effect, Etc</u>. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. The Company shall require and cause any successor(s) (whether directly or indirectly, whether in one or a series of transactions, and whether by purchase, merger, consolidation or otherwise) to all or a significant portion of the business and/or assets of the Company and/or its subsidiaries (on a consolidated basis), by written agreement in form and substance reasonably satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place; provided that no such assumption shall relieve the Company from its obligations hereunder and any obligations shall thereafter be joint and several. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as a director of the Company and/or on behalf of or at the request of the Company as a director, officer, manager, member, partner, fiduciary, trustee or in a similar capacity of another Person. Except as provided in this Section 16, neither party shall, without the prior written consent of the other, assign or delegate this Agreement or any rights or obligations hereunder.

17. <u>Severability</u>. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) to the fullest extent possible, the provisions of this Agreement (including, without

limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to the terms of this Agreement.

11

18. <u>Specific Performance, Etc.</u> The parties recognize that if any provision of this Agreement is violated by the Company, the Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, the Indemnitee shall be entitled, if the Indemnitee so elects, to institute proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as the Indemnitee may elect to pursue.

19. <u>Notices</u>. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written document delivered in person or sent by telecopy, nationally recognized overnight courier or personal delivery, addressed to such party at the address set forth below or such other address as may hereafter be designated on the signature pages of this Agreement or in writing by such party to the other parties:

(a) If to the Company, to:

Yum China Holdings, Inc. 16/F Two Grand Gateway 3 Hongqiao Road Shanghai 200030 The People's Republic of China Attn: Chief Legal Officer

(b) If to the Indemnitee, to the address set forth on <u>Annex A</u> hereto.

All such notices, requests, consents and other communications shall be deemed to have been given or made if and when received (including by overnight courier) by the parties at the above addresses or sent by electronic transmission, with confirmation received, to the telecopy numbers specified above (or at such other address or telecopy number for a party as shall be specified by like notice). Any notice delivered by any party hereto to any other party hereto shall also be delivered to each other party hereto simultaneously with delivery to the first party receiving such notice.

20. <u>Counterparts</u>. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

21. <u>Headings</u>. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

22. <u>Governing Law</u>. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

# [SIGNATURE PAGE FOLLOWS]

12

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

## YUM CHINA HOLDINGS, INC.

By:

Name: Title:

INDEMNITEE:

Print Name:

[Signature Page to Indemnification Agreement]

Indemnitee Name: Address:

Phone Number:

Annex A

Fax Number:

# STRICTLY PRIVATE & CONFIDENTIAL

# LETTER OF UNDERSTANDING

# Dear Micky,

This Letter of Understanding (LOU) stipulates the conditions of your employment and terms of compensation with Yum China Holdings, Inc. (the "Company"). Effective November 1, 2016, you will be appointed Chief Executive Officer reporting directly to the Company's Board of Directors.

# Annual Base Salary:

Your annual salary will be \$1,100,000 USD (less hypothetical tax withholdings). You will be eligible for a salary review annually.

# Incentive Plan:

For January through October, 2016, you will participate in the Yum! Leaders' Bonus (YLB) program based on performance goals as outlined in the Letter of Understanding dated October 12, 2015.

For November through December, 2016, your Target Bonus will be 130% of your annual salary and based 100% on Yum China Holdings, Inc. performance goals.

Your Individual Factor for 2016 will be determined by the Company's Board of Directors. Yum! Brands Board will recommend to the Company's Board an Individual Factor for the first 10 months of 2016.

In 2017, you will be eligible to participate in an incentive plan established by the Company's Board of Directors.

# Long Term Incentive Plan:

*Continued Vesting:* Your unvested awards from Yum! will continue to vest during your employment with the Company. At your exit from the Company you will be treated as a retiree from Yum! and your vested SAR's can be held till the term expires. You will also receive the pro-rated vesting of your unvested SAR's and all unvested units will be forfeited on the day of your retirement from the Company.

*Executive Income Deferral (EID):* Any unvested deferrals in Yum!'s EID program will continue to vest during your employment with the Company. Any election you made to receive payment will not be triggered as a result of your employment with the Company. Instead, payments will be triggered when you leave the employment of the Company according to your elections.

*Performance Share Plan:* For your 2014 and 2015 Performance Share grants, you will continue to participate as if you were a Yum! employee post-separation, through the respective performance period end-dates for such grants.

Annual Long Term Incentive Award: Beginning in 2017, you are eligible to receive an annual long-term incentive award. The target value of your award is \$4,000,000 USD in economic value on the date of the grant. The actual award you receive will be based on the Company's Board of Director's assessment of your performance. For 2017, this award will be delivered 100% in Stock Appreciation Rights in late February per the normal grant dates in China.

# Yum China Founders' Grant Award:

To reflect our commitment to you as a crucial leader, the Company is pleased to present you with the following:

- A Yum China Stock Appreciation Right (SAR) grant award valued at \$1,500,000 USD in economic value, as soon as administratively possible following approval of the award by Company's Compensation Committee expected to occur on or about November 9, 2016. The grant price will be the based on the Company's stock price at the market close on the date of grant. Your award will vest 25% per year, meaning that it will be fully vested 4 years from the grant date.
- A Restricted Stock Unit (RSU) award valued at \$1,500,000 USD in economic value, to be granted as soon as administratively possible following the spinoff date, which delivers shares of Company stock to you as the award vests. Your award will vest over a three-year period, with 50% vesting on the second anniversary of the grant date and 50% vesting on the third anniversary of the grant date.

# Continued Vesting:

Any equity award you receive from the Company (Stock Option, Stock Appreciation Right, Restricted Stock Unit, or Performance Unit) including the Founders' Grant post separation will be eligible for continued vesting upon retirement provided you meet the following conditions:

- · You are actively employed for at least one year following the grant date
- You provide at least six months notification of intention to retire
- You sign non-solicitation and non-compete agreements

For any award where all three of these conditions are met, you will continue to vest as if you were actively employed based on the vesting schedule defined in the award agreement. For any award where these three conditions are not met, and for awards issued from Yum! prior to your employment with the Company, the award will be treated with the standard provisions provided for retirement in the award agreement.

# Transportation:

While you work in China, you will be provided with a car and driver, and car running expenses.

## Housing:

While you work in China, you will be provided with reasonable and adequate housing at no cost to you. Only the actual amount incurred will be borne by the Company. From time to time, your housing budget may be adjusted based on prevailing market value and conditions.

## Group Insurance and Retirement Benefits:

You will participate in a benefits plan similar to your current arrangement with Yum! Brands, Inc. ("YUM").

*Medical Insurance:* You and your family will be eligible for a US expatriate International Medical Benefit Plan. As part of this plan, you may select contributory coverage for you and your dependents for medical and dental coverage. Vision, Hearing and Prescription benefits are covered through the medical plan. These benefits are subject to change, as they are reviewed and revised periodically.

*Retirement - 401(k):* Beginning January 1, 2017, you will be eligible to participate in a 401(k) plan sponsored by the Company. Your balance in the YUM 401(k) plan can be left as is or distributed to you at your election any time after October 31, 2016. More information will be provided following your transition to the Company.

Yum China Leadership Retirement Plan: You will be eligible for participation in an executive non-qualified retirement plan sponsored by the Company. You will receive an annual credit to your account equal to 20% of your salary plus target bonus.

## Vacation Leave:

Your vacation leave is unchanged.

## Home Leave:

The company will reimburse you for two eligible home leave trips per year. Eligible home leave expenses are limited to airfare, only for you and your dependents based on the round trip business class airfare between Dallas, Texas, USA and Shanghai, China.

## Tax Support:

*Income Tax Preparation Services:* To assist in the preparation of both your US and China income tax returns, the Company has arranged complimentary tax preparation services through Ernst & Young (EY), the Company appointed expatriate tax services provider. In addition, you will receive a complimentary tax briefing both in the US and in China from EY to receive an overview of the tax process as it relates to your international assignment.

<u>Tax Equalization Program</u>: You will be covered by the Company's Tax Equalization Program which guarantees that your total income tax liability will approximate the US Federal and FICA Tax Liability of a comparable Company employee in the United States with a similar base compensation and family size.

In addition, the Company will remit all of your China assignment income and social taxes and in return, will recoup the benefits of any foreign tax credits generated on your income tax returns as it relates to these assignment taxes.

<u>US Hypothetical Tax</u>: Under the program, a US Hypothetical Tax will be retained from your base salary and incentive awards. EY will assist in the calculation of the estimated hypothetical tax at the onset of your assignment and will prepare a calculation at the time of the preparation of

your US income tax return to ensure that the correct amount of hypothetical tax has been withheld during the year. If there has been an overpayment, a reimbursement will be made to you. Similarly, if there is insufficient withholding, you will reimburse the Company. In addition, you agree that any foreign tax credits that accumulate during this assignment will be used to offset the Company's liability accumulated on your behalf. In the event that upon termination of this foreign assignment a US tax return disclosed excess foreign tax credits which can be carried forward to future tax years or carried back to offset a prior year's tax liability, you agree that your US tax returns during the carry-forward period will be prepared by the Company appointed tax provider at the Company's expense, and that you will repay to the Company tax benefits realized from the utilization of such offset. Your Long Term Incentives and YUM Executive Income Deferral ("EID") will also be covered under tax equalization for up to 3 years after your retirement or separation from the Company appointed tax provider, will re-evaluate the tax support each year to extend it beyond the 3 year period. For purposes of the EID, separation from the Company means separation from YUM! China Holdings, Inc.

## Code of Conduct:

You will be subject to a Code of Conduct established by the Company.

## **Repatriation**:

Should you separate or retire while abroad at the Company's option, the Company will pay repatriation expenses to Dallas, Texas, USA for your family and your household goods in accordance with policy guidelines. Expenses to the United States would be paid, provided you return to that point within 60 days of termination. Of course, repatriation expenses would not be paid if you were to remain in China or if you were to voluntarily terminate in order to accept employment with another company.

## Non-Compete:

In signing this Letter of Understanding, you agree that during the period of three (3) months following the termination of this agreement, you shall not: Be engaged by, or seek to obtain employment with a direct Service Restaurant industry competitor.

Solicit or endeavor to entice away from the Company or the Yum! Brands Inc. group of companies any other employee or person engaged by them (whether or not such a person would commit any breach of contract by reason of leaving the service of the Company or the Yum! Brands group of companies) or any customer of Yum! Brands Inc.

You agree at all times (notwithstanding the termination of this agreement) not to use your own advantage, or to disclose to any third party any information concerning the business or affairs of the Company or the Yum! Brands Inc. group of companies, comprising trade secrets and business maters or information which you know or ought reasonably to have known to be confidential.

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

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

Best regards,

/s/ Christabel Lo Christabel Lo Chief People Officer Yum China Holdings, Inc.

Acknowledgement:

I, Micky Pant, confirm that I have read, understood and agreed to the terms of employment outlined in this letter.

/s/ Micky Pant

Micky Pant

Date: Oct. 31, 2016

# CODE OF CONDUCT

# Table of Contents

	Page
How We Win Together	3
Introduction/Program Administration	4
Product Quality & Food Safety	6
Relationship with Franchisees	7
International Anti-Corruption Policy	7
Employee Relations	7
Customers, Suppliers and Competitors	8
Gifts and Entertainment	8
Receipt of Business Gifts and Entertainment	9
Safety and Environmental Protection	10
Political and Community Activities & Contributions	10
Media Relations	11
Engagement of Third Parties	11
Information on the Internet and other Electronic Communications	11
Accounts, Record Keeping and Disclosure of Financial Information	12
Substance Abuse	12
Protecting Confidential Information and other Yum China Property	13
Conflicts of Interest	13
Corporate Opportunities	15
Insider Trading and Proprietary Information	15
Investigation Guidelines	16
Annual Questionnaire	16
Amendments and Waiver	16
1	

# Appendices:

I.	Yum China Code of Conduct Questionnaire	18
II.	Yum China Code of Conduct Certification Statement	25
III.	Yum China International Anti-Corruption Policy	27
IV.	Third Party Due Diligence Questionnaire and Certification Letter	35
V.	Supplier Code of Conduct	43

48

The goal of Yum China Holdings, Inc. ("Yum China" or the "Company") is to be the best in the world at building great restaurant brands — a place where people love to come to work every day excited about their jobs, committed to breakthrough results and a passion for everything they do.

Our formula for success is people capability first...satisfied customers and profitability follow. Our restaurants are run by people who know and love the restaurant business. Our Restaurant General Managers (RGMs) are our number one leaders; our franchisees are our most important partners.

## HOW WE WIN TOGETHER

Two of our major strengths as a company are our employees and our culture. We believe in treating each other with respect and fostering an atmosphere of caring, open communications and candor. Our "How We Win Together" principles define our culture and how we manage our business.

#### **Believe in All People and Be Your True Self**

We trust in positive intentions and believe everyone has the potential to make a difference. We actively seek diversity in others to expand our thinking and make the best decision. We coach and support every individual to grow to his or her full capability.

#### Put Restaurants and Customers Front and Center

We love running great restaurants, and our customers rule. We act with urgency to ensure every customer sees it and feels it in every restaurant. We make sure we have great RGMs who build great teams. We are maniacal about rigorous execution of our core processes to deliver our Brand Standards as our #1 brand building initiative. It's the foundation for making customer mania come alive.

#### Go for Breakthrough

We begin by asking ourselves, "What can I do NOW to get breakthrough results in my piece of Yum China?" Our intentionality drives step change thinking. We imagine how big something can be and work future-back, going full out with positive energy and personal accountability to make it happen.

#### **Build Know How and Adapt**

We grow by being avid learners, pursuing knowledge and best practices inside and outside our company. We seek truth over harmony every step of the way. We consistently drive outstanding execution by scaling our learnings into process and tools around what matters most. Breakthroughs come when we get people with knowledge thinking creatively.

## Take the Hill Teamwork

We team together to drive action versus activity. We discuss the undiscussable, always promoting healthy debate and healthy decisions. Our relationships allow us to ask the earth of each other. We work together to get big things done with urgency and excellence.

3

#### **Recognize! Recognize! Recognize! and Celebrate Achievement**

We attract and retain the best people and inspire greatness by being world famous for recognition. We love celebrating the achievement of others and have lots of fun doing it!

## **INTRODUCTION/PROGRAM ADMINISTRATION**

The Yum China Code of Conduct ("Code") applies to all directors and employees of Yum China and its subsidiaries. Unless otherwise indicated, all references in this Code to employee(s) shall be interpreted as references to both employee(s) and director(s).

This Code sets forth some of the policies and procedures regarding standards of conduct that are required of you as a Yum China employee. It is important that you understand how these standards apply to you. They are intended to help you conform to high ethical standards and to protect Yum China's and your reputations. If you are a manager, you are expected also to ensure that all individuals you supervise are aware of these policies and procedures, and to promote compliance with them.

If you think that something is wrong, are unsure what is proper conduct in a particular situation or believe that another employee may have violated applicable law or Yum China policies, including the policies set forth in this Code, you have a duty to raise questions and report concerns immediately. If you wish, you may call anonymously on the Yum China Ethics and Compliance Hotline, called the Compliance Hotline, at the appropriate number listed below. The Compliance Hotline is an organization independent from Yum China that helps businesses maintain high ethical standards. Yum China has a strict policy against retaliation for good faith reports. No one may threaten you or take any action against you for raising questions or reporting concerns.

Location	The Compliance Hotline Phone/Contact Method
China Provinces / Cities: Beijing, Tianjin, Hebei, Shanxi, Neimenggu, Liaoning,	10-800-711-1137 or
Jilin, Heilongjiang, Henan, Shandong	www.yumchina.com/compliance
China: All other provinces / cities	10-800-110-1061 or
	www.yumchina.com/compliance
United States	1-800-241-5689

Not every concern can be specifically covered in this Code. If you are faced with a situation in which the proper course of conduct is unclear to you, you should discuss it with your manager or senior legal counsel or, if you prefer to raise the issue anonymously, use the Compliance Hotline number listed above. If uncertainty remains about the appropriate action, your manager, the senior legal counsel or you should discuss the situation with the Yum China Legal Department and/or Internal Audit. The following contacts may be used for this purpose:

- · Shella Ng, Chief Legal Officer and Corporate Secretary
- · Ben Lee, Senior Director, Internal Audit

The above procedures may be used to report complaints or concerns regarding accounting and

auditing matters. In addition to the above procedures, Yum China has established additional procedures for complaints and concerns of employees regarding accounting and auditing matters, including for the confidential or anonymous submission of such complaints or concerns.

4

These additional procedures are described in the Complaint Procedures for Accounting and Auditing Matters, which has been approved by the Audit Committee of the Board of Directors and can be found on the Company's intranet website.

Other policies and procedures not listed here also apply to employees. Employees are expected to ask about, be familiar with and comply with all policies and procedures that apply to their positions and responsibilities. All employees and members of the Board of Directors should respect and comply with all applicable laws, rules and regulations.

Failure to adhere to this Code, including the attached Yum China Holdings, Inc. International Anti-Corruption Policy which has been incorporated into the Code, may subject you to disciplinary action, which could include termination. A breach of this Code shall be deemed and treated as a breach of the individual's employment contract with Yum China. Violations of the law may also result in severe fines and penalties against Yum China, and fines and even imprisonment for individuals.

#### Nothing in this Code is intended to restrict communications or actions protected or required by law.

Please read this document carefully, as it is important that each and every one of us adheres to these policies and procedures as we conduct our business.

5

## CODE OF CONDUCT

## **PRODUCT QUALITY & FOOD SAFETY**

At Yum China, product quality and food safety are a cornerstone of our founding truths and a promise we make everyday to our customers.

## **QUALITY**

Quality embodies our basic philosophy of doing business and that is why it is in our founding truths. Therefore, we must exceed our customers' expectations every day in every one of our restaurants by providing the highest quality products and service, in surroundings that are clean, attractive and comfortable.

We continually monitor our products and services, and work hard to improve them. We expect all our employees to assist in this process by reporting anything which might compromise our quality.

## FOOD SAFETY

Food safety is a primary responsibility of Yum China, and nothing, including cost, is allowed to interfere with this responsibility.

To ensure that our customers receive safe, wholesome food, and "food you crave," Yum China:

- · Maintains strict specifications for raw products including specifications which meet or exceed government requirements.
- · Adheres to a strict food safety testing program.
- · Follows rigid food handling and preparation procedures in the restaurants.
- Trains management and crews in proper food-handling procedures and personal hygiene practices.
- · Continually monitors and improves its procedures and practices to ensure food safety.

The responsibility for food safety is shared by everyone in our system:

- As an employee you are expected to immediately report any problem with food safety to your supervisor or the next level of management.
- Any product suspected to be unsafe must immediately be pulled from distribution until safety can be assured.

• If, at any time, your own health or that of anyone serving the restaurant might negatively impact food safety, you should immediately notify your supervisor and determine the proper course of action.

## **RELATIONSHIP WITH FRANCHISEES**

Our positive strategic relationship with our franchisees is an important and highly valued element of Yum China's success.

Franchisees are our most important partners. With this mindset, our goal is to operate as one system, drive sales and operate the best restaurant system in the world.

Our relationship is characterized by:

- · Fairness and honesty in our dealings with franchisees and potential franchisees.
- · Open communication between Yum China and its franchisees.
- · An objective assessment of their performance.

Additionally, Yum China respects its franchisees and protects their confidential information. Franchisees and prospective franchisees provide confidential personal and business financial information to Yum China in the course of obtaining or expanding their Yum China business. This information should be kept strictly confidential and used only for legitimate business purposes.

## INTERNATIONAL ANTI-CORRUPTION POLICY

The Yum China Holdings, Inc. International Anti-Corruption Policy ("Anti-Corruption Policy") is attached in its entirety to this Code. The terms of the Anti-Corruption Policy are fully incorporated into this Code. A breach of the Anti-Corruption Policy shall be deemed and treated as a breach of this Code, and thereby a breach of the individual's employment contract.

## **EMPLOYEE RELATIONS**

Yum China recognizes that one of its greatest strengths lies in the talent and ability of its employees. Employees are expected to hold themselves accountable to the highest professional standards, with mutual respect being the basis of all professional relationships. Human resource goals have been established to guide the Company activities in employee relations. It is the Company's policy:

- to deal fairly with employees;
- to provide equal opportunity for all in recruiting, hiring, developing, promoting and compensating without regard to race, religion, color, age, gender, disability, genetic information, military or veteran status, sexual orientation, gender identity, citizenship, national origin, or other legally protected status;
- to maintain a professional, safe and discrimination-free work environment;

7

- to recognize and compensate employees based on their performance; and
- to provide a competitive array of benefits.

Sexual, racial, ethnic, religious or any other type of harassment has no place in the Yum China work environment. Racial, ethnic and religious harassment includes such conduct as slurs, jokes, intimidation or any other verbal or physical attack upon a person because of race, religion or national origin. Sexual harassment includes unwelcome sexual advances or other verbal or physical conduct of a sexual nature. As noted above, if you think that something is wrong you have a duty to raise questions and report concerns immediately. If you wish, you may call anonymously on the Compliance Hotline. Yum China has a strict policy against retaliation for good faith reports. No one may threaten you or take any action against you for raising questions or reporting concerns in good faith.

## CUSTOMERS, SUPPLIERS AND COMPETITORS

We are committed to the continuation of free enterprise. Therefore, we recognize the importance of laws which prohibit restraints of trade, predatory economic activities and unfair or unethical business practices. Yum China will, and expects its employees to, continue to comply with such laws wherever they exist.

In all of its business dealings with customers, suppliers and competitors, Yum China will and expects its employees to:

- · Compete vigorously and with integrity.
- · Treat all customers and suppliers honestly, fairly and objectively.
- Never discuss or agree with competitors on pricing or any other matter affecting pricing, terms and conditions of sale, limits on production, division of territories or customers or boycotting of third parties.
- Avoid any unfair or deceptive practice or advertisement and always present our services and products in an honest and forthright manner.
- Not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice.
- Never criticize a competitor's product without a good basis for such statements, or act in a manner designed to unlawfully exclude competitors from the marketplace.
- Make clear to all suppliers that we expect them to compete fairly and vigorously for our business, and we will select our suppliers strictly on merit.

## GIFTS AND ENTERTAINMENT

Our business decisions are made on merit. A business favor, such as a gift or entertainment, will never be offered under circumstances that might create the appearance of impropriety, including but not limited to any offers that may be construed as an attempt to induce favorable treatment or influence a decision. This applies to our interactions with private business partners as well as to our interactions with government officials in the United States, China and anywhere in the world, and it applies both to giving and to receiving gifts and entertainment.

8

All employees are required to follow Yum China Guidelines on Gifts, Hospitality, Meals, Travel, Entertainment and Other Business Interactions with Third Parties ("Gift Guidelines", a copy of which is attached as Appendix VI). The terms of the Gift Guidelines are fully incorporated into this Code.

In appropriate circumstances such as the promotion, demonstration or explanation of our products or services, employees may provide existing or potential business partners with reasonable entertainment or gifts. However, the gift or entertainment must be permitted by this Code, applicable law, the business partner's own policies and your business unit's policies. Receiving gifts from current or potential business partners can create the perception that by receiving the gift or entertainment, there will be some associated influence. You may provide a gift to a third party only if it is of nominal value, occasional and it is given openly and transparently, properly recorded in Yum China's books, permitted under local law, and is either (1) directly related to the promotion, demonstration or explanation of our products, such as a logo item promoting our brand or (2) is provided only to reflect esteem, such as at a traditional gift-giving holiday. Gifts or entertainment may never be given or received in exchange for improper or undue influence, and you should avoid even the appearance that a gift or entertainment — whether given or received — relates to some improper or undue influence.

Interactions with government officials present special risks, and you should consult with the Anti-Corruption Policy and the Legal Department and Internal Audit to ensure that any contemplated gifts or entertainment related to government officials comply with this Code, the Policy and applicable anti-corruption laws. In no event shall a Yum China employee offer or give anything of value to any third party including any government official or business partner to improperly influence any act or decision to obtain or retain business, or to secure any improper advantage. Gifts, entertainment or other payments or benefits provided to non-U.S. government officials may be covered by the U.S. Foreign Corrupt Practices Act or other anti-corruption laws, and additional restrictions apply. Please see the Anti-Corruption Policy before providing a gift, entertainment, payment or any other benefit.

## **RECEIPT OF BUSINESS GIFTS AND ENTERTAINMENT**

Gifts (including entertainment, transportation and lodging) offered by suppliers, potential suppliers, franchisees or others in connection with a business transaction create a potential for improper influence — either in reality or in appearance. This could endanger the trust and confidence that are essential to doing business in the marketplace. As a result, employees are prohibited from receiving (for themselves or for any other person) any gift, favor, loan, payment or other special benefit or treatment of any kind (collectively, a "gift") from any individual or organization that conducts or seeks to conduct business with the Company, or which competes with the Company, if

 the acceptance of the gift could reasonably be expected to interfere with the independence or judgment of the employee in performing his or her duties to the Company (including if such gift could cause you to exercise undue or improper personal influence over other employees) or could reasonably be construed as a business inducement,

- (ii) the public disclosure of the acceptance of the gift could reasonably be expected to cause embarrassment to or otherwise damage the reputation of Yum China, or
- (iii) the acceptance of the gift may create the appearance of being improper or otherwise interfering with independence or judgment in the relationship.

If you receive a gift or an offer from an existing or potential supplier or franchisee *beyond* what is described as permissible in this Code, or if you believe that the circumstances otherwise create doubt about the appropriateness of acceptance, you must decline the gift or offer, unless you receive approval from the officer of the Company reporting directly to the Chief Executive Officer of Yum China Holdings, Inc. that has responsibility for your function or the Legal Department to accept it. Otherwise, if the gift was received, you must return it with a dated note stating that you are unable to accept it and are returning it. For your own protection, alert your manager about the gift or offer and keep a copy of the note.

## SAFETY AND ENVIRONMENTAL PROTECTION

Yum China is committed to providing safe and healthy work environments and to being an environmentally responsible corporate citizen. It is our policy to comply with all applicable environmental, safety and health laws and regulations.

We are dedicated to designing, constructing, maintaining and operating facilities that protect our people and physical resources. This includes providing and requiring the use of adequate protective equipment and measures and insisting that all work be done safely.

We believe that protecting the environment is an important part of good corporate citizenship. We are committed to minimizing the impact of our businesses on the environment with methods that are socially responsible, scientifically based and economically sound. We encourage conservation, recycling and energy use programs.

## **POLITICAL AND COMMUNITY ACTIVITIES & CONTRIBUTIONS**

Yum China believes in contributing to society and encourages employees to participate in community activities.

Employees may not use corporate funds, assets or resources (money, food, transportation, labor, etc.) to make any political contributions in the People's Republic of China, the United States or in any other country, even if permitted by applicable laws, except in accordance with the prior authorization of the Chief Legal Officer. No such contributions are allowed for candidates for elections or for political committees or parties.

This policy is not intended to discourage you from participating in political activities on a voluntary personal basis on your own time or from supporting a candidate or party with your own funds. However, you must make it clear that you do not act as a representative of Yum China in any of your personal voluntary political activities. Further, under no circumstance will you be compensated or reimbursed in any way by Yum China for any personal political contribution, including out-of-pocket expenditures incurred in the course of providing volunteer

10

services. You will not be favored or prejudiced in any condition of employment or promotion as a result of making or not making any such political contribution.

Charitable contributions and community involvement are also part of Yum China's core values, and this Code is not intended to discourage you from participating in community activities or from making charitable donations. However, any charitable contribution that is made on behalf of Yum China or for the benefit of Yum China must be authorized and properly recorded on the books and records of the Company.

In rare circumstances, charitable contributions may create the appearance of trying to obtain improper or undue influence, and Yum China must ensure that this does not occur. If you are approached by a current or potential business partner or by a government official to contribute to a particular charitable organization, please include this information in the request for authorization.

## MEDIA RELATIONS

Employees may be asked by representatives of the news media for information concerning Yum China's business or its position on public issues. Employees should refer any inquiries from the news media directly to the VP, Public Affairs without offering any personal commentary.

In addition, employees may not release information to the news media about Yum China activities or the activities of other employees without first discussing the matter with the VP, Public Affairs and obtaining management approval in accordance with the Company's Corporate Disclosure Policy. Yum China Public Affairs has established systems for responding to news media requests and for obtaining management approval for public statements. Accordingly, any such requests for information must be referred to the Public Affairs team.

## **ENGAGEMENT OF THIRD PARTIES**

The actions of vendors, agents, consultants, joint venture partners and other representatives of Yum China (collectively, "Third Parties") may affect Yum China's business reputation, and thereby affect our relationship with customers, suppliers and regulators. Accordingly, Yum China requires its employees to conduct a due diligence review before retaining or otherwise authorizing any Third Parties; and all Third Parties being retained by Yum China are required to certify that they are currently in compliance with and will comply fully with all applicable laws and regulations of the United States, the People's Republic of China and all other jurisdictions in which Yum China does business.

## INFORMATION ON THE INTERNET AND OTHER ELECTRONIC COMMUNICATIONS

Employees should not post confidential or sensitive Company information on the Internet including web sites, blogs, social media, unapproved online collaboration, unapproved online file storage and other similar types of locations.

11

Consideration should also be given to the risks of transmission of such information via e-mail. With the prevalence of electronic communications, it is important that employees remain aware of the possibility of unauthorized parties gaining access to transmitted information.

Yum China has an authorized web site and approved collaboration methods. Employees should not develop or establish web sites or engage in social media using the name of Yum China without authorization from the VP, Public Affairs and otherwise in accordance with the Company's Social Media Policy and Social Media Business Use Guidelines.

# ACCOUNTS, RECORD KEEPING AND DISCLOSURE OF FINANCIAL INFORMATION

We will continue to observe the most stringent standards in our financial records and accounts. Our books must reflect all components of transactions and reflect an honest and forthright presentation of the facts.

It is the responsibility of each employee to uphold these standards. Appropriate records must be kept of all transactions. Employees are expected to cooperate fully with our internal and external auditors. Our employees will not:

- Make false or misleading entries in our books.
- · Maintain secret or unrecorded funds or assets.
- · Make a payment knowing it will be used for a purpose other than what is described in our books and records.
- · Sign, or ask another employee to sign, documents they know to be inaccurate, untruthful or misleading.

An employee whose activities cause false financial reporting will be subject to disciplinary action, including termination.

We adhere to all laws, rules and regulations which require us to disclose our financial and other relevant information. We make it a high priority to make all disclosures full, fair, accurate, timely and understandable.

# SUBSTANCE ABUSE

Yum China does not condone nor will it tolerate illegal use or abuse of alcohol, drugs or other substances by its employees or anyone acting for Yum China. To avoid the potential dangers of drug abuse in the workplace and to protect the health and welfare of its employees, customers, and neighbors, Yum China

has adopted the following practices and procedures:

The unlawful manufacture, distribution, dispensing, possession, use, sale or purchase of unauthorized or illegal drugs or other substances or contraband (i.e., drug paraphernalia such as pipes), or the abuse or misuse of legal drugs, alcohol or other substances while on Company business or during working hours is prohibited. Any violation is grounds for disciplinary action, including termination.

- Any employee under the influence of illegal drugs, alcohol or other substances while on Company premises, Company business or during working hours is subject to disciplinary action, including termination.
- Unlawful actions by employees that discredit the Company involving illegal drugs or contraband, alcohol or other substances during nonworking hours are grounds for disciplinary action, including termination.

Employees who suffer from a substance abuse problem are urged to acknowledge the problem and seek assistance. They may do so by contacting Yum China HR Department.

## PROTECTING CONFIDENTIAL INFORMATION AND OTHER YUM CHINA PROPERTY

Yum China depends on certain secret and confidential information, knowledge and data which it needs to protect. Employees must not disclose to others or use, except pursuant to their employment duties, any of these secrets or confidential information, knowledge or data whether during or after employment. Failure to adequately protect this corporate information could lead to the loss of highly confidential data that may place Yum China at a disadvantage in the marketplace.

Employees must return all property of Yum China (including all hard copy and computer files; customers lists; personal computer hardware and software; statistical analysis, product pricing and other formulas and models; identification cards; keys and access cards) immediately before or upon termination of employment. Employees must not retain copies of any of that property.

All employees must protect the company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on Yum China's profitability. All Yum China assets should be used for legitimate business purposes. For example, employees may not use, distribute, modify, destroy or provide access to facilities, records, systems, data or other property of Yum China or its franchisees, customers or suppliers except as the employees are authorized to do so in connection with their job responsibilities. Employees are expected to use Yum China voicemail, electronic mail and other electronic communication services for business-related purposes. Yum China considers such communications (whether electronic, telephonic or written), computer files and printed forms to be Yum China business records and property. To the extent permitted by law, Yum China reserves the right to monitor these communications as appropriate.

## **CONFLICTS OF INTEREST**

A potential conflict of interest occurs when an individual's private interest interferes in any way — or even appears to interfere — with the interests of Yum China. A conflict situation can arise when an employee takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an employee or a member of his or her family receives improper personal benefits as a result of his or her position in the Company, whether received from the Company or a third party. Loans to, or guarantees of obligations of, employees including directors and executive officers and their respective family members may create conflicts of interest and shall be handled in full

13

compliance with the laws of the United States, the laws of the People's Republic of China, and the laws of any territory where Yum China operates. Federal law prohibits loans to directors and executive officers.

It is important for the Company to be promptly and adequately informed of potential conflict of interest situations so that the potential conflicts may be appropriately analyzed and resolved in the best interests of the Company. In order to facilitate the Company's consideration of these potential conflicts, the Company has adopted separate conflicts of interest policies for employees and directors. The conflicts of interest policy applicable to employees of the Company is set forth in subsection (a) below and the conflicts of interest policy applicable to directors is set forth in subsection (b) below.

(a) Conflict of Interest Policy Applicable to Employees

Yum China's conflicts of interest policy with respect to employees is straightforward: Don't compete with Yum China businesses, and never let your business dealings on behalf of any of our businesses be influenced, or appear to be influenced, by personal or family interests. Employees should avoid a conflict of interest with regard to the Company's interests. All potential conflict of interest situations must be disclosed by employees and resolved by the Company, including, without limitation, situations in which an employee:

- has an individual or family interest in a transaction with Yum China or one of its subsidiaries;
- has a substantial interest in a competitor, franchisee or supplier of Yum China or one of its subsidiaries;
- has a substantial interest in an organization that does, or seeks to do, business with Yum China or one of its subsidiaries; or
- receives a gift that is prohibited under the section entitled "Receipt of Business Gifts and Entertainment" from any individual or organization which conducts or seeks to conduct business with Yum China or one of its subsidiaries or which competes with Yum China or one of its subsidiaries.

In addition, all executive officers of the Company must seek approval from the Chief Executive Officer of Yum China before accepting appointment as a director of any other company. In the case of the Chief Executive Officer, he or she must obtain the approval of the Yum China board of directors.

Most directors of Yum China have and engage in business and professional relationships and activities outside of their directorship with Yum China. As a result, Yum China's conflicts of interest policy with respect to directors is designed to ensure adequate disclosure and consideration of the types of conflict of interest situations that are reasonably likely to be of concern to Yum China. Accordingly, directors are required to disclose to Yum China all potential conflict of interest situations that could reasonably be expected to impact the independence and judgment of the director in performing his or her duties as a director of Yum China. Such disclosures are required to be made by the director at such time and in such manner as to provide adequate notice and sufficient information to Yum China to fully

and adequately consider the relevant facts and circumstances related to the potential conflict of interest and to determine the actions, if any, that should be taken to resolve such potential conflict of interest.

## **CORPORATE OPPORTUNITIES**

Employees are prohibited from (a) taking for themselves personally opportunities that are discovered through the use of corporate property, information or position; (b) using corporate property, information, or position for personal gain; and (c) competing with the Company. Employees owe a duty to Yum China to advance Yum China's legitimate interests when the opportunity to do so arises.

Examples of potential corporate opportunities that employees must disclose and that must be resolved include:

- Participating in a venture where the Company has expressed or can be expected to express an interest; and
- Acquiring an interest in property (such as real estate, patent rights, securities or other property) where the Company has, or can be expected to have, an interest.

These rules regarding corporate and competitive opportunities apply to directors only in so far as the corporate or competitive opportunity arises as a result of, or in their capacity as, a director of Yum China.

If you have any questions or concerns with respect to a potential conflict or corporate opportunity, please contact Yum China's Chief Legal Officer or the Head of Internal Audit or, if you prefer to speak anonymously, contact the Compliance Hotline.

## INSIDER TRADING AND PROPRIETARY INFORMATION

Yum China obeys all laws designed to protect the investing public with respect to disclosure of material information.

Information is considered material if it would be expected to affect a reasonable investor's decision to buy, sell or hold Yum China Holdings, Inc. stock. Examples would be a significant upward or downward revision of earnings forecasts, a significant restructuring, a major management change, or a significant acquisition or divestiture.

Employees should not effect any transaction in the securities of Yum China (including exercising Yum China stock options) or another company involved with Yum China while they have material nonpublic information about Yum China or the other company.

Employees should not disclose material nonpublic information to anyone (including family members and other employees of Yum China), except where disclosure is needed to enable Yum China to carry on its business, and there is no reason to believe - because of an agreement or otherwise - that the information will be misused or improperly disclosed by the recipient.

15

Within Yum China, employees should only discuss or disclose material nonpublic information in the ordinary course of business and when they have no reason to believe that the information will be misused or improperly disclosed by the recipient.

Employees may not enter into options trading or short selling of Yum China securities because these transactions may give the appearance of improper trades, look disloyal and are inconsistent with employees' duties to Yum China. Misuse of material nonpublic information can result in criminal or civil liability, or both. No employee should purchase or sell securities, or advise or in any way encourage anyone else to purchase or sell securities, on the basis of material nonpublic information. If an employee transmits material nonpublic information to any other person who acts upon it, the employee could be liable for the action of such other person.

# INVESTIGATION GUIDELINES

From time to time, it may be necessary for the Company or any of its subsidiaries to conduct investigations with respect to complaints or allegations raised by employees, vendors, franchisees or other parties. These investigations will be conducted pursuant to policies and practices established by the Company with respect to the nature and allegations of any complaints.

In the case of complaints or allegations concerning the following matters, the Chief Legal Officer will be responsible for conducting the investigation:

- Any Code of Conduct violation involving an employee that is L12 or above
- Any allegation where there is risk of governmental investigation or civil or criminal actions or penalties
- Fraud
- Theft (excluding in store fraud of no more than US\$ 25,000 which can be led by the local team)
- Potential undisclosed conflicts of interest
- $\cdot$  Financial irregularities (including key performance indicators i.e. bonus manipulation)
- · Insider trading
- · Potential brand / company reputational risk

The Chief Legal Officer will determine the investigative team depending on the alleged violation.

## ANNUAL QUESTIONNAIRE

All employees of Yum China are required, on an annual basis, to complete and sign the Yum China Code of Conduct Questionnaire attached as Appendix I to this Code and the Yum China Code of Conduct Certification Statement attached as Appendix II to this Code certifying the employee's understanding and acceptance of this Code.

## AMENDMENTS AND WAIVER

This Code of Conduct may be amended or modified by the Board of Directors of Yum China Holdings, Inc. Waivers of this Code as to an executive officer or a member of the Board of

16

Directors may only be granted by the Board of Directors or a committee of the Board with specific authority. Amendments, modifications and waivers will be disclosed as required by the Securities Exchange Act of 1934 and the rules thereunder and the applicable rules of the New York Stock Exchange.

17

## Appendix I

## Yum China Code of Conduct Questionnaire

## **Questionnaire Instructions**

The following Questionnaire is intended to give you a better understanding of required disclosures with respect to potential conflicts of interest within the meaning of Yum China's Code of Conduct and to help identify any situations that have arisen since you last completed the Questionnaire and that may give rise to potential conflicts of interest. Please answer each question to the best of your knowledge with either a "Yes" or "No" response.

## For each question answered with a "Yes" response, an explanation describing your situation is required to be entered.

The following is a list of terms and their meanings as used within the questionnaire. Please become familiar with these terms before you answer the questions:

Company	means Yum China Holdings, Inc. and its subsidiaries.
Supplier	means any individual, firm, corporation, partnership or other entity (including officers, directors, partners, owners and agents of such entities) that is furnishing or is seeking to furnish or has within the last several years furnished or sought to furnish any goods or services to the Company.
Services	means, but is not limited to, services of the type furnished by insurance brokers or agents, contractors, banks, leasing companies, real estate agents and brokers, consultants, engineers, architects, law firms, transportation companies, stock brokers, advertising agencies, artists, marketing organizations or promotion houses, research and development organizations and utilities.
Competitor	means any individual, firm, corporation, partnership or other entity (including officers, directors, partners, owners and agents of such entities) that is active in the markets served by the Company by supplying a product or service that is the same as or similar to a product or service of the Company (Examples include, but are not limited to, McDonald's, Dicos, Domino's and Papa John's).
Your Family	means members of your immediate family (includes your spouse and any of the following who is related by blood, marriage, or adoption: parent, child, brother, sister, aunt, uncle, nephew or niece).
Government Official	means any officer or employee of any government or any department, agency, or instrumentality thereof, or of a public international organization, or any person acting in an official capacity for or on behalf of any such government or department, agency, or instrumentality, or for or on behalf of any such public international organization. This also includes officers or employees of an entity, business, corporation or other organization that is owned by or partially owned by any government or a department agency or instrumentality of any government.
Governmental Body	means any government or any department, agency, or instrumentality thereof.
	18

If you are unable to answer "No" to any of the questions, you should discuss the matter with your supervisor or one of the individuals below or our confidential and anonymous integrity helpline called The Compliance Hotline.

The Compliance Hotline contact information:

Location	The Compliance Hotline Phone/Contact Method
China Provinces / Cities: Beijing, Tianjin, Hebei, Shanxi, Neimenggu, Liaoning,	10-800-711-1137 or
Jilin, Heilongjiang, Henan, Shandong	www.yumchina.com/compliance
China: All other provinces / cities	10-800-110-1061 or
	www.yumchina.com/compliance
United States	1-800-241-5689
19	

Yum China Code of Conduct Questionnaire

1. Are *you* an employee, officer or director of any company, *other than* the Company, that does business with, seeks to do business with, or is in competition with the Company?

o YES

Name of company or business:

List your title or position with the company or business and describe your responsibilities:

- Was your status as an employee, officer or director of such company disclosed to and approved by your
- supervisor?

Is your current supervisor aware of this situation?

Detailed description of situation:

o NO

2. Is *any member of your family* an employee, officer or director of any company that does business with, seeks to do business with, or is in competition with the Company?

o YES

Family member's name: Family member's relationship to you: Name of company or business: Family member's title or position and a description of their responsibilities: Is your current supervisor aware of this situation? Detailed description of situation:

o NO

- 3. To your knowledge, do *you* own, directly or indirectly, a significant financial interest in any supplier, competitor or franchisee of the Company? For this question, a financial interest is considered significant if your interest in such business represents:
  - $\cdot$  1% or more of the equity ownership in, or outstanding securities of, the business; or
  - 10% or more of the net worth or 5% or more of the assets of you or a member of your family.

o YES

Name of supplier, competitor or franchisee: Details of financial interest: Is your current supervisor aware of this financial interest?

o NO

20

- 4. To your knowledge, does *any member of your family* own, directly or indirectly, a significant financial interest in any supplier, competitor or franchisee of the Company? For this question, a financial interest is considered significant if the interest of a member of your family in such business represents:
  - 1% or more of the equity ownership in, or outstanding securities of, the business; or
  - $\cdot$  10% or more of the net worth or 5% or more of the assets of you or a member of your family.

o YES

Details of financial interest: Is your current supervisor aware of your family member's financial interest?

o NO

5. To your knowledge, have *you* received anything of value, including any gifts, entertainment, transportation, lodging, commissions, fees, compensation, discounts on services or products, free use of facilities, vacations, pleasure trips, travel or payments of any kind from a supplier, competitor or franchisee of the Company that has not previously been reported in a prior questionnaire?

o YES

Name of individual or company providing item of value (gift, entertainment, travel, etc.): Detailed description of item of value (gift, entertainment, travel, etc.): Estimated value of what was received: If notification or pre-approval occurred, please list who was notified or provided pre-approval:

o NO

6. To your knowledge, has *a member of your family* received anything of value, including any gifts, entertainment, transportation, lodging, commissions, fees, compensation, discounts on services or products, free use of facilities, vacations, pleasure trips, travel or payments of any kind from a supplier, competitor or franchisee of the Company that has not previously been reported in a prior questionnaire?

o Yes

Family member's name:Family member's relationship to you:Name of individual or company providing item of value (gift, entertainment, travel, etc.):Detailed description of item of value (gift, entertainment, travel, etc.):Estimated value of what was received:If notification or pre-approval occurred, please list who was notified or provided pre-approval:

21

o NO

7. Have *you* made or received a loan from/to, or has a debtor-creditor relationship existed at any time between, you and any supplier, competitor or franchisee of the Company that has not been previously reported in a prior questionnaire?

o YES

Name of the supplier, competitor or franchisee: Detailed description of situation: Is your current supervisor aware of this situation?

o NO

8. Has *a member of your family* made or received a loan from/to, or has a debtor-creditor relationship existed at any time between, any member of your family and any supplier, competitor or franchisee of the Company that has not been previously reported in a prior questionnaire?

o YES

Name of the supplier, competitor or franchisee: Detailed description of situation: Is your current supervisor aware of this situation?

o NO

9. All employees must be familiar with our Code of Conduct and are required to report any violations of the Code of Conduct or applicable laws through The Compliance Hotline (see contact information at end of the Certification Statement) or to the Yum China Chief Legal Officer or the Head of Internal Audit. Have you observed or are you aware of any violations of the Code or applicable laws (either by you, another employee, a contractor or a vendor) that have not been previously reported and resolved?

o YES (Please explain below)

o NO

Explanation:

10. Are *you* a government official or an employee of a governmental body with which Yum China does business, with which Yum China seeks to do business, or which may influence Yum China's business (for example, by issuing permits, licenses, tax assessments, etc.)?

o YES

Name of governmental body:

Your title or position within the governmental body and a brief description of your duties: Is your current supervisor aware of this situation? Detailed description of situation:

o NO

11. Is *any member of your family* a government official or an employee of a governmental body with which Yum China does business, with which Yum China seeks to do business, or which may influence Yum China's business (for example, by issuing permits, licenses, tax assessments, etc.)?

o YES

Family member's name: Family member's relationship to you: Name of governmental body: Your family member's title or position within the governmental body and a brief description of their duties: Is your current supervisor aware of this situation? Detailed description of situation:

o NO

12. Have you provided anything of value, including any gifts, entertainment, transportation, lodging, commissions, fees, compensation, discounts on services or products, free use of facilities, vacations, pleasure trips, travel, favorable contracts or payments of any kind to anyone, including a government official, employee of a governmental body, supplier or franchisee with which Yum China does business, with which Yum China seeks to do business or which may influence Yum China's ability to do business, that has not previously been reported in a prior questionnaire?

o YES

What was provided? To whom and when was it provided? What is the estimated value of what was provided? Is your current supervisor aware of this situation? Detailed description of situation:

o NO

13. Has *a member of your family* provided anything of value, including any gifts, entertainment, transportation, lodging, commissions, fees, compensation, discounts on services or products, free use of facilities, vacations, pleasure trips, travel, favorable contracts or payments of any kind to anyone, including a government official, employee of a governmental body, supplier or franchisee with which Yum China does business, with which Yum China seeks to do business or which may influence Yum China's ability to do business, that has not previously been reported in a prior questionnaire?

o YES

23

Name of your family member providing item of value: Family member's relationship to you: What was provided? To whom and when was it provided? What is the estimated value of what was provided? Is your current supervisor aware of this situation? Detailed description of situation:

o NO

14. Are *you* aware of any conduct by a Yum China employee or any other person acting on behalf of Yum China (such as agent, consultant, contractor, etc.), which involves an offer, promise, payment or authorization to pay any money or other thing of value to anyone, including a government official, in order to get that other person to provide an improper advantage?

o YES

Is your current supervisor aware of this situation? Detailed description of situation:

o NO

## Yum China Code of Conduct Certification Statement

## **Code of Conduct Certification:**

I have read, understand and agree to follow the Company's Code of Conduct, which includes the following:

- 1. Food safety and product quality are a primary responsibility of Yum China and its employees.
- 2. Yum China engages in no bribery anywhere and complies with the United States Foreign Corrupt Practices Act and other anti-bribery laws.
- 3. Yum China treats all customers and suppliers fairly and does not misuse or improperly disclose to any third parties the confidential information of such customers and suppliers.
- 4. Yum China employees do not offer nor do they receive business gifts or hospitality that might create an appearance of impropriety.
- 5. In accordance with the terms of my employment, a breach of the Code of Conduct, which includes the Anti-Corruption Policy, shall be deemed and treated as a breach of my employment contract with Yum China.

Except as described in the foregoing Yum China Code of Conduct Questionnaire, I hereby represent that, to the best of my knowledge, neither I nor any close relative of mine, nor any other person acting on behalf of Yum China, has or is engaged in transactions, or has an interest, which violates or has violated the Code of Conduct. I further certify that the information set forth on the foregoing questionnaire is true, complete and accurate and that I have disclosed all possible violations of the Code of Conduct or applicable laws that I have observed or am aware of.

If any matter is described, I have indicated whether it has been previously disclosed and the manner of such disclosure (e.g., in a previous certification).

If any matter arises in the future which makes this certification incomplete or untrue, I agree to report it promptly either to my immediate supervisor or call the Legal Department, Internal Audit or our confidential and anonymous integrity helpline called The Compliance Hotline below and file a new certification describing such matter.

Shella Ng, Chief Legal Officer and Corporate Secretary 86 21 2407 7777

Ben Lee, Senior Director, Internal Audit 86 21 2407 7777

See chart below.

25

The Compliance Hotline contact information:

Location	The Compliance Hotline Phone/Contact Method
China Provinces / Cities: Beijing, Tianjin, Hebei, Shanxi, Neimenggu, Liaoning,	10-800-711-1137 or
Jilin, Heilongjiang, Henan, Shandong	www.yumchina.com/compliance
China: All other provinces / cities	10-800-110-1061 or
	www.yumchina.com/compliance
United States	1-800-241-5689
Name:	Date:
(please print)	
Signature:	
26	

## Appendix III

## Yum China International Anti-Corruption Policy

Yum China Holdings, Inc. and its subsidiaries ("Yum China" or the "Company") are committed to doing business with the highest levels of integrity. This means avoiding corruption of all kinds, including bribery of government officials or private business partners. Yum China will abide by all applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (the "FCPA"), as well as the applicable laws in every country in which we do business (collectively, "anti-corruption laws"). The requirements of the Yum China Holdings, Inc. Code of Conduct ("Code") and this International Anti-Corruption Policy ("Policy") are designed not only to comply with the FCPA and other anti-corruption laws, but also to avoid even the appearance of improper conduct in connection with Yum China's operations.

This Policy applies to all directors, officers and employees of Yum China worldwide ("associates"), as well as to Yum China's international agents, consultants, joint venture partners, and any other third-party representatives when acting on behalf of Yum China (collectively, "representatives"). Strict adherence to this Policy is required.

Although this Policy is intended to provide guidance, anti-corruption matters are not always clear and may sometimes need to be addressed on a case-by-case basis. In all situations where you have a question, associates should consult the Legal Department. You are also encouraged to review the Department of Justice's *Resource Guide to the U.S. Foreign Corrupt Practices Act* at <u>http://www.justice.gov/criminal/fraud/fcpa/guidance/guide.pdf</u> for more information about the FCPA.

*Potential Consequences of Violating this Policy.* Associates who violate this Policy may be subject to disciplinary action, which could include termination, as a violation of this Policy constitutes a violation of the Code (and thereby the associate's employment contract). Representatives who violate this Policy are subject to termination of all commercial relationships with Yum China and its affiliates. Violations of the Policy and/or the anti-corruption laws could also result in serious criminal or civil fines and penalties against Yum China, and fines and even imprisonment for individuals, both in the U.S. and the country in which the conduct occurred.

## 1. **PROHIBITED TRANSACTIONS**

Associates and representatives of Yum China are prohibited from giving or offering money or anything of value to Government Officials in order to influence the official's acts or decisions, to secure any improper advantage, or to obtain or retain business.

## 1.1 Definitions

## 1) Anything of Value

"Anything of Value" means anything that has value to the recipient. It can include things such as:

cash or any payment or reimbursement in the form of, among others, promotion fee, sponsorship fee, R&D fee, consulting fees, commission fee;

27

- non-cash items such as gifts, entertainment, golf outings, favors, the use of property or equipment (e.g. complimentary hotel rooms), prepaid membership cards, home renovations, the sale of property at an unreasonably low rate, transfers or grants of equity without proper consideration, transportation, and the payment or reimbursement of debts;
- other non-cash items such as loans and loan guarantees (whether personal or through the business) to individuals or to businesses and/or agencies, investment or business opportunities;
- job offers to an influential outside person, his/her family members or friends (even if they are qualified for the job);
- · provision of free services; and
- contributions to a political party or charity.

For convenience, all things of value, including but limited to all of the above, are collectively referred to as "payment" in this Policy. Please note that the above are just examples instead of an exhaustive list of things of value.

There is no minimum threshold in determining value. Even small payments or benefits are prohibited if they are intended as bribes. Moreover, the mere offer of a corrupt payment can violate the anti-corruption laws, regardless of whether the payment is ever made, and regardless of whether the recipient of a payment or thing of value takes any action in response to a promise or payment.

## 2) Government Officials

"Government Officials" is interpreted broadly and includes:

- Any person engaged in public duty in a government agency. This includes any elected or appointed official or employee of a government, *at any level* including national or local government entities. This also includes members of legislative, administrative, and judicial bodies, as well as low-level employees of government agencies, such as office workers;
- Any officer or employee of government-owned or government-controlled entities, including state-owned entities that operate in the commercial sector (*e.g.*, state-owned airlines, oil companies, healthcare facilities, insurance companies or banks);
- Any person acting in an official capacity for a government, government agency, or state-owned enterprise (*e.g.*, someone who has been given authority by a government entity to carry out official responsibilities);
- · Any officer or employee of a public education institution or endowment;
- Any candidate for political office (*e.g.*, a candidate running for governor, mayor, etc.), official or employee of a political party, or a political party itself; and

Any officer or employee of a public international organization (such as the United Nations, the World Bank or the International Monetary Fund).

To "secure an improper advantage" means obtaining an advantage for Yum China that may not be offered to the Yum China's competitors or some other advantage that is only available to the Company if it makes an illegal payment. This includes any commercial or financial benefit. For example:

- A payment to a Government Official or government body to encourage leniency or favoritism in their application and enforcement of regulations (such as payment for leniency in food safety inspections with government agencies) would violate this Policy.
- A payment to secure a sale or contract would violate this Policy.
- A payment to influence a Government Official to issue a license or permit would violate this Policy unless such payment is an officially published processing fee.
  - A payment to persuade a Government Official not to impose a fine or tax, or to minimize such a fine or tax, would violate this Policy, as would a payment to prevent enforcement of an applicable law or regulation.

This Policy also prohibits purely commercial bribery without regard to whether a Government Official is involved in the transaction. Accordingly, payments intended to influence the decision of an individual or company in the private sector to award business to Yum China would violate the Policy.

#### 4) To Obtain or Retain Business

"To Obtain or Retain Business" covers almost every interaction that Yum China has with individuals and entities outside of the Company itself. In other words, any action Yum China takes with the goal of staying in business can be considered to be for the purpose of "obtaining or retaining business" (*e.g.*, paying taxes or utility bills, obtaining or renewing leases for premises, obtaining or renewing licenses or permits for business operations, etc.). For this reason, all employees must maintain the highest ethical standards in everything they do.

There is no exception to this Policy's absolute prohibition against bribery. All payments to secure an improper benefit or to obtain or retain business, including payments made to Government Officials to expedite or to secure the performance of a routine governmental action, are strictly prohibited. Employees will not avoid liability under applicable law or this Policy by "*turning a blind eye*" or categorizing matters as "*local practice*" when circumstances indicate a potential violation of this Policy.

You should note that the FCPA does not require that a corrupt act succeed in its purpose or even that a payment be made. The *offer* or *promise* of an unlawful payment can constitute a violation and are therefore prohibited.

This Policy also prohibits payments of money or anything of value to private business partners — including both current and potential business partners — in order to obtain improper or undue influence in the commercial relationship.

## 1.2 Grey Areas

The basic prohibitions of the anti-bribery laws are generally easily understood. However, applying the prohibitions to the real-world situations under which liability could arise is far more complex. Yum China's employees should be aware of the following situations that could expose Yum China to a risk of a violation and seek advice from the Legal Department when encountering such circumstances:

- Requests or demands by a Government Official for a bribe. If a Government Official requests or demands a bribe or other improper payment or benefit, the associate or representative receiving the request should politely decline the requests or demands and immediately seek guidance from the Legal Department.
- Requests or suggestions by a Government Official that Yum China make a charitable donation to a particular charity. In this situation, the associate or representative should refrain from agreeing to the requests or suggestions and immediately seek guidance from the Legal Department.
- Requests by a Government Official for employment either on his or her own behalf or on behalf of another. In this situation, the associate or representative should politely refrain from agreeing to the requests and seek guidance from the Legal Department.
- Request by a Government Official that Yum China sponsor a conference or business trip that does not appear to be "directly related" to the promotion, demonstration or explanation of Yum China's products and services or could cause Yum China to incur unreasonable expenses. In this situation, the associate or representative receiving the request should seek guidance from the Legal Department before agreeing to sponsor any such conference or trip.
  - When handling relationships with entities that are owned or controlled by a central, regional or local government, including but not limited to public hospitals, insurance companies, banks and any other state-owned or state-controlled enterprises, for the purpose of Yum China's compliance with the anti-corruption laws, employees of these organizations must be treated as if they were Government Officials.

#### 2. PERMISSIBLE GIFTS AND ENTERTAINMENT

Associates and representatives shall strictly adhere to the Code of Conduct and the Yum China Guidelines on Gifts, Hospitality, Meals, Travel, Entertainment and Other Business Interactions with Third Parties ("Gift Guidelines") when providing or offering gifts, meals, entertainment, travel or lodging through the Company. Gifts, meals, entertainment, travel and lodging should never be offered as a means of influencing another person's business decision. Each should only be offered if it is appropriate, reasonable, offered or accepted in the normal course of an existing business relationship, and if the primary subject of discussion or purpose of travel is business. Common sense and moderation should prevail in business entertainment and the payment of travel and lodging expenses engaged in on behalf of the Company.

All gifts, meals, entertainment, travel or lodging provided through the Company must be promptly recorded along with supporting documentation of proof of purchase showing itemized amounts and product descriptions.

## 3. THIRD PARTIES

This Policy, the FCPA and other anti-corruption laws prohibit any type of payment to a third party or intermediary ("representative"), while knowing that all or a portion of the payment will be used for the purpose of obtaining improper or undue influence. The term "knowing" includes awareness of a high probability that an improper payment will occur, so conscious disregard or deliberate ignorance (i.e., deliberately keeping yourself from learning of an improper payment when the circumstances indicate a high probability of such improper payment) do not prevent liability. Thus the conduct of a third party representative may present serious risks to Yum China.

It is also impermissible for representatives to offer improper payments or gifts to any entity or individual (including without limitation Government Officials as defined in this Policy) to secure improper benefits or to obtain or retain business.

The most important step you can take to guard against improper payments made by representatives is to carefully choose the representative, including agents and consultants, and to control the relationship and use appropriate contract language. Before retaining or otherwise authorizing any representatives, you are required to complete a third party due diligence questionnaire. The prospective third party is also required to complete the certification letter attached thereto.

You should consult with your business unit's legal representative to determine any additional steps required by Yum China for conducting appropriate diligence of potential third parties and business partners prior to engaging any third party. Your business unit's legal representative will also provide the contract language that Yum China requires for use with third parties that have the potential to present corruption risk. All potential and current representatives must receive a copy of this Policy.

To avoid even the appearance of impropriety, cash payments to any third party, other than properly documented cash disbursements that are pre-approved by your business unit's legal representative, are prohibited. Company checks may not be written to "cash", "bearer" or anyone other than the party entitled to payment.

## 4. BOOKS AND RECORDS

Associates must help to ensure that Yum China's corporate books and records accurately and fairly reflect, in reasonable detail, all transactions and dispositions of assets. This includes accurate reporting of time worked, business expenses incurred, research test results, revenue and costs, and other business-related activities. It is Yum China's policy to maintain accurate books and records and a system of internal accounting controls sufficient to ensure compliance with the record-keeping provisions of applicable laws. It is every associate's and representative's responsibility to make sure that documents supporting all records (e.g., receipts, disbursements or journal entries) relating to transactions with Government Officials, domestic and foreign governments and international organizations, and with agents or representatives retained by Yum China to act on its behalf in potential dealings, are accurate and contain wording that clearly describes the reason and purpose for each transaction. All company records are subject to audit, and financial records should be maintained in accordance with generally accepted accounting principles.

Dishonest or inaccurate reporting, either inside or outside Yum China, will not be tolerated. This includes reporting or organizing information in an attempt to mislead or misinform. No entry shall be made on Yum China's books and records that intentionally hides or disguises the true nature of any transaction. It is a violation of the Policy to maintain unrecorded or "off-the-books" funds or assets in connection with any transactions.

No associate or representative may establish for any purpose an unauthorized, undisclosed or unrecorded fund or asset involving the Company's money or other assets. No associate or representative may allow transactions with a supplier, agent, customer or other third party to be structured or recorded in a way that is not consistent with generally accepted business practices.

These record-keeping and accounting controls provisions are designed to ensure the integrity and accuracy of Yum China's records to enable Yum China to maintain reasonable control over its assets and all transactions involving those assets. All employees are responsible for following Yum China's policies and procedures for carrying out and reporting business transactions.

Examples of transactions that would violate the requirement that the Company maintain accurate books and records include but are not limited to:

- Payments that are falsified or not recorded in Yum China's accounting records.
- · Payments that are made through backdated or altered invoices.
- Any transaction in which invoices to or from Yum China do not set forth the true purchase or sale price for the transaction (exclusive of discounts or concessions granted by or to Yum China in the ordinary course of business).
- The creation or maintenance on behalf of Yum China or its business of any bank account, domestic or foreign, in a name other than that of the Company.

No undisclosed or unrecorded fund or asset may be established or maintained for any purpose. No associate may participate in falsifying any accounting or other business record, and all associates must respond fully and truthfully to any questions from Yum China's internal or independent auditors.

Associates should never agree to requests for false invoices or for payment of expenses that raise questions under this Policy; if such requests are made, you should notify the Legal Department.

Yum China's Internal Audit Department and/or the Legal Department will conduct periodic audits and compliance reviews of relevant business unit's to help ensure continued compliance with the FCPA, the anti-corruption laws and this Policy.

## 5. BEST PRACTICES

## 5.1 Red Flags

Yum China associates and representatives who are exposed to situations in which anti-corruption laws apply should be aware of the circumstances that should raise a concern about a violation of those laws.

If any of the "red flags" listed below is identified, the associate or representative should promptly seek guidance from the Legal Department.

- · A Government Official with whom the Company is dealing has a reputation for receiving questionable payments.
- · A non-governmental person with whom the Company is dealing has a known relationship with Government Officials.
- · A request for a payment in cash, to an offshore account, or through a third party.
- An agent or distributor proposed to act for the Company refuses to provide written assurances or to accept a contractual covenant that he or she will
  not make any improper payments.
- · A party with whom the Company seeks to do business requests an unusually high commission.
- · A party with whom the Company is conducting business fails to provide standard invoices.
- · A potential customer requests an unusual credit or rebate with or from the Company in return for its business.
- · Unusual bonuses or other amounts paid to agents or representatives of the Company.
- A request by a Government Official to pay for the travel or other related expenses of members of the Government Official's family.

In general, associates should watch for and report any facts and circumstances, including but not limited to those enumerated above, that lead them to suspect that bribes or other corrupt payments may be involved in a transaction. Each associate and representative should seek advice from the Legal Department if they have any questions in these aspects.

## 5.2 <u>Reporting Violations and Compliance Certifications</u>

If you believe that a bribe has been or may be made, a payment has been or will be recorded improperly or in any manner that conceals or misrepresents the nature of the transaction, or any other violation of this Policy or the anti-corruption laws has been committed, you have a duty to report the concern to Yum China immediately. There are numerous ways for you to report your concerns, including an anonymous report, so please refer to the Code for further information about ways to report your concerns. No one may threaten you or take any action against you for raising questions or reporting concerns under this Policy at Yum China. Yum China will periodically ask representatives and all manager level and above and other designated associates to certify their compliance with this Policy.

## 5.3 Training

It is your responsibility to become familiar with this Policy and to comply with all preapproval and reporting requirements. To increase awareness and understanding of this Policy and anti-bribery laws in general, Yum China requires all employees of Yum China and its subsidiaries to complete a web-based anti-bribery training course. Yum China will also offer in-person anti-bribery training where appropriate

2	2
2	5

and require certain representatives to participate in Yum China-sponsored training where appropriate. Yum China will maintain appropriate records of those who have completed the required training.

## 5.4 Franchisees

The Company is not responsible for the actions of its franchisees. However, Yum China's Franchise Agreement requires franchisees to comply with applicable law. If a franchisee gives or receives an improper payment, it would be in breach of our Franchise Agreement. This Policy must therefore be provided to all franchisees and their compliance must be required as part of their obligation to comply with the law.

## 5.5 Acquisitions

From time to time, Yum China acquires businesses. In order to ensure that Yum China understands the potential risks associated with those acquisitions and in order to ensure that Yum China quickly and effectively imposes its compliance controls on newly-acquired businesses, Yum China has developed a Corruption Risk Assessment and Compliance Integration Protocol to be integrated into the pre-acquisition diligence process. You should consult with your business unit's legal representative to obtain guidance on implementing the pre-acquisition diligence process.

## 6. OVERSIGHT AND REVIEW

The Legal Department is responsible for overseeing this Policy. Any investigation of alleged, reported or suspected violations of this Policy will be conducted jointly by Yum China's Internal Audit Department and the Legal Department. If warranted, details of such investigation and its results will be

reported to the Audit Committee of the Board of Directors, and may be reported to governmental authorities. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of management or the Audit Committee. A log of all complaints, allegations, reports and investigations will be maintained by the Legal Department in accordance with the Company's document retention policy.

- · Chief Legal Officer, Yum China Holdings, Inc.
  - · Tel: 86 21 2407 7777;
  - · Fax: 86 21 2407 7898.

#### In addition, you may submit anonymous complaints to:

- Yum China Ethics and Compliance Hotline:
  - 108007111137 (for Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Henan and Shandong);
  - · 108001101061 (for other China locations).
  - · 1-800-241-5689 (United States)

34

## Appendix IV

#### **Third-Party Due Diligence Questionnaire**

This questionnaire is designed to help Yum China Holdings, Inc. ("Yum China" or the "Company") conduct anti-corruption due diligence risk assessment on any proposed vendor (the "Third Party") who will have some form of business relationship with the Company.

In accordance with the Yum China Holdings, Inc. Code of Conduct, completion of this Questionnaire is required before entering into any transaction, agreement, or business arrangement with a Third Party.

Please answer following questions to the best of your current knowledge; no additional research is required.

## I. Background and Identity of the Third Party

Full legal name:		
Registered address:		
Contact person:	Position:	
Phone number:	Fax number:	
Website:		

# Type of business (Check one) Individual o Corporation o Partnership o

## **II. Business Justification**

Third Party Business Function (Please check one)

Accounting firm	0	Supplier	0
Banks	0	Insurance company	0
Catering	0	Travel agency	0
Customs agent	0	Real estate agent	0
Franchisee	0	Consultant	0
Marketing / Advertising Agency	0	Landlord	0
HR recruiter	0	Law firm	0
Joint Venture Partner	0		0

Please describe the business function if not otherwise described above:

35

Internal Business Function Requesting a Third Party (Please check one)

Development	0	Legal	0
Marketing	0	Finance	0
Construction	0	IT	0

Food Safety and QA	0	Human Resources		0
R&D	0	Supply Chain		0
Investment Relationship	0	Public Affairs		0
Q1. Does the Third Party have the requisite skill (commercial and technical competence) for the products offered or services rendered?				o No
If No, please explain:				
Q2. Was the Third Party selected as part of a tender process?			o Yes	o No
If No, please explain:				
Q3. Will the contract specifically describe the products received or services performed?				o No
If No, please explain:				
Q4. Does the expected compenstaion of the Third Party for its services or products vary significantly from what is dictated by local custom or local law for similar services?			o Yes	o No
If Yes, please explain:				
Q5. Is the Third Party critical or difficult to replace with resp	ect to the business	need?	o Yes	o No
If Yes, please explain:				
	36			

III. Connection with Government Officials or Entities

Q6. Are any of the shareholders, owners, employees, directors or clients of the Third Party a government official/entity?	o Yes	o No
Q7. Has the Third Party received any material benefits from a government official/entity?	o Yes	o No
Q8. Does the Third Party lobby any government entities?	o Yes	o No
Q9. As part of its services or products rendered for the Company, will the Third Party or its agents have any interactions with government officials/entities?	o Yes	o No
If your answer to any of the questions from Q6-Q9 under Section III is "Yes", please explain:		
IV. Anti-corruption Clearance		
Q10. Does the Third Party have a compliance policy which covers anti-corruption laws?	o Yes	o No
Q11. Does the Third Party have anti-corruption training for its employees?	o Yes	o No
Q12. Has the Third Party or any of its current shareholders/directors/agents/affiliates or key employees ever been suspended from doing business, charged with, convicted of or alledged to have been engaged in fraud, bribery, misrepresentation, and/or other criminal act?	o Yes	o No

37

Q13. In the past five years, has the Third Party or any of its employees or agents ever made any offer/payment/promise of payment/authorization to give any items of value to government officials/entities?	o Yes	o No
Q14. In the past five years, has the Third Party made any commision payments or other payments to government offcials/entities or to other companies without a written agreement or record?	o Yes	o No
Q15. In the past five years, has the Third Party made any facilitation payments?	o Yes	o No
Q16. In the past five years, has any government official/entity requested the Third Party make an improper payment?	o Yes	o No
Q17. Does the Third Party make any political contributions?	o Yes	o No
Q18. Has the Third Party ever been implicated in any government investigations or enforcement actions involving anti- corruption laws?	o Yes	o No
Q19. Has the Third Party made any disclosures regarding any possible violation of anti-corruption laws?	o Yes	o No

If your answer to any of the questions from Q12-Q19 under Section IV is "Yes", please explain:

#### V. Books and Records

Q20. Does the Third Party use cash or cash equivalents?	o Yes	o No
Q21. Does the Third Party maintain "off the books" accounts?	o Yes	o No

If your answer to any of the questions from Q20 or Q21 under Section V is "Yes", please explain:

38

Q22. Does the Third Party have internal audit personnel?	o Yes	o No
Q23. Does the Third Party have internal audit procedures?	o Yes	o No
VI. Final questions		
Q24. Has the Third Party refused to provide any information necessary to complete any part of this questionnaire?	o Yes	o No
Q25. Did you identify any red flags?	o Yes	o No
If yes, please explain:		
O26. Did the Third Party sign the Certification Letter as attached to this questionnaire?	o Yes	o No

By signing below, I certify that I have performed such procedures and inquires as necessary to ensure that the answers provided in this document are accurate and complete to the best of my knowledge.

Prepared by:				
	(Print your name)			
Signature:		Date:		

## VII. Approval

Based on the review of answers to all the questions in this questionnaire, and any other information in my possession, I hereby give my consent and approval of this Third Party to become Yum China's vendor.

Head of business unit	Date
Chief Legal Officer	Date
Controller	Date
39	

#### **Certification Letter**

("Third Party") acknowledges and agrees that it is the written and established policy of Yum China Holdings, Inc. and its subsidiaries ("Yum China") to comply fully with all applicable laws and regulations.

The Third Party warrants and represents that it has not taken and will not take any action that would constitute a violation, or implicate Yum China in a violation, of any law of any jurisdiction in which it performs business, or of the United States, including without limitation, the Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), and where applicable, legislation enacted by member States and signatories implementing the OECD Convention Combating Bribery of Foreign Officials (collectively, "Anti-Corruption Laws").

In furtherance of Yum China Anti-Corruption Policy, a copy of which has been provided, the Third Party represents, warrants and agrees that:

1. The Third Party is neither a governmental entity nor an instrumentality of a government. If the Third Party is or becomes a governmental entity or instrumentality of a government during the course of its business relationship with Yum China, the Third Party shall notify Yum China immediately so that it may, and hereby reserves the right to, take whatever precautions and actions which may be appropriate to assure compliance with applicable Anti-Corruption Laws.

2. None of the Third Party's principals, owners, officers, directors or agents is currently a Government Official. If any of the Third Party's principals, owners, officers, directors, or agents is or becomes a Government Official during the term covered by this document, the Third Party shall notify Yum China immediately so that they may, and hereby reserves the right to, take whatever precautions and actions may be appropriate to assure compliance with applicable Anti-Corruption Laws.

3. No Government Official is associated with, or owns a significant interest, whether direct or indirect, in the Third Party, or has a legal or beneficial interest in the proposed agreement/relationship with Yum China, or any Payments to be made by Yum China to the Third Party under such agreement/relationship. If a Government Official has or obtains such an interest, the Third Party shall notify Yum China immediately so that it may, and hereby reserves the right to, take whatever precautions and actions may be appropriate to assure compliance with applicable Anti-Corruption Laws.

For purposes of this Certification the term "Government Official" includes, without limitation, all officers or employees of a government department, agency or instrumentality; permitting agencies; custom officials; political party officials; candidates for political office; officials of public international organizations (e.g., the Red Cross or the WTO); employees or affiliates of an enterprise that is owned, sponsored or controlled by any government — such as a health care facility, bank, utility, oil company, university or research institute; and any other position as defined by applicable Anti-Corruption Laws.

4. Neither the Third Party nor any of its principals, owners, officers, directors or agents has promised to make, will promise to make, or will cause to be made, in connection with the proposed agreement/relationship with Yum China, any Payments (i) to or for the use of any Government Official; (ii) to any other person either for an advance or reimbursement, if it knows or has reason to know that

any part of such Payment will be directly or indirectly given or paid by such other person, or will reimburse such other person for Payments previously made, to any Government Official; or (iii) to any other person or entity, to obtain or keep business or to secure some other improper advantage, the payment of which would violate applicable Anti-Corruption Laws. The Third Party shall immediately notify Yum China of any violation or potential violation of Anti-Corruption Laws;

5. The Third Party is in possession of, current and in good standing, all permits, licenses, certifications, regulatory and/or administrative approvals which are necessary for successful completion of the Third Party's obligations to Yum China. The Third Party shall immediately notify Yum China of any changes in this regard.

6. Any compensation provided by Yum China is for the Third Party's sole benefit and relates to normal business transactions only and will not be transferred or assigned to any other party and the Third Party shall make no pass through Payments to other third parties.

7. The Third Party has effective controls that are sufficient to provide reasonable assurances that violations of applicable Anti-Corruption Laws will be prevented, detected and deterred.

8. The Third Party maintains a system of internal accounting controls to ensure that all transactions are properly authorized by management and books and records accurately and fairly reflect its assets and transactions in reasonable detail.

9. Neither the Third Party, nor any of its principals, owners, officers, directors or agents, nor other persons associated with, or acting on behalf of, the Third Party is subject to any sanction administered by the Office of Foreign Assets Control of the United States Treasury Department ("U.S. Economic Sanctions") and does not and will not make any sales or engage in business activities with or for the benefit of, and will not use any amounts payable under the proposed agreement/relationship for the purposes of financing the activities of, any persons and countries that are subject to U.S. Economic Sanctions, including any "Specially Designated Nationals and Blocked Persons."

For purposes of this certification, the term "Payments" refers to anything of value, including cash, gifts, travel expenses, entertainment, offers of employment, provision of free services and business meals. It may also include event sponsorships, consultant contracts, fellowship support, job offers and charitable contributions made at the request of, or for the benefit of, an individual, his or her family, or other relations, even if made to a legitimate charity.

The Third Party agrees to comply with Yum China's Anti-Corruption Policy. The Third Party further agrees to cooperate in good faith in any investigation by Yum China and its auditors, attorneys and representatives in the event of any actual or alleged violation of the Anti-Corruption Laws or the Yum China standards of business conduct by the Third Party, its owners, directors, officers, employees and agents. Such cooperation includes providing Yum China and its representatives prompt and complete access to the Third Party's records for audit and copying and to its owners, directors, officers, employees and agents for interviews. The Third Party further agrees that if future developments cause the representations and certifications provided herein to no longer be accurate or complete, it will promptly send Yum China a written report detailing the causes and extent of the changes.

I confirm that I am suitably qualified and authorized by the Third Party to give the representations,

41

warranties and agreements contained in this document and that the same has been authorized by all and any necessary corporate action.

I certify, represent and warrant that the information provided in response to this Questionnaire is true and accurate to the best of my knowledge and belief and is the product of due inquiry.

I understand and acknowledge that any misrepresentations made in this document and any non-compliance with the above representations will constitute grounds for termination, without compensation, of the proposed agreement/relationship and any subsequent agreement the Third Party may enter into with Yum China or any of its affiliated companies.

Authorized person/signature: Printed name: Date:

#### Appendix V

#### **Supplier Code of Conduct**

Date:

Supplier Name:

Supplier Address:

#### Re: Yum China Holdings, Inc. Supplier Code of Conduct

Dear Suppliers:

Yum China Holdings, Inc. ("Yum China" or the "Company") is committed to conducting its business in an ethical, legal and socially responsible manner. To encourage compliance with all legal requirements and ethical business practices, Yum China has established this Supplier Code of Conduct (the "Code") for its suppliers.

"Supplier" means any individual, firm, corporation, partnership or other entity (including officers, directors, partners, owners and agents of such entities) that is furnishing or is seeking to furnish or has within the last 3 years furnished or sought to furnish any goods or services to the Company.

"Service" means, but is not limited to, services of the type furnished by insurance brokers or agents, contractors, banks, leasing companies, real estate agents and brokers, consultants, engineers, architects, law firms, transportation companies, stock brokers, advertising agencies, artists, marketing organizations or promotion houses, research and development organizations and utilities.

"Yum China employee family member" means any member of a Yum China employee's family (spouse, parent, child, brother, sister, aunt, uncle, nephew or niece) whether by blood, marriage or adoption.

This Code applies to all suppliers of Yum China and its subsidiaries.

You're expected also to ensure that all your employees are aware of these policies and procedures, and to promote compliance with them. Yum China will not tolerate illegal or unethical behavior from our employee or from suppliers who are doing business with Yum China.

#### **Compliance with Laws and Regulations**

Suppliers are required to abide by all applicable laws, codes or regulations including, but not limited to, any local, Province/Autonomous region/Municipality, industry standards, the laws of the People's Republic of China, the U.S. Foreign Corrupt Practices Act (FCPA), and the laws of any territory where it will be providing its goods or services to Yum China.

43

## **Conflict of Interest**

A conflict of interest occurs when a Supplier's interests interfere in any way - or even appears to interfere — with the interests of Yum China.

The purpose of this Code is to provide guidance concerning prohibited activities and associated policies concerning conflicts between interests of Yum China and those of our Suppliers. It provides an overview of the responsibilities of employees under Yum China's Code of Conduct and establishes procedures for disclosure of transactions or situations in which conflicts of interest may exist. This Code does not cover all situations or transactions which might arise but is intended to communicate to you the terms and spirit of Yum China's Code of Conduct and in particular our expectations that our Suppliers will strictly adhere to our conflict of interest rules.

# It is important to understand that participation in any activities that present or potentially present a conflict of interest can result in the permanent termination of our working relationship, or even criminal prosecution.

As indicated above, this Code cannot set forth all of the criteria, events or circumstances as to what constitutes a prohibited conflict of interest.

The followings are the examples of events that could possibly give rise to conflicts of interests, which are strictly prohibited:

- You are not permitted to give cash, cash equivalents (gift certificates, stored value cards, etc.), gift, favor, payment or other special benefit or treatment of any kind to Yum China employees or their family members.
- $\cdot$  You shall not provide remuneration for personal services to Yum China employees or their family members.
- You shall not have a debtor-creditor or guarantor relationship at any time with Yum China employees or their family members.
- · You shall not have any direct or indirect financial, managerial, or employee-employer type relationship with any Yum China employees.

- You shall not offer stock or other proprietary interest in your company to any Yum China employee or his/her family member.
- You shall not provide Yum China employees or their family members any free vacation or pleasure trip that has no business purpose, including any airfare
  or lodging. This prohibition applies to any properties owned in whole or part by you or your company.

The followings are examples of events that could possibly give rise to conflicts of interests, which are subject to advance clearance and cannot be permitted without authorization from Yum China's Legal Department and Internal Audit:

Any direct or indirect financial, managerial, or employee-employer type relationship with any Yum China employee or his/her family member.

44

- Any business related trip provided to a Yum China employee or his/her family member.
- · Goods or services provided to a Yum China employee or his/her family member, even for fair value.
- Tickets to entertainment events, such as sporting events or concerts, provided to a Yum China employee or his/her family member.
- · Dinners/entertainment for a Yum China employee or his/her family member at your residence.
- · Sponsor or otherwise contribute to any Yum China functions, trips, meetings, etc. by either monetary or labor contributions, or gifts.

As a general rule, you should not engage in any activities or transactions involving Yum China or Yum China employees which would give the appearance of impropriety.

If uncertainty remains about the appropriate action, you should discuss the situation with the Internal Audit and / or the Legal Department of Yum China.

You must be cautious and appropriate if providing dinner or entertainment to Yum China employees. Meal costs must be reasonable with respect to normal business practices, and hard liquor should not be provided.

#### **Audit and Inspection**

Each supplier should conduct audits and inspections to ensure their compliance with this Code and applicable legal and contractual standards. In addition to any contractual rights of Yum China, the Supplier's failure to observe this Code may subject them to disciplinary action, which could include termination of the Supplier relationship. Failure to comply with this Code will be sufficient cause for Yum China to exercise its right to revoke the Supplier's approved status. Yum China reserves the right, as a condition of continuation of approval, to conduct (or have its designee conduct) periodic, unannounced inspections of Suppliers and their facilities and business practices to verify compliance with these standards. The business relationship with Yum China is strengthened upon full and complete compliance with the Code of Conduct and the Supplier's agreements with Yum China.

Any subcontractor retained by a Yum China supplier must be in compliance with this Code and each of Yum China's Suppliers is responsible for ensuring its subcontractor's compliance.

#### Application

This Code is a general statement of Yum China's expectations with respect to its Suppliers. The Code should not be read in lieu of but in addition to the Supplier's obligations as set out in any agreement between Yum China and the Supplier. In the event of a conflict between this Code and an applicable agreement, the agreement shall prevail.

If you believe that a Yum China employee or family member or an employee of your company has violated the policies set forth in this Code, you have a duty to raise questions and report concerns immediately.

45

You should contact the Yum China HR department head immediately. If you do not know that person, you may contact:

- · Head of Internal Audit, Yum China Holdings, Inc.
  - Tel: 86 21 2407 7777
  - · Fax: 86 21 2407 7579
- · Chief Legal Officer, Yum China Holdings, Inc.
  - · Tel: 86 21 2407 7777
  - Fax: 86 21 2407 7898
- Or you may call Yum China Ethics and Compliance Hotline, called "**Compliance Hotline**" (24 hours a day, 7 days a week), which is an organization independent from Yum China that helps businesses maintain high ethical standards.
  - · 108007111137 (for Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Henan and Shandong)
  - · 108001101061 (for other China locations).
  - · 1-800-241-5689 (United States)

Or you can use Yum China web complaint channel (<u>www.yumchina.com/compliance</u>) to report your concerns. We will have designated personnel to deal with your complaints.

Yum China has a strict policy against retaliation for good faith reports. No one may threaten you or take any action against you for raising questions or reporting concerns.

Thank you for helping us maintain the highest ethical standards and promoting a fair and competitive work environment.

Respectfully,

Micky Pant

CEO

#### Yum China Holdings, Inc.

46

I have read, understand and agree to follow the Yum China Supplier Code of Conduct.

DATE:

\*Please acknowledge and return by registered mail.

NAME:
SIGNED:
TITLE:
SUPPLIER NAME:
47

## Appendix VI

## Yum China Guidelines on Gifts, Hospitality, Meals, Travel, Entertainment and Other Business Interactions with Third Parties

## Purpose and scope

These Guidelines, which supplement Yum China's Code of Conduct and International Anti-Corruption Policy, provide guidance and explanation on allowable business interactions with third parties, including gift giving, hospitality (meals, travel, entertainment), donations, sponsorships, engagement, employment and any other interactions with third parties by Yum China Holdings, Inc., its subsidiaries, joint ventures and employees.

The offering of any of the above to third parties are subject to very stringent U.S., Chinese and other laws and present significant risk to employees and the company if not strictly followed. Nothing may be offered, provided or authorized for a third party if intended to obtain an improper advantage, and may not be directed through an agent, consultant or other third party to avoid these Guidelines. Any request to vary from these Guidelines must be submitted to the Chief Legal Officer and the Head of Internal Audit who will evaluate the request.

The basic premise underlying these Guidelines is that any and all interactions with third parties must have an appropriate business purpose that complies with U.S., Chinese and other applicable anti-corruption laws and anti-unfair competition laws. Any related expenses must be for a legitimate business purpose such as the promotion, demonstration or explanation of our products and business and must be provided openly and transparently, and be adequately documented and accurately recorded in reasonable detail.

Any reimbursement or disbursement request for items subject to these Guidelines must include the name, title and organization of the receiving third party and a detailed description of the business purpose.

#### **Gifts**

Modest, business appropriate gifts are only allowable when there is NO pending request, approval, bid, contract or economic incentive pending. Gift giving must be occasional and subject to the following restrictions:

- · Maximum RMB 300 per occasion
- · Maximum twice per year

Gifts are NOT allowable if Yum China has a request or approval pending or is in the process of negotiating any business matter, including a lease, economic incentive, tax matter, etc. that either directly or indirectly involves the receiving party. Yum China and its employees are committed to doing business with integrity and in compliance with the highest anti-corruption standards. Under no circumstance will a gift be given to improperly influence any act or decision to obtain or retain business, or to secure any improper advantage.

Gifts should be limited to small value Brand logo items (pens, mugs, hats, etc.). Cash or cash equivalents (gift certificates, cards, vouchers, etc.) are NOT allowed.

# **Gifts associated with Local Customs**

In China it is customary to provide seasonal gifts during two occasions: (i) Chinese New Year and (ii) Moon/Mid-Autumn Festival. Yum employees may promote Yum China's products and services through occasionally providing third parties with gifts of nominal value during such holiday seasons, provided further that such gift giving shall never be for obtaining business nor securing any improper advantage and that these gifts may include only consumable items such as moon cakes, food hamper and Chinese New Year traditional food items. The maximum amount one can spend for a gift-giving occasion is RMB 300.

# **Hospitality**

# <u>Meals</u>

Working meals with a legitimate business or relationship-building purpose are generally allowed where the meals are infrequent and reasonable in amount and location under the circumstances.

# Travel / Entertainment

Prior to offering or providing any travel or entertainment to a third party, written approval must be obtained from CLO and CFO or their delegate. Approval will be granted only in compliance with the following restrictions:

- Hospitality and related activities should only be offered or provided in connection with a legitimate business agenda and under circumstances where Yum China products or services are being promoted, explained or demonstrated; or when Yum China related business issues are being discussed.
- Only modest, reasonable and bona fide travel and entertainment conditions may be offered (i.e., economy class flights and standard business hotels). Any gift associated with the travel or entertainment is subject to the above gift limitations. Travel and lodging should be arranged by the company using company-designated travel agencies or service providers.
- Payments should be made directly to company-designated service providers, not to the third parties involved, and no per diem expenses will be provided in advance.
- No expenses may be offered or paid for any accompanying family members or guests.
- Entertainment venues must be business-appropriate, modest, reasonable and conducive to business discussions. Venues such as karaoke bars, massage spas and gambling venues are inappropriate and not permissible.

### **Donations**

It is generally permissible to make donations to a public welfare organization or to a non-profit public welfare institution (collectively "Charitable Organizations") as part of a charitable effort or to promote goodwill through government-sponsored events. Prior to offering or making any such donation, written approval must be obtained from CLO, CFO or their designate to ensure that they are acting in accordance with government relationship guideline. Approval will be provided only when all of the following

49

circumstances are met:

- The donation must have a legitimate business or charitable purpose.
- There is no expectation that the donation is given in exchange of any return favor from the government (no quid pro quo).
- The donation is made directly to the Charitable Organizations, not to any individual person, and there is no indication that the donation will be redirected to an individual's personal use.
- Any donation is infrequent (no more than once a year) and reasonable in amount under the circumstances.
- · No donation to private charities should be made in the name of a government official.
- · All funds used for donations must be documented with receipts for accurate record keeping.
- Diligence as to the legitimacy of the Charitable Organization has been conducted to ensure that the charity is bona fide and will direct the donation to a suitable charitable activity.

### **Sponsorships**

It is generally permissible to provide sponsorships for events or seminars organized by private groups or government agencies. Prior to providing or offering any such sponsorship, written approval must be obtained from the CLO and CFO or their designate. Approval will be provided only when all of the following circumstances are met:

- The sponsorship must have a legitimate business purpose.
- There is no expectation that the sponsorship is given in exchange of any return favor from the government (no quid pro quo).
- The sponsorship is made directly to the sponsored entity/event and will not be provided to any individual person, and there is no indication that the sponsorship will be redirected to an individual's personal use.
- · All funds used for sponsorship must be documented with receipts for accurate record keeping.

# **Engaging government officials**

Prior to engaging a government official to perform services for Yum China, such as serving as a speaker for a food safety seminar, written approval must be obtained from the CLO and CFO or their designate. Approval will be provided only when all of the following circumstances are met:

- The services to be provided must be bona fide and have a legitimate business purpose.
- The official may not be hired or engaged to perform services which conflict with their official duties or their own code of conduct.
- There is no expectation that the hiring is in exchange for any return favor from the government (no quid pro quo).
- · Any travel or hospitality associated with the services must be provided in conformity with the Guidelines set forth above.
- Any and all remuneration such as travel and lodging expenses must be reasonable (taking into account their salary, qualifications, and market rate for such services) and provided transparently.

# **Documentation: Books and Records Requirements**

All approvals and expenses associated with gifts, hospitality, donations and sponsorships, as well as engagement of third parties, must be documented and must accurately and fairly reflect the transactions. Documentation, including expense receipts and invoices, invitations, and other relevant records must be

50

submitted to and retained by the approving managers of Yum China.

Any questions regarding these Guidelines should be directed to the Legal Department or Internal Audit.



October 7, 2016

Dear Yum! Brands, Inc. Shareholder:

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

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

The separation will be completed by way of a pro rata distribution of the outstanding shares of Company common stock to our shareholders of record as of 5:00 p.m., Eastern Time, on October 19, 2016, the record date. Each YUM shareholder will receive one share of Company common stock for each share of YUM common stock held on the record date.

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

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

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

Sincerely,

ing lead

Greg Creed Chief Executive Officer Yum! Brands, Inc.



October 7, 2016

Dear Future Yum China Holdings, Inc. Stockholder:

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

The Company will initially have over 7,200 restaurants across China, one of the world's largest and fastest growing economies. Our relationship with YUM will allow us to leverage well-known brands and build on decades of experience in the Chinese market. In addition, we expect that the recently announced agreement for an investment in the Company by Primavera and Ant Financial will create additional long-term value for our stockholders. We believe that this partnership with two well-established players in the Chinese market will present great strategic value to the Company and our stockholders. The Company is well-positioned for future growth, with extensive opportunities to expand within China through new unit development.

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

Sincerely,

mbant

Micky Pant Chief Executive Officer Yum China Holdings, Inc.

# INFORMATION STATEMENT

# Yum China Holdings, Inc.

This Information Statement is being furnished to the shareholders of Yum! Brands, Inc. ("YUM") in connection with the distribution by YUM to its shareholders of all of the outstanding shares of common stock of Yum China Holdings, Inc., a wholly owned subsidiary of YUM, that will hold, directly or indirectly, the assets and liabilities associated with YUM's operations in China<sup>(1)</sup> (the "Company"). To implement the distribution, YUM will distribute all of the outstanding shares of Company common stock on a pro rata basis to YUM shareholders in a distribution that is intended to be tax-free to YUM shareholders for U.S. federal income tax purposes. In connection with the distribution, YUM and the Company have entered into investment agreements with each of Pollos Investment L.P., an affiliate of Primavera Capital Group ("Primavera"), and API (Hong Kong) Investment Limited, an affiliate of Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. ("Ant Financial" and together with Primavera, the "Investors"). Pursuant to the investment agreements, which are substantially on the same terms and which we collectively refer to as the "investment agreements," immediately following the distribution and in exchange for an aggregate purchase price of \$460 million, the Investors will acquire and the Company will issue to the Investors, subject to the terms and conditions of the investment agreements, shares of Company common stock representing in the aggregate between 4.3% and 5.9% of the Company's common stock issued and outstanding immediately following the distribution (to be determined based on the volume weighted average trading price of Company common stock during the trading days between the 31st and 60th day following the closing), as well as the right to receive certain warrants exercisable for an additional approximately 4%, in the aggregate, of the Company's issued and outstanding common stock. We refer to the transactions described above collectively as the "Investment." In connection with the Investment, the Company and the Investors will also enter into a shareholders agreement, relating to certain rights and obligations of the Investors as holders of the Company's common stock and the warrants. Please refer to the "Presentation of Information" below for how we refer to Yum! Brands, Inc., YUM, Yum China Holdings, Inc., the Company, Primavera, Ant Financial and the Investors in this Information Statement.

You will receive one share of Company common stock for each share of YUM common stock held of record by you as of 5:00 p.m., Eastern Time, on October 19, 2016, the record date for the distribution. You will receive cash in lieu of any fractional shares of Company common stock that you would otherwise have received after application of the above distribution ratio. As discussed herein under "The Separation and Distribution—Trading Between the Record Date and Distribution Date," if you sell your shares of YUM common stock "regular-way" after the record date and before the distribution, you will also be selling your right to receive shares of Company common stock in connection with the separation. We expect that shares of Company common stock will be distributed by YUM to you after the close of trading on the New York Stock Exchange ("NYSE") on October 31, 2016. We refer to the date on which YUM commences distribution of the Company common stock to the holders of shares of YUM common stock as the "distribution date."

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

There is no current trading market for Company common stock, although we expect that a limited market, commonly known as a "when-issued" trading market, will develop on or shortly before the record date for the distribution. We expect "regular-way" trading of Company common stock will begin on November 1, 2016, the first trading day following the completion of the distribution. The Company has been authorized to list its common stock on the NYSE under the symbol "YUMC."

# In reviewing this Information Statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 19.

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

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

The date of this Information Statement is October 7, 2016.

This Information Statement was first made available to YUM shareholders on or about October 10, 2016.

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

# TABLE OF CONTENTS

Page1
9
17
19
52
53
54
55
61
63
86
100
108
140
155
158
165
169
172
177
F-1

ii

#### **Presentation of Information**

Except as otherwise indicated or unless the context otherwise requires, the information included in this Information Statement about the Company assumes the completion of all of the transactions referred to in this Information Statement in connection with the separation and distribution. Unless the context otherwise requires, references in this Information Statement to "the Company," "we," "us," "our," "our company" and "the company" refer to Yum China Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries. References to the Company's historical business and operations refer to all of YUM's China business which was transferred to the Company in connection with the separation and distribution. Unless the context otherwise requires, references in this Information Statement to "YUM" refer to Yum! Brands, Inc., a North Carolina corporation, and its consolidated subsidiaries other than the Company, which will continue to operate as YUM following the distribution and separation. Unless the context otherwise requires, references to "China" mean the "People's Republic of China" or "mainland China," excluding Hong Kong, Taiwan and Macau. Unless the context otherwise requires, references in this Information Statement to "Investors" refer to each of and collectively, as the context requires, Pollos Investment L.P., an affiliate of Primavera Capital Group, and API (Hong Kong) Investment Limited, an affiliate of Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.

#### Trademarks, Trade Names, Service Marks and Restaurants

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

#### **Market and Industry Data**

Although we are responsible for all of the disclosure contained in this Information Statement, this Information Statement contains industry, market and competitive position data that are based on industry publications and studies conducted by third parties. The industry publications and third-party studies generally state that the information that they contain has been obtained from sources believed to be reliable.

# iii

# QUESTIONS AND ANSWERS ABOUT THE SEPARATION AND DISTRIBUTION

What is Yum China Holdings, Inc. and why is YUM separating the Company's business and distributing Company stock?	Yum China Holdings, Inc., which is currently a wholly owned subsidiary of YUM, was formed to own and operate YUM's China business. The separation of the Company from YUM and the distribution of Company common stock are intended to provide you with equity ownership in two separate, publicly traded companies that will be able to focus exclusively on each of their respective businesses. YUM and the Company expect that the separation will result in enhanced long-term performance of each business for the reasons discussed in the section entitled "The Separation and Distribution—Reasons for the Separation."
Why am I receiving this document?	YUM is delivering this document to you because you are a holder of YUM common stock. Each holder of YUM common stock as of 5:00 p.m., Eastern Time, on the record date will be entitled to receive one share of Company common stock for each share of YUM common stock held at such time on such date. This document will help you understand how the separation and distribution will affect your post-separation ownership in YUM and the Company, respectively.
How will the separation of the Company from YUM work?	To accomplish the separation, YUM will distribute all of the outstanding shares of Company common stock to YUM shareholders on a pro rata basis in a distribution intended to be tax-free to YUM shareholders for U.S. federal income tax purposes except to the extent of any cash received in lieu of fractional shares of Company common stock.
Why is the separation of the Company structured as a distribution?	YUM believes that a distribution of the shares of Company common stock to YUM shareholders is an efficient way to separate its China business in a manner that will create long-term value for YUM and its shareholders.
What is the record date for the distribution?	The record date for the distribution is October 19, 2016.
	1

When will the separation and the distribution occur?	It is expected that all of the shares of Company common stock will be distributed by YUM after the close of trading on the NYSE on October 31, 2016 to holders of record of shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution. The separation will become effective at the time of the distribution. However, no assurance can be provided as to the timing of the separation and the distribution or that all conditions to the distribution will be met. See "The Separation and Distribution."
What do shareholders need to do to participate in the distribution?	Shareholders of YUM as of 5:00 p.m., Eastern Time, on the record date for the distribution will not be required to take any action to receive Company common stock in the distribution, but you are urged to read this entire Information Statement carefully. No shareholder approval of the distribution is required. You are not being asked for a proxy. You do not need to pay any consideration, exchange or surrender your existing shares of YUM common stock or take any other action to receive your shares of Company common stock. Please do not send in your YUM stock certificates. The distribution will not affect the number of outstanding YUM shares or any rights of YUM shareholders, although it will affect the market value of each outstanding share of YUM common stock.
How will shares of Company common stock be issued?	You will receive shares of Company common stock through the same channels that you currently use to hold or trade shares of YUM common stock, whether through a brokerage account, 401(k) plan or other channel. Receipt of shares of Company common stock will be documented for you in the same manner that you typically receive shareholder updates, such as monthly broker statements and 401(k) statements. If you own shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date for the distribution, YUM, with the assistance of American Stock Transfer & Trust Company, LLC, the settlement and distribution agent, will electronically distribute shares of Company common stock to you or to your brokerage firm on your behalf in book-entry form. American Stock Transfer & Trust Company, LLC will mail you a book-entry account statement that reflects your shares of Company common stock, or your bank or brokerage firm will credit your account for the shares.

How many shares of Company common stock will I receive in the distribution?	YUM will distribute to you one share of Company common stock for every share of YUM common stock held by you as of 5:00 p.m., Eastern Time, on the record date for the distribution. Based on the number of shares of YUM common stock expected to be outstanding as of the record date, a total of approximately 370 million shares of Company common stock are expected to be distributed. For additional information on the distribution, see "The Separation and Distribution."
Will the Company issue fractional shares of its common stock in the distribution?	No. The Company will not issue fractional shares of its common stock in the distribution. Fractional shares that YUM shareholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent. The aggregate net cash proceeds of these sales will be distributed pro rata (based on the fractional shares such holder would otherwise have been entitled to receive) to those shareholders who would otherwise have been entitled to receive fractional shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payments made in lieu of fractional shares. The receipt of cash in lieu of fractional shares generally will be taxable, for U.S. federal income tax purposes, to the recipient YUM shareholders. See "Material U.S. Federal Income Tax Consequences."
What are the conditions to the distribution?	The distribution is subject to final approval by the board of directors of YUM, as well as to a number of conditions, including:
	• the transfer of assets and liabilities to the Company in accordance with the separation and distribution agreement will have been completed, other than assets and liabilities intended to be transferred after the distribution;
	• YUM will have received (i) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, satisfactory to YUM's board of directors, regarding the qualification of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (ii) one or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions;
	• the U.S. Securities and Exchange Commission ("SEC") will have declared effective the registration statement of which this Information Statement forms a part, no stop order suspending the effectiveness of the registration statement will be in effect and no proceedings for such purpose will be pending before or threatened by the SEC;

	• this Information Statement shall have been made available to the YUM shareholders;
	• all actions or filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities laws will have been taken and, where applicable, have become effective or been accepted by the applicable governmental entity;
	<ul> <li>any approvals or notifications of any governmental entities required for the consummation of the separation and distribution will have been obtained;</li> </ul>
	• no order, injunction or decree issued by any governmental entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the distribution or any of the related transactions will be in effect;
	• the shares of Company common stock to be distributed will have been approved for listing on the New York Stock Exchange, subject to official notice of issuance;
	• the receipt of an opinion from an independent advisory firm confirming the solvency and financial viability of each of the Company and YUM after the distribution that is in form and substance acceptable to YUM in its sole discretion; and
	• no other event or development will have occurred or exist that, in the judgment of YUM's board of directors, in its sole discretion, makes it inadvisable to effect the separation, the distribution or the other related transactions.
	YUM and the Company cannot assure you that any or all of these conditions will be met and YUM may also waive any of the conditions to the distribution. For a complete discussion of all of the conditions to the distribution, see "The Separation and Distribution —Conditions to the Distribution."
What is the anticipated cost of the Separation?	We estimate that the one-time costs of the separation will be approximately \$60 million, and we anticipate that substantially all of such one-time costs will be borne by YUM. Following the separation, in general, YUM and the Company will be responsible for the costs incurred by YUM or the Company, as applicable (which, in the case of the Company, will include costs incurred in connection with the transition to being an independent public company).
How will the one-time costs of the separation be allocated between YUM and the Company?	We anticipate that substantially all of the one-time costs of the separation will be borne by YUM.

Can YUM decide to cancel the distribution of the Company common stock even if all the conditions have been met?	Yes. Until the distribution has occurred, YUM has the right to terminate the distribution, even if all of the conditions are satisfied. See "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement—Termination."
What if I want to sell my YUM common stock or my Company common stock?	You should consult with your financial advisors, such as your stockbroker, bank or tax advisor.
What is "regular-way" and "ex- distribution" trading of YUM stock?	Beginning on or shortly before the record date for the distribution and continuing up to and through the distribution date, it is expected that there will be two markets in YUM common stock: a "regular-way" market and an "ex-distribution" market. Shares of YUM common stock that trade in the "regular-way" market will trade with an entitlement to shares of Company common stock distributed pursuant to the distribution. Shares that trade in the "ex-distribution" market will trade without an entitlement to shares of Company common stock distributed pursuant to the distribution. If you hold shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date and then decide to sell any shares of YUM common stock before the distribution date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your shares of YUM common stock with or without your entitlement to shares of Company common stock distributed pursuant to the distribution date, shares of Company common stock distributed pursuant to the distribution date.
Where will I be able to trade shares of Company common stock?	The Company has filed an application to list its common stock on the New York Stock Exchange under the symbol "YUMC." The Company anticipates that trading in shares of its common stock will begin on a "when-issued" basis on or shortly before the record date for the distribution and will continue up to the distribution date, and that "regular-way" trading in Company common stock will begin on the first trading day following the distribution. If trading begins on a "when-issued" basis, you may purchase or sell Company common stock up to the distribution date, but your transaction will not settle until after the distribution date. The Company cannot predict the trading prices for its common stock before, on or after the distribution date.
What will happen to the listing of shares of YUM common stock?	YUM common stock will continue to trade on the NYSE after the distribution under the symbol "YUM."

Will the number of shares of YUM common stock that I own change as a result of the distribution?	No. The number of shares of YUM common stock that you own will not change as a result of the distribution.
Will the distribution affect the market price of shares of my YUM common stock?	Yes. As a result of the distribution, it is expected that the trading price of shares of YUM common stock immediately following the distribution will be lower than the "regular-way" trading price of such shares immediately prior to the distribution because the trading price will no longer reflect the value of the China business to be held by the Company. The combined trading prices of one share of YUM common stock and one share of Company common stock after the distribution (representing the number of shares of Company common stock to be received per share of YUM common stock in the distribution) may be equal to, greater than or less than the trading price of one YUM common share before the distribution.
What are the material U.S. federal income tax consequences of the distribution?	It is a condition to the distribution that YUM receive (i) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, satisfactory to YUM's board of directors, regarding the qualification of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code and (ii) one or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions. Assuming that the distribution qualifies as tax-free under Sections 355 and 361 of the Code, for U.S. federal income tax purposes, no gain or loss will be recognized by you, and no amount will be included in your income, upon the receipt of shares of Company common stock pursuant to the distribution. You will, however, recognize gain or loss for U.S. federal income tax purposes with respect to cash received in lieu of a fractional share of Company common stock.
	You should consult your own tax advisor as to the particular consequences of the distribution to you, including the applicability and effect of any U.S. federal, state and local tax laws, as well as any foreign tax laws. For more information regarding the material U.S. federal income tax consequences of the distribution, see the section entitled "Material U.S. Federal Income Tax Consequences."

What will the Company's relationship be with YUM following the separation?	The Company will enter into a separation and distribution agreement with YUM to effect the separation and provide a framework for the Company's relationship with YUM after the separation. In addition, a subsidiary of the Company will enter into a master license agreement with a subsidiary of YUM providing the exclusive right to use and sublicense					
	the use of intellectual property owned by YUM and its affiliates for the development and operation of KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, and Taco Bell restaurants in China, and for the conduct of all related development, promotional and support activities. The Company and YUM will also enter into certain other agreements, including, among others, a tax matters agreement and an employee matters agreement. These agreements will provide for the allocation between the Company and YUM of YUM's assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the separation and will govern certain relationships between the Company and YUM after the separation. For additional information regarding the separation and distribution agreement and other transaction agreements, see the sections entitled "Risk Factors—Risks Related to the Separation and the Investment" and "Certain Relationships and Related Person Transactions."					
Who will manage the Company after the separation?	The Company will benefit from a management team with an extensive background in the China business. Led by Micky Pant, who is, and after the separation is expected to continue to be, the Company's Chief Executive Officer, the Company's management team will possess deep knowledge of, and extensive experience in, its business, geography and industry. For more information regarding the Company's management, see "Management of the Company."					
Are there risks associated with owning Company common stock?	Yes. Ownership of Company common stock will be subject to both general and specific risks, including those relating to the Company's business, the industry and geography in which it operates, its separation from YUM and ongoing contractual relationships with YUM and its status as a separate, publicly traded company. These risks are described in the "Risk Factors" section of this Information Statement. You are encouraged to read that section carefully.					
	7					

Does the Company plan to pay dividends?	We anticipate that following the separation, our board of directors will adopt a program of returning capital to stockholders, which may take the form of establishing a regular dividend and/or engaging in share repurchases although, pursuant to the shareholders agreement to be entered into with the Investors at the closing of the Investment, our ability to engage in or announce repurchases will be restricted until 60 days after the distribution. We also intend to retain a significant portion of our earnings to finance the operation, development and growth of our business. Any future determination to declare and pay cash dividends or engage in share repurchases will be at the discretion of our board of directors following the separation and will depend on, among other things, our financial condition, results of operations, actual or anticipated cash requirements, contractual or regulatory restrictions, tax considerations and such other factors as our board of directors deems relevant. See "Dividend Policy."					
Will the Company incur any indebtedness prior to or at the time of the distribution?	No. The Company does not plan to incur any indebtedness in connection with the distribution, other than indebtedness incurred in the ordinary course of its operations.					
Who will be the distribution agent, transfer agent, registrar and information agent for the Company common stock?	The distribution agent, transfer agent, registrar and information agent for Company common stock will be American Stock Transfer & Trust Company, LLC.					
Where can I find more information about YUM and the Company?	Before the distribution, if you have any questions relating to YUM's China business, you should contact:					
	Yum! Brands, Inc. 1441 Gardiner Lane Louisville, Kentucky 40213 Attention: Investor Relations Telephone: 1 (888) 298-6986 Email: yum.investor@yum.com					
	After the distribution, Company stockholders who have any questions relating to the Company should contact the Company at:					
	Yum China He	oldings, Inc.				
	7100 Corporate Drive Plano, Texas 75024 United States of America Telephone: 1 (888) 298-6986 The Company's investor website is www.yumchina.com.	16/F Two Grand Gateway 3 Hong Qiao Road Shanghai 200030 People's Republic of China				

### INFORMATION STATEMENT SUMMARY

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

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

### **Our Company**

Yum China Holdings, Inc. is the largest restaurant company in China with approximately 7,200 restaurants, \$6.9 billion of revenue, net income of \$323 million and \$998 million of adjusted EBITDA in 2015. Our growing restaurant base consists of China's leading restaurant brands, including KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep. Following our separation from YUM, we will have the exclusive right to operate and sub-license the KFC, Pizza Hut and Taco Bell brands in China, and will own the East Dawning and Little Sheep concepts outright. We were the first major global restaurant brand to enter China in 1987 and have developed deep experience operating in the market. We have since grown to become one of China's largest retail developers covering over 1,100 cities and opening an average of two new locations per day over the past five years.

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

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

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

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

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

# **Industry Backdrop**

The development and growth of our restaurants has benefited from China's rapidly growing middle class and increasing urbanization. Although changes in consumer taste are possible, the expansion of China's middle class has generally been correlated with an increase in eating outside of the home, which is in part driven by higher discretionary income associated with this demographic group. According to McKinsey, middle class and affluent households are expected to continue to grow, increasing from 116 million people in 2016 to an estimated 315 million by 2030. The number of working-age consumers is expected to increase by 100 million during the same period as their average per capita consumption doubles. By 2030, spending by this group is expected to account for an estimated 12 cents for every \$1 of worldwide urban consumption. With this, annual household spending on dining out in China may double. The Company will continue to focus on this core consumer segment and on serving China's growing middle class.

In 2002 87% of the middle class lived in coastal China and only 13% of the middle class lived in inland provinces. According to macroeconomic models prepared by McKinsey in 2012, by 2022 it is expected that only 61% of the middle class will live in coastal cities as the middle class expands more rapidly in inland cities. Likewise, according to the same models, by 2022 it is expected that 39% of the middle class will live in cities with a population of more than one million. This is consistent with the Company's development plans which have focused on entering new trade zones and building new restaurants further inland.

# **Restaurant Concepts**

KFC

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

### Pizza Hut Casual Dining

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

# Other Concepts

*Pizza Hut Home Service.* The Company introduced pizza delivery to China in 2001, and today there are over 300 Pizza Hut Home Service units in nearly 50 cities, specializing in professional and convenient delivery of Chinese food as well as pizza. Over 70% of the brand's orders come through

online or mobile channels. Its professional service and diverse menu provide a strong platform for continued growth in the future.

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

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

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

# **Competitive Strengths**

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

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

### **Our Strategies**

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

### **New-Unit Growth**

<u>Rapidly growing consumer class</u>. Given the rapidly expanding middle class, we believe that there is significant opportunity to expand within China, and we intend to focus our efforts on increasing our geographic footprint in both existing and new markets. We expanded our restaurant count from

3,906 units in 2010 to approximately 7,200 as of the end of 2015, representing a compounded annual growth rate ("CAGR") of 13%.

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

<u>Development pipeline</u>. We consider our development pipeline to be robust, and believe we have an opportunity to grow our restaurant count three times over the next two to three decades. For additional information on the risks associated with this growth strategy, see the section entitled "Risk Factors," including the risk factor entitled—"We may not attain our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable." We also believe the opportunity to add Taco Bell restaurants as well as other concepts could further increase our total unit count.

# Same-Store Sales Growth

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

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

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

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

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

<u>O2O and home delivery</u>. China is a world leader in the emerging online-to-offline, or O2O, market. This is where digital online ordering technologies interact with traditional brick and mortar retail to enhance the shopping experience. In the restaurant sector, KFC and Pizza Hut Home Service are already leading brands in home delivery. We see considerable further growth potential in the rapidly growing in-home consumption market by aligning our proven restaurant operation capabilities

with emerging specialized O2O firms (known as aggregators) that offer consumers the ability to order any restaurant food at home. This could be an exciting new business opportunity with potential to create substantial stockholder value.

# **Enhanced Profitability**

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

# The Separation and Distribution

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

On September 23, 2016, YUM's board of directors approved the distribution of all of the Company's issued and outstanding shares of common stock on the basis of one share of Company common stock for each share of YUM common stock held as of 5:00 p.m., Eastern Time, on October 19, 2016, the record date for the distribution.

#### The Company's Post-Separation Relationship with YUM

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

#### **Reasons for the Separation**

YUM's board of directors and management believe that the creation of two independent public companies, with the Company operating the China business, and YUM operating its remaining



businesses (including franchising) throughout the rest of the world, is in the best interests of YUM and its shareholders for a number of reasons, including:

- Enhanced strategic and management focus. The separation will allow each company to focus on and more effectively pursue its own distinct operating priorities and strategies, and will enable the management of each company to concentrate efforts on the unique needs of each business and pursue distinct opportunities for long-term growth and profitability. Specifically, YUM will pursue its strategy of developing its brands and expanding its franchise operations globally outside of China and expects to own less than 4% of the restaurants within its system by the end of 2017. The Company, on the other hand, will pursue its strategy of owning and operating restaurants in China and plans to own and operate a substantial majority of its restaurants in China;
- *More efficient allocation of capital.* The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs and facilitating a more efficient allocation of capital;
- Direct access to capital markets. The separation will create an independent equity structure that will afford the Company direct access to capital markets and facilitate the ability of the Company to capitalize on its unique growth opportunities and effect future acquisitions utilizing its common stock;
- Alignment of incentives with performance objectives. The separation will facilitate incentive compensation arrangements for employees more directly tied to the performance of the relevant company's business, and may enhance employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives;
- Investor choice. The separation will allow investors to separately value YUM and the Company based on their unique investment identities, including the merits, performance and future prospects of their respective businesses. The separation will also provide investors with two distinct and targeted investment opportunities; and
- Optimized Capital Structure. As a result of the separation, YUM expects to be more highly franchised, more geographically diversified and less volatile in terms of profit and to have lower ongoing capital expenditures. This business model is expected to enable YUM to take on additional leverage, optimize its capital structure and return cash to shareholders. The Company will have no material debt immediately following the separation.

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

# Risks Associated with the Company and the Separation

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

# Risks Related to Our Business and the Separation and Distribution

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

# **Risks Related to Our Business and Industry**

- Food safety and food-borne illness concerns may have an adverse effect on our business.
- Any failure to maintain effective quality control systems for our restaurants could have a material adverse effect on our reputation, results of operations and financial condition.
- Any significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering could adversely affect our reputation, business and operations.
- Health concerns arising from outbreaks of viruses or other diseases may have an adverse effect on our business.
- We derive all of our revenue from our operating entities in China and our business is highly exposed to all of the risks of doing business there.
- The operation of our restaurants and our ability to expand our operations are subject to the terms of the master license agreement.
- Our business will be materially harmed if we breach the master license agreement or if it is terminated.
- Our success is tied to the success of YUM's brand strength, marketing campaigns and product innovation.
- Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.
- We may not attain our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable.

# **Risks Related to Doing Business in China**

- Changes in Chinese political policies and economic and social policies or conditions may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- Uncertainties with respect to the interpretation and enforcement of China laws, rules and regulations could have a material adverse effect on us.
- Fluctuation in the value of Chinese Renminbi ("RMB") may have a material adverse effect on your investment.
- We expect to rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries in China to fund offshore cash and financing requirements, and such distributions may be subject to certain taxes and legal and contractual restrictions.
- Under the China Enterprise Income Tax Law (the "EIT Law"), if we are classified as a China resident enterprise for Chinese enterprise income tax purposes such classification would likely result in unfavorable tax consequences to us and our non-China stockholders.



### **Risks Related to the Separation and the Investment**

- The combined post-separation value of YUM and the Company's common stock may not equal or exceed the pre-separation value of YUM common stock.
- The separation may not achieve some or all of the anticipated benefits.
- If the distribution does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company and YUM shareholders could be subject to significant tax liabilities, and, in certain circumstances, the Company and Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL") could be required to indemnify YUM for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.
- Our ability to engage in strategic transactions following the separation may be limited. In addition, we could be liable for adverse tax consequences resulting from engaging in such transactions.
- Failure to complete the Investment by the Investors could adversely impact the market price of the Company's common stock as well as the Company's business and operating results.

# **Risks Related to Our Common Stock**

- The Company cannot be certain that an active trading market for its common stock will develop or be sustained after the distribution, and following the distribution, the Company's stock price may fluctuate significantly.
- There may be substantial changes in the Company's stockholder base.
- The Company cannot guarantee the timing, amount or payment of dividends on its common stock.
- Your percentage of ownership in the Company may be diluted in the future.

# **Corporate Information**

Yum China Holdings, Inc. was incorporated in Delaware on April 1, 2016 for the purpose of holding YUM's China business in anticipation of the separation and distribution. Until the business was transferred to it in connection with the separation, Yum China Holdings, Inc. had no operations. The Company's U.S. office is located at 7100 Corporate Drive, Plano, Texas, 75024, which carries on the key book-keeping, record-keeping and day-to-day management functions of the holding company. The Company's operational headquarters is located at 16/F Two Grand Gateway, 3 Hong Qiao Road, Shanghai, 200030, People's Republic of China, where its senior management team is based. Our telephone number is 1-888-298-6986.

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

# **Reason for Furnishing This Information Statement**

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



# SUMMARY SELECTED HISTORICAL AND UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following table presents the summary selected historical and unaudited pro forma combined financial information of the Company. The selected historical combined financial data includes all revenues, costs, assets and liabilities directly attributable to the Company and which have been used in managing and operating the Company business as part of YUM. We derived the combined statements of income data for the three years ended December 31, 2015, and the combined balance sheets data as of December 31, 2015 and December 31, 2014, as set forth below, from our audited combined financial statements, which are included elsewhere in this Information Statement. We derived the condensed combined financial statements, which are included elsewhere in this Information Statement. We derived the combined balance sheet data as of December 31, 2016 from our unaudited condensed combined financial statements, which are included elsewhere in this Information Statement. We derived the combined balance sheet data as of December 31, 2013 from the Company's unaudited combined financial statements that are not included in this Information Statement.

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

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

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

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

			Historical for the Year to date	Historical for the Fiscal Years Ended			
(Dollars in millions, except per share data)	Pro Forma for the Fiscal Year Ended December 31, 2015		Ended May 31, 2016	December 3 2015	1,	December 31, 2014	December 31, 2013
Combined Statements of Income							
(Loss) Data:							
Revenues		(Unaudit					
Company sales	\$	6,789	\$ 2,836	\$ 6,7	89	\$ 6,821	\$ 6,80
Franchise fees and income		120	55		20	113	10:
Total revenues		6,909	2,891	6,9	09	6,934	6,90
Costs and Expenses, Net							
Company restaurants							
Food and paper		2,159	847	2,1	59	2,207	2,25
Payroll and employee benefits		1,386	587	1,3	86	1,407	1,36
Occupancy and other operating							
expenses		2,368	960	2,3	86	2,415	2,34
Company restaurant expenses		5,913	2,394	5,9	31	6,029	5,96
General and administrative expenses		395	170	3	95	389	35
Franchise expenses		63	31		70	64	6
Closures and impairment expenses,							
net		64	31		64	517	32:
Refranchising gain, net		(13)	(4)	(	13)	(17)	(:
Other income, net		(26)	(27)	(	26)	(51)	(2:
Total costs and expenses, net		6,396	2,595	6,4	21	6,931	6,67
Operating Profit(a)		513	296	4	88	3	22
Interest income, net		8	4		8	14	:
Income Before Income Taxes		521	300	4	96	17	234
Income tax provision		(174)	(78)	(1	68)	(54)	(13
Net Income (loss)—including					_		
noncontrolling interests		347	222	3	28	(37)	9
Net Income (loss)—noncontrolling interests		5	_		5	(30)	(2)
Net Income (loss)—Yum China							
Holdings, Inc.(a)	\$	342	\$ 222	\$ 3	23	<u>\$ (7</u> )	\$ 12
	\$	342	<u>\$ 222</u>	<u>\$ 3</u>	23	<u>\$ (7</u> )	<u>\$</u>
Pro Forma net earnings per share:		(Unaudit					
Basic	\$ \$	0.78	N/A	-	[/A	N/A	N/A
Diluted		0.77	N/A	N	[/A	N/A	N/A

Combined Balance Sheets Data	(Unaudited)				
Cash and cash equivalents	N/A \$	508 \$	425 \$	238 \$	300
Total assets	N/A	3,293	3,201	3,257	3,750

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

#### **RISK FACTORS**

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

#### **Risks Related to Our Business and Industry**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The products sold by us and our franchisees are sourced from a wide variety of suppliers inside and outside of China. We are also dependent upon third parties to make frequent deliveries of food products and supplies that meet our specifications at competitive prices. Shortages or interruptions in the supply of food items and other supplies to our restaurants could adversely affect the availability, quality and cost of items we use and the operations of our restaurants. Such shortages or disruptions could be caused by



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

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

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

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

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

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

### The prices of raw materials fluctuate.

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



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

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

As a significant number of our restaurants are operating on leased properties, we are exposed to the market conditions of the retail rental market. As of yearend 2015, we leased the land and/or building for approximately 5,770 restaurants in China. Accordingly, we are subject to all of the risks generally associated with leasing real estate, including changes in the investment climate for real estate, demographic trends, trade zone shifts, central business district relocations, and supply or demand for the use of the restaurants, as well as potential liability for environmental contamination.

We generally enter into lease agreements with initial terms of 10 to 20 years. Less than 5% of our existing leases expire before the end of 2017. Most of our lease agreements contain an early termination clause that permits us to terminate the lease agreement early if the restaurant's unit contribution is negative for a specified period of time. We generally do not have renewal options for our leases and need to negotiate the terms of renewal with the lessor, who may insist on a significant modification to the terms and conditions of the lease agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The U.S. Foreign Corrupt Practices Act and similar Chinese laws and other similar applicable laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing emphasis and enforcement around the world. Although we are in the process of implementing policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, agents or other third parties will not take actions in violation of our policies or applicable law, particularly as we expand our operations through organic growth and acquisitions. Any such violations or suspected violations could subject us to civil or criminal penalties, including substantial fines and significant investigation costs, and could also materially damage the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell brands, as well as our reputation and

prospects, business and operating results. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and adversely affect our revenues and results of operations.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our sales are subject to seasonality. For example, we typically experience higher sales during traditional Chinese festivals and holiday seasons and lower sales and lower operating profit during the second and fourth quarters. As a result of these fluctuations, softer sales during a period in which we have historically experienced higher sales could have a disproportionately negative effect on our full-year results, and comparisons of sales and operating results within a financial year may not be able to be relied on as indicators of our future performance. Any seasonal fluctuations reported in the future may differ from the expectations of our investors.

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

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

- additional computer and information security and systems development costs;
- diversion of technical and other resources;



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

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

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

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

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

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

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

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

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

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



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

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

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

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

### Unforeseeable business interruptions could adversely affect our business.

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

#### **Risks Related to Doing Business in China**

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

Substantially all of our assets and business operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally, and by continued economic growth in China as a whole. The Chinese economy, markets and levels of consumer spending are influenced by many factors beyond our control, including current and future economic conditions,

political uncertainty, unemployment rates, inflation, fluctuations in the level of disposable income, taxation, foreign exchange control, and changes in interest and currency exchange rates.

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

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

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

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

From time to time, we may have to resort to administrative and court proceedings to interpret and/or enforce our legal rights. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings, and the level of legal protection we enjoy, than in more developed legal systems. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Furthermore, the Chinese legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect.

As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially adversely affect our business and impede our ability to continue our operations.

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

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

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

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

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

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

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

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

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

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

In addition, the EIT Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to companies that are not China resident enterprises unless otherwise reduced according to treaties or arrangements between the Chinese central government and the governments of other countries or regions where the non-China resident enterprises are incorporated. Although a foreign tax credit is generally available against our U.S. federal income taxes for such withholding taxes, the ability to utilize foreign tax credits is subject to complex limitations and as such we may be limited in our ability to offset any such Chinese withholding tax against our U.S. federal income tax liabilities.

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

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

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

Yum China Holdings, Inc. and each Company subsidiary that is organized outside of China intend to conduct their management functions in a manner that does not cause them to be China resident

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

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

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

In February 2015, the Chinese State Administration of Taxation ("SAT") issued the SAT's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises ("Bulletin 7"). Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a China resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. Where a non-resident enterprise conducts an "indirect transfer" of Chinese interests by disposing of equity interests in an offshore holding company that directly or indirectly owns Chinese interests, the transferor, transferee, and/or the China resident enterprise may report such indirect transfer to the relevant Chinese tax authority, which in turn reports to the SAT. Using general anti-tax avoidance provisions, the SAT may treat such indirect transfer as a direct transfer of Chinese interests if the transfer has avoided Chinese tax by way of an arrangement without reasonable commercial purpose. As a result, gains derived from such indirect transfer may be subject to Chinese enterprise income tax, and the transferee or other person who is obligated to pay for the transfer would be obligated to withhold the applicable taxes, currently at a rate of up to 10% of the capital gain in the case of an indirect transfer of equity interests in a China resident enterprise. Both the transferor and the party obligated to withhold the applicable taxes may be subject to penalties under Chinese tax laws if the transferor fails to pay the taxes and the party obligated to withhold the applicable taxes fails to withhold the taxes. However, the above regulations do not apply if either (i) the selling non-resident enterprise recognizes the relevant gain by purchasing and selling equity of the same listed enterprise in the open market (the "listed enterprise exception"); or (ii) the selling non-resident enterprise would have been exempted from enterprise income tax in China if it had directly held and transferred such Chinese interests that were indirectly transferred. Under current law, the China indirect transfer rules do not apply to gains recognized by individual stockholders, regardless of whether or not they acquire or transfer our stock in open market transactions. However, in practice there have been a few reported cases of individuals being taxed on the indirect transfer of Chinese interests and the law could be changed so as to apply to individual stockholders, possibly with retroactive effect.

It is unclear whether Company stockholders that acquire Company stock through the distribution will be treated as acquiring Company stock in an open market purchase. If such Company stock is not treated as acquired in an open market purchase, the listed transaction exception will not be available for transfers of such stock. Following the distribution, we expect that transfers in open market transactions of our stock by corporate or other non-individual stockholders that have purchased our stock in open market transactions will not be taxable under the China indirect transfer rules due to the listed enterprise exception. Transfers, whether in the open market or otherwise, of our stock by

corporate and other non-individual stockholders that acquired our stock in the distribution or in non-open market transactions may be taxable under the China indirect transfer rules and our China subsidiaries may have filing obligations in respect of such transfers. Transfers of our stock in non-open market transactions by corporate and other non-individual stockholders may be taxable under the China indirect transfer rules, whether or not such stock was acquired in open market transactions, and our China subsidiaries may have filing obligations in respect of such transfers. Corporate and other non-individual stockholders may be exempt from taxation under the China indirect transfer rules with respect to transfers of our stock if they are tax resident in a country or region that has a tax treaty or arrangement with China that provides for a capital gains tax exemption and they qualify for that exemption. For example, under the U.S.-China double tax treaty, a stockholder that is a U.S. tax resident and that disposes of stock representing less than 25% of our outstanding stock should be exempt from Chinese capital gains tax. However, we face uncertainties with respect to the reporting and tax treatment of transactions involving the transfer of equity interests in our company by investors that are non-China resident enterprises.

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

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

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

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

As of December 31, 2015, we leased approximately 5,770 properties in China, and to our knowledge, the lessors of most properties leased by us, most of which are used as premises for our restaurants, had not registered the lease agreements with government authorities in China.

According to Chinese laws, a lease agreement is generally required to be registered with the relevant land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices and, in cities where we operate a significant number of restaurants, the local land and real estate administration bureaus no longer require registration or no longer impose fines for failure to register the lease agreements. In addition, our standard lease agreements require the lessors to make such registration and, although we have proactively requested that the applicable lessors complete or cooperate with us to complete the registration in a timely manner, we are unable to control whether and when such lessors will do so.

A failure to register a lease agreement will not invalidate the lease agreement but may subject the parties to a fine. Depending on the local regulations, the lessor alone or both the lessor and lessee are under the obligation to register a lease agreement with the relevant land and real estate administration bureau. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us based on the terms of the lease agreement, such fine will be borne by us.

To date, the operation of our restaurants has not been disrupted due to the non-registration of our lease agreements. No fines, actions or claims have been instituted against us or, to our knowledge, the lessors with respect to the non-registration of our lease agreements. However, we cannot assure you that our lease agreements relating to, and our right to use and occupy, our premises will not be challenged in the future.

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

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

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

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

The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in currencies other than RMB to our stockholders or service and repay our indebtedness when due.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Risks Related to the Separation and the Investment**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the tax matters agreement, the Company and YCCL will indemnify YUM for a portion (tied to the relative market capitalization of YUM and the Company during the thirty trading days after the distribution) of any taxes and related losses resulting from the application of Bulletin 7 to the distribution. Alternatively, if Bulletin 7 applies to the distribution as a result of a breach by the Company or Company group members of certain representations or covenants, or due to certain actions of the Company group members following the distribution, the Company and

YCCL generally will indemnify YUM for all such taxes and related losses. Therefore, if YUM is subject to such Chinese tax with respect to the distribution, we may be required to make material payments to YUM under this indemnity. Such payments could have a material adverse effect on our financial condition.

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

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

- facilitating, permitting, or participating in any transaction or transactions resulting in the acquisition of 40% or more of its stock;
- entering into any transaction or transactions resulting in the acquisition of 50% or more of its assets, whether by merger or otherwise;
- transferring assets in certain tax-free mergers or consolidations or liquidating;
- issuing equity securities other than pursuant to certain employment related issuances;
- redeeming or repurchasing its capital stock other than in certain open market transactions; and
- ceasing to actively conduct its business.

In addition, following the distribution, the Company will be prohibited from taking any action that, or failing to take any action the failure of which to take, would be inconsistent with the tax-free treatment of the distribution and related transactions.

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

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

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

To comply with these requirements, we may, in the foreseeable future, need to implement additional financial and management controls, reporting systems and procedures, and hire additional staff. We expect to incur additional annual expenses related to these steps, which expenses may be significant. If we are unable to upgrade our financial and management controls, reporting systems and procedures in a timely and effective fashion, our ability to comply with our financial reporting



requirements and other rules that apply to reporting companies could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, results of operations and financial condition.

We also expect that being a public company subject to additional laws, rules and regulations will require the investment of additional resources to comply with these laws, rules and regulations. In this regard, we will incur expenses related to, among other things, director and officer liability insurance, director fees, expenses associated with our SEC reporting obligations, transfer agent fees, increased auditing and legal fees and similar expenses, which expenses may be significant.

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

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

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

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

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

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

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

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

presented or those that we will achieve in the future primarily as a result of the following factors, among others:

- Prior to the separation, our business has been operated by YUM as part of its broader corporate organization, rather than as an independent company. YUM or one of its affiliates performed various corporate functions for us such as legal, treasury, accounting, internal auditing, human resources and public affairs. Our historical and pro forma financial results reflect allocations of corporate expenses from YUM for such functions which are likely to be less than the expenses we would have incurred had we operated as a separate publicly traded company. Following the separation, our costs related to such functions previously performed by YUM may increase.
- Currently, our business is integrated with the other businesses of YUM. Historically, we have shared economies of scope and scale in costs, employees, and vendor relationships. Although we will enter into certain agreements with YUM in connection with the separation, these arrangements may not fully capture the benefits that we enjoyed as a result of being integrated with YUM and may result in us paying higher charges than in the past for these services. These circumstances could have an adverse effect on our results of operations and financial condition following the completion of the separation.
- Generally, our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, have historically been satisfied as part of the corporate-wide cash management policies of YUM. Following the completion of the separation, we may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, through strategic relationships or from other arrangements, which may or may not be available and may be more costly.
- After the completion of the separation, the cost of capital for our business may be higher than YUM's cost of capital prior to the separation.

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

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

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

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

The master license agreement will include non-compete provisions pursuant to which we will generally agree to not compete with YUM. See "Certain Relationships and Related Person Transactions—The Master License Agreement—Non-Competition." The master license agreement will also contain other restrictions on the operations of the Company, including restrictions on us or our affiliates from engaging in a "competing business" in China and other countries in which YUM operates its brands during the term of the agreement and for twelve months following the expiration, termination or transfer of the agreement or an interest in the agreement.

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

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

In connection with the separation, the Company and YUM will enter into several agreements, including among others a master license agreement, a separation and distribution agreement, a tax matters agreement, an employee matters agreement, a transition services agreement and a name license agreement. The master license agreement will establish a bilateral relationship between YUM and us for an initial term of fifty (50) years subject to renewal as described in "Certain Relationships and Related Person Transactions—The Master License Agreement—Term." The separation and distribution agreement, tax matters agreement, employee matters agreement, transition services agreement and name license agreement will determine, among other things, the allocation of assets and liabilities between the companies following the separation for those respective areas and include any necessary indemnifications related to liabilities and obligations. If YUM is unable to satisfy its obligations under these agreements, we could incur operational difficulties or losses that could have a material and adverse effect on our business, financial condition and results of operations. See "Certain Relationships and Related Person Transactions."

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

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

liabilities. See "Certain Relationships and Related Person Transactions-The Separation and Distribution Agreement-Indemnification."

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

Pursuant to the separation and distribution agreement and certain other agreements we will enter into with YUM, YUM will indemnify the Company for certain liabilities as discussed further in "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement— Indemnification." However, third parties could also seek to hold us responsible for any of the liabilities that YUM has agreed to retain, and there can be no assurance that the indemnity from YUM will be sufficient to protect us against the full amount of such liabilities, or that YUM will be able to fully satisfy its indemnification obligations. In addition, YUM's insurers may attempt to deny us coverage for liabilities associated with certain occurrences of indemnified liabilities prior to the separation. Moreover, even if we ultimately succeed in recovering from YUM or such insurance providers any amounts for which we are held liable, we may be temporarily required to bear these losses. Each of these risks could negatively affect our business, financial position, results of operations and cash flows.

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

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

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

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

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

then the court could void the separation and distribution, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our stockholders to return to YUM some or all of the shares of Company common stock issued in the distribution, or require YUM or the Company, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency will vary depending upon the jurisdiction whose law is being applied. Generally, however, an

entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities, or if it was unable to pay its liabilities as they mature.

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

Because of their current or former positions with YUM, certain of our expected executive officers and directors own YUM common stock and hold YUM equity awards. Following the separation, even though our board of directors will consist of a majority of directors who are independent, and our executive officers who are currently employees of YUM will cease to be employees of YUM, some of our executive officers and directors will continue to have a financial interest in YUM common stock and equity awards. Such ownership of YUM common stock or holding of YUM equity awards could create, or appear to create, potential conflicts of interest if the Company and YUM pursue the same corporate opportunities, have disagreements about the contracts between them or face decisions that could have different implications for the Company and YUM.

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

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

# Failure to complete the Investment by the Investors could adversely impact the market price of the Company's common stock as well as the Company's business and operating results.

There can be no assurance that the Investment will be completed in a timely manner or at all. If the Investment is not completed for any reason, the price of the Company's common stock following the distribution may be adversely affected, since the Company will no longer have the ability to realize potential benefits relating to the Investment, including, among other things, the receipt of the cash proceeds.

### Ant Financial must obtain regulatory approvals to consummate the Investment, which, if delayed or not obtained, may delay or jeopardize the Investment.

The closing of Ant Financial's investment is subject to the completion of certain Chinese regulatory filings, including with the local equivalent agencies of the China (Shanghai) Pilot Free Trade Zone of each of the PRC Ministry of Commerce and the PRC National Development and Reform Commission. The governmental and regulatory agencies from which Ant Financial is seeking these approvals have broad discretion in administering the applicable governing regulations, and such approvals may not be obtained in a timely manner or at all. Even if these approvals are obtained, the terms, conditions and timing of such approvals are uncertain.

### The distribution may be taxable to YUM and the Company if there is an acquisition of 50% or more of YUM or Company common stock.

Even if the distribution otherwise qualifies as a transaction that is generally tax-free for U.S. federal income tax purposes, the distribution of Company common stock to YUM shareholders in connection with the distribution would result in significant U.S. federal income tax liabilities to YUM under the Internal Revenue Code (but not to YUM shareholders) if it were deemed part of a "plan"



pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in YUM or the Company.

For purposes of determining whether the distribution of Company common stock to YUM shareholders in connection with the distribution is disqualified as tax-free to YUM under the rules described in the preceding paragraph, any acquisitions of the stock of YUM or the Company within two years before or after the distribution may be presumed to be part of such a "plan," although the parties may be able to rebut that presumption. For purposes of this test, acquisitions of Company common stock by the Investors within two years after the distribution will likely be treated as part of such a "plan." In particular, under the terms of the investment agreements among the Company, YUM and the Investors, the Investors will acquire in the aggregate between 4.3% and 5.9% of Company common stock issued and outstanding immediately following the distribution, which acquisition will be taken into account for purposes of this test. Also, under the terms of the shareholders agreement to be entered into with the Investors at the closing of the Investors, provided that the Investors' shares of Company common stock (in the aggregate) do not exceed 19.9% of the total shares of the Company's outstanding common stock (subject to certain conditions in the shareholders agreement). Any such additional acquisitions of Company common stock by the Investors in the two years following the distribution, represent a 50% or greater interest (by vote or value) in the Company, such acquisitions may be deemed part of a "plan" that includes the distribution.

The rules for determining whether shares representing a 50% or greater interest (by vote or value) in YUM or the Company have been acquired as part of a "plan" that includes the distribution are complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case. If the Company does not carefully monitor its compliance with these rules, it might inadvertently cause or permit such a prohibited change in the ownership of its stock to occur, resulting in significant federal income tax liabilities to YUM under the Internal Revenue Code. Under the terms of the tax matters agreement among YUM, YCCL and the Company to be entered into in connection with the distribution, YCCL and the Company will generally be required to indemnify YUM against any such tax liabilities, which may have a material adverse effect on the Company. These indemnity obligations could also discourage or prevent a third party from making a proposal to acquire the Company during the relevant period. See "Material U.S. Federal Income Tax Consequences."

#### **Risks Related to Our Common Stock**

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

Although we have been authorized to list Company common stock on the New York Stock Exchange, a public market for Company common stock does not currently exist. The Company anticipates that on or prior to the record date for the distribution, trading of shares of its common stock will begin on a "whenissued" basis which will continue through the distribution date. However, the Company cannot guarantee that an active trading market will develop or be sustained for its common stock after the distribution. Nor can the Company predict the prices at which shares of its common stock may trade after the distribution. Similarly, the Company cannot predict the effect of the distribution on the trading prices of its common stock or whether the combined market value of the shares of Company common stock and YUM common stock will be less than, equal to or greater than the market value of YUM common stock prior to the distribution.

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

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

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

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

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

We anticipate that following the separation, our board of directors will adopt a program of returning capital to stockholders, which may take the form of establishing a regular dividend and/or engaging in share repurchases although, pursuant to the shareholders agreement to be entered into with the Investors at the closing of the Investment, our ability to engage in or announce repurchases will be restricted until 60 days after the distribution. We also intend to retain a significant portion of our earnings to finance the operation, development and growth of our business. Any future determination to declare and pay cash dividends or engage in share repurchases will be at the discretion of our board of directors following the separation and will depend on, among other things, our financial condition, results of operations, actual or anticipated cash requirements, tax considerations, contractual or regulatory restrictions and such other factors as our board of directors deems relevant. For more information, see "Dividend Policy."

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

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

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

#### The interests of the Investors may differ from the interests of other holders of Company common stock.

Immediately following the distribution, the Investors will acquire and own in the aggregate between 4.3% and 5.9% of the Company's issued and outstanding common stock, and will have the opportunity to increase their ownership through the exercise of certain warrants to be issued to the Investors in connection with the Investment as well as the ability to acquire additional shares of Company common stock in the open market (subject to an aggregate beneficial ownership interest limit of 19.9%). The interests of the Investors may differ from those of other holders of Company common stock in material respects. For example, the Investors may have an interest in pursuing acquisitions, divestitures, financings or other transactions that could enhance their respective equity portfolios, even though such transactions might involve risks to holders of Company common stock. The Investors may, from time to time in the future, acquire interests in businesses that directly or indirectly compete with certain portions of the Company's business or are suppliers or customers of the Company. Additionally, the Investors may determine that the disposition of some or all of their interests in the Company would be beneficial to the Investors at a time when such disposition could be detrimental to the other holders of Company common stock.

#### The ownership percentage of YUM shareholders in the Company will be diluted as a result of the Investment.

In connection with the separation, YUM will distribute to its shareholders all of the outstanding shares of Company common stock. However, if the Investment is consummated, the ownership percentage of YUM shareholders in the Company will be diluted as a result of the Investment. Pursuant to the investment agreements, in exchange for a \$460 million investment in the Company, the Investors will own between 4.3% and 5.9% of the Company's common stock issued and outstanding immediately following the distribution and will receive warrants exercisable for an additional approximately 4%, in the aggregate, of the Company's issued and outstanding common stock. Because the effective purchase price at which the Investors will acquire shares of the Company's common stock pursuant to the Investment will be calculated based on an 8% discount to the volume weighted average trading price per share of Company common stock over the relevant measurement period, holders of YUM common stock receiving shares of Company common stock in the distribution will experience greater dilution than they would if such purchase price were determined without such discount. In addition, if the average trading price over the relevant measurement period is less than the initial trading price of the Company's common stock, holders receiving shares of common stock in the distribution will experience greater dilution than they would if such purchase price were determined by reference to the initial trading price. For more information, see the section entitled "Certain Relationships and Related Person Transactions—The Investment Agreements."

### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

### **DIVIDEND POLICY**

We anticipate that following the separation, our board of directors will adopt a program of returning capital to stockholders, which may take the form of establishing a regular dividend and/or engaging in share repurchases although, pursuant to the shareholders agreement to be entered into with the Investors at the closing of the Investment, our ability to engage in or announce repurchases will be restricted until 60 days after the distribution. We also intend to retain a significant portion of our earnings to finance the operation, development and growth of our business. Any future determination to declare and pay cash dividends or engage in share repurchases will be at the discretion of our board of directors following the separation and will depend on, among other things, our financial condition, results of operations, actual or anticipated cash requirements, contractual or regulatory restrictions, tax considerations and such other factors as our board of directors deems relevant.

### CAPITALIZATION

The following table sets forth our capitalization on a historical basis and on a pro forma basis to give effect to the separation and distribution and the transactions related to the separation and distribution (including the Investment) as if they occurred on May 31, 2016.

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

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

(in millions)	Historical	Pro Forma
Cash and cash equivalents(1)	\$ 508	<b>\$</b> 968
Equity		
Common stock, \$0.01 par value(2)		4
Additional paid-in capital(2)	—	2,356
Parent Company investment	1,900	
Accumulated other comprehensive income (loss)	100	100
Total Equity—Yum China Holdings, Inc.	2,000	2,460
Noncontrolling interests	58	58
Total Equity	2,058	2,518
Total Capitalization	\$ 2,058	\$ 2,518

(1) Includes the cash proceeds of the Investment

(2) Based on an assumed distribution ratio of one share of Company common stock for each share of YUM common stock outstanding on May 31, 2016

### UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial statements of the Company consist of the unaudited pro forma condensed combined statement of income for the year to date ended May 31, 2016, the unaudited pro forma combined statement of income for the fiscal year ended December 31, 2015 and an unaudited pro forma condensed combined balance sheet as of May 31, 2016. The unaudited pro forma combined financial statements should be read in conjunction with "Capitalization," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Certain Relationships and Related Person Transactions" and our historical combined financial statements included elsewhere in this Information Statement.

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

The unaudited pro forma condensed combined statement of income for the year to date ended May 31, 2016 and unaudited pro forma combined statement of income for the fiscal year ended December 31, 2015 reflect our results of operations as if the separation and related transactions described below had occurred on January 1, 2015. The unaudited pro forma condensed combined balance sheet as of May 31, 2016 reflects our financial position as if the separation and related transactions described below had occurred as of such date.

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

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

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

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

### Unaudited Pro Forma Condensed Combined Statement of Income Yum China Holdings, Inc. For the year to date ended May 31, 2016 (in millions, except per share data)

	Historical	Pro Forma Adjustments	Pro Forma
Revenues			
Company sales	\$ 2,836	\$	5 2,836
Franchise fees and income	55		55
Total revenues	2,891		2,891
Costs and Expenses, Net			
Company restaurants			
Food and paper	847		847
Payroll and employee benefits	587		587
Occupancy and other operating expenses	960	(4)(a)	956
Company restaurant expenses	2,394	(4)	2,390
General and administrative expenses	170		170
Franchise expenses	31	(3)(a)	28
Closures and impairment expenses, net	31		31
Refranchising gain, net	(4)		(4)
Other income, net	(27)		(27)
Total costs and expenses, net	2,595	(7)	2,588
Operating Profit	296	7	303
Interest income, net	4		4
Income Before Income Taxes	300	7	307
Income tax provision	(78)	(2)(b)	(80)
Net Income (loss)—including noncontrolling interests	222	5	227
Net Income (loss)—noncontrolling interests	_		
Net Income (loss)—Yum China Holdings, Inc.	\$ 222	\$ 5 \$	227
Pro Forma net earnings per share:			
Basic	N/A	\$	6 0.55(c)
Diluted	N/A	\$	· · · · ·
Shares used to calculate Pro Forma net earnings per share			
Basic	N/A		413(c)
Diluted	N/A		420(c)
			(-)

See accompanying Notes to the Unaudited Pro Forma Combined Financial Statements

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

Franchise fees and income120Total revenues6,909Costs and Expenses, NetCompany restaurantsFood and paper2,159Payroll and employee benefits1,386Occupancy and other operating expenses2,386Company restaurant expenses5,931General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)	6,789 120 6,909 2,159 1,386 2,368 5,913 395 63 63 64 (13)
Franchise fees and income120Total revenues6,909Costs and Expenses, NetCompany restaurantsFood and paper2,159Payroll and employee benefits1,386Occupancy and other operating expenses2,386Company restaurant expenses5,931Company restaurant expenses5,931General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421Qperating Profit488251Interest income, net8Income Before Income Taxes496251Income tax provision(168)(6)(b)	120 6,909 1,386 2,368 5,913 395 63 64
Total revenues6,909Costs and Expenses, NetCompany restaurantsFood and paper2,159Payroll and employee benefits1,386Occupancy and other operating expenses2,386Company restaurant expenses5,931Company restaurant expenses5,931General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421Qerating Profit488Interest income, net8Income Before Income Taxes496Income tax provision(168)(6)(b)	2,159 1,386 2,368 5,913 395 63 64
Costs and Expenses, NetCompany restaurantsFood and paperPayroll and employee benefits0ccupancy and other operating expenses0ccupancy and other operating expenses2,3860ccupancy restaurant expenses2,3860councy and other operating expenses5,9310councy and other operating expenses707070707070707070707070707070707070707070707070707070707070707070707070707070707070707070707070707070707070707070707070707	2,159 1,386 2,368 5,913 395 63 64
Company restaurantsFood and paper2,159Payroll and employee benefits1,386Occupancy and other operating expenses2,386Company restaurant expenses2,386Company restaurant expenses5,931General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421 <b>Operating Profit</b> 488Interest income, net8Income Before Income Taxes496Income tax provision(168)(6)(b)	1,386 2,368 5,913 395 63 64
Food and paper2,159Payroll and employee benefits1,386Occupancy and other operating expenses2,386Company restaurant expenses2,386Company restaurant expenses5,931General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421Operating Profit488Interest income, net8Income Before Income Taxes496Lincome tax provision(168)(6)(b)168	1,386 2,368 5,913 395 63 64
Payroll and employee benefits1,386Occupancy and other operating expenses2,386(18)(a)Company restaurant expenses5,931(18)General and administrative expenses395Franchise expenses70(7)(a)Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421Operating Profit488Interest income, net8Income Before Income Taxes496Lincome tax provision(168)(6)(b)168	1,386 2,368 5,913 395 63 64
Occupancy and other operating expenses2,386(18)(a)Company restaurant expenses5,931(18)General and administrative expenses395Franchise expenses70(7)(a)Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421 <b>Operating Profit</b> 488Interest income, net8Income Before Income Taxes496Income tax provision(168)(6)(b)168	2,368 5,913 395 63 64
Company restaurant expenses5,931(18)General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421(25)0Operating Profit488Interest income, net8Income Before Income Taxes496(168)(6)(b)	5,913 395 63 64
General and administrative expenses395Franchise expenses70Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421(25)0Operating Profit488Interest income, net8Income Before Income Taxes49625168)	395 63 64
Franchise expenses70(7)(a)Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421(25)(25)Operating Profit488Interest income, net8Income Before Income Taxes49625(168)	63 64
Closures and impairment expenses, net64Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421 <b>Operating Profit</b> 488Interest income, net8Income Before Income Taxes49625168)	64
Refranchising gain, net(13)Other income, net(26)Total costs and expenses, net6,421 <b>Operating Profit</b> 488Interest income, net8Income Before Income Taxes496251168)	
Other income, net(26)Total costs and expenses, net6,421Operating Profit48825Interest income, net8Income Before Income Taxes49625Income tax provision(168)(168)(6)(b)	(12)
Total costs and expenses, net6,421(25)Operating Profit48825Interest income, net8Income Before Income Taxes49625Income tax provision(168)(6)(b)	(15)
Operating Profit48825Interest income, net8Income Before Income Taxes49625Income tax provision(168)(168)(6)(b)	(26)
Interest income, net     8       Income Before Income Taxes     496       1000000000000000000000000000000000000	6,396
Income Before Income Taxes49625Income tax provision(168)(6)(b)	513
Income tax provision (168) (6)(b)	8
	521
	(174)
	347
Net Income (loss)—noncontrolling interests 5	5
Net Income (loss)—Yum China Holdings, Inc.\$ 323\$ 19	342
Pro Forma net earnings per share:	
Basic N/A \$	0.78(c)
Diluted N/A \$	0.77(c)
Shares used to calculate Pro Forma net earnings per share	
Basic N/A	436(c)
Diluted N/A	443(c)

See accompanying Notes to the Unaudited Pro Forma Combined Financial Statements

### Unaudited Pro Forma Condensed Combined Balance Sheet Yum China Holdings, Inc. As of May 31, 2016 (in millions)

	Hi	storical	Pro Forma Adjustments	Pro Forma
ASSETS				
Current Assets				
Cash and cash equivalents	\$	508	\$ 460(d	) \$ 968
Accounts receivable, net		117		117
Inventories		216		216
Prepaid expenses and other current assets		151		151
Total Current Assets		992	460	1,452
Property, plant and equipment, net		1,742		1,742
Goodwill		83		83
Intangible assets, net		101		101
Investments in unconsolidated affiliates		46		46
Other assets		187		187
Deferred income taxes		142		142
Total Assets	\$	3,293	\$ 460	\$ 3,753
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	\$	921		\$ 921
Income taxes payable		47		47
Total Current Liabilities		968		968
Capital lease obligations		31		31
Other liabilities and deferred credits		236		236
Total Liabilities		1,235		1,235
Equity				
Common stock, \$0.01 par value		_	4 (	
Additional paid-in capital		—	2,356 (	
Parent Company investment		1,900	(1,900)(6	
Accumulated other comprehensive income (loss)		100		100
Total Equity—Yum China Holdings, Inc.		2,000	460	2,460
Noncontrolling interests		58		58
Total Equity	_	2,058	460	2,518
Total Liabilities and Equity	\$	3,293	\$ 460	\$ 3,753

See accompanying Notes to the Unaudited Pro Forma Combined Financial Statements

### NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

(a) Per the terms of the master license agreement ("MLA"), the license fee paid to YUM after the separation will equal 3% of net sales from the operations of KFC, Pizza Hut Casual Dining and Pizza Hut Home Service. This adjustment reflects the impact of the MLA for (i) the exclusion of initial fees from the Company's license fee paid to YUM; and (ii) the change in license fee related to the entities that own and operate KFCs in Hangzhou, Suzhou and Wuxi in which we have non-controlling ownership.

(b) Adjustment reflects the tax effects of the pro forma adjustments at the applicable China statutory rate of 25%.

(c) On September 1, 2016, the Company and YUM entered into investment agreements with each of Primavera and Ant Financial. Pursuant to the investment agreements, immediately following the separation, Primavera and Ant Financial will invest \$410 million and \$50 million, respectively, for a collective \$460 million investment in the Company in exchange for shares of Company common stock and warrants. The shares of Company common stock total in the aggregate between 4.3% and 5.9% of the common stock issued and outstanding immediately following the separation (tied to the volume weighted average trading price of the Company's common stock during the trading days between the 31st and 60th day following the closing). Given the range of investment in common stock between 4.3% and 5.9%, the Company expects to issue between 18 million and 24 million shares of Company common stock immediately following the distribution (and excluding shares issuable upon exercise of the warrants) based on the number of YUM shares outstanding on May 31, 2016.

Approximately 70 days after the distribution, Primavera and Ant Financial will also receive two tranches of warrants to acquire shares of Company common stock. Upon exercise, the first tranche of warrants will provide the Investors with the right to purchase shares of Company common stock in the aggregate equal to an additional 2.0% of the Company's issued and outstanding common stock outstanding as of the time of the distribution (taking into account the shares previously issued to the Investors, as adjusted after the closing of the Investment). The second tranche of warrants will provide Primavera and Ant Financial with the right to purchase the same number of shares of Company common stock purchasable by Primavera and Ant Financial, respectively, under the first tranche of warrants. The strike price for the warrants will be based on Company equity values of \$12 billion and \$15 billion (for the first tranche and second tranche, respectively). We have not included the pro forma impact of the warrants as they will not be issued for a period following the separation.

Since the October 20, 2015 announcement of the separation through the date of this filing, YUM has repurchased approximately 63 million shares and expects to have approximately 370 million shares outstanding as of the record date. As such, and for the purpose of additional analysis, for the year ended December 31, 2015 and year to date ended May 31, 2016, the number of shares are presented (1) based on the weighted average shares of YUM common stock outstanding on December 31, 2015 and May 31, 2016, respectively, assuming a distribution ratio of one share of the Company's common stock for each share of YUM common stock, (2) based on 370 million shares of YUM common stock expected to be outstanding as of the record date after applying the distribution ratio and impact of YUM's share repurchase program, and (3) based upon the number of shares of YUM common stock expected to be outstanding on the record date after applying the distribution ratio and impact of YUM's share repurchase program, and then adding approximately 20 million shares the Company expects to issue in connection with the Investment (assuming an approximate 5% midpoint) immediately following the distribution (and excluding shares issuable upon exercise of the warrants) for a total of 390 million shares. The Company's and certain of YUM's employees will have equity awards

with respect to Company common stock after the distribution as a result of conversion of a portion of their YUM equity awards into Company equity awards.

Based on YUM's weighted average shares outstanding	Shares used to calculate Pro Forma net earnings per share	Pro forma net ear per share	nings
For the year to date ended May 31, 2016			
Basic	413	\$	0.55
Diluted	420	\$	0.54
For the year ended December 31, 2015			
Basic	436	\$	0.78
Diluted	443	\$	0.77

Decid on 270 million expected change substanding of distribution	Shares used to calculate Pro Forma net earnings	Pro forma net ear	nings	
Based on 370 million expected shares outstanding at distribution	per share	per share		
For the year to date ended May 31, 2016				
Basic	370	\$	0.61	
Diluted	377	\$	0.60	
For the year ended December 31, 2015				
Basic	370	\$	0.92	
Diluted	377	\$	0.91	

Based on 390 million expected shares outstanding (including Investment)	Shares used to calculate Pro Forma net earnings per share	Pro forma net earn per share	nings
For the year to date ended May 31, 2016			
Basic	390	\$	0.58
Diluted	397	\$	0.57
For the year ended December 31, 2015			
Basic	390	\$	0.88
Diluted	397	\$	0.86

(d) Per the terms of the investment agreements, Primavera and Ant Financial will invest \$410 million and \$50 million, respectively, immediately following the distribution. The adjustment reflects the cash proceeds of the Investment.

(e) On the distribution date, YUM's net investment in the Company will be re-designated as the Company's Stockholders' Equity and will be allocated between common stock and additional paid-in capital based on the number of shares of the Company's common stock outstanding at the distribution date. The pro forma adjustment reflects the re-designation of YUM's net investment in the Company and the impact of the pro forma adjustments described above.

### SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table presents our selected historical combined financial data. We derived the combined statements of income data for the three years ended December 31, 2015, and the combined balance sheets data as of December 31, 2015 and December 31, 2014, as set forth below, from our audited combined financial statements, which are included elsewhere in this Information Statement. We derived the condensed combined statements of income data for the years to date ended May 31, 2016 and May 31, 2015, and the condensed combined balance sheets data as of May 31, 2016 from our unaudited condensed combined financial statements, which are included elsewhere in this Information Statement. We derived the combined statements of income for the years ended financial statements, which are included elsewhere in this Information Statement. We derived the combined statements of income for the years ended December 31, 2012 and December 31, 2011, and the combined balance sheets data as of December 31, 2013, December 31, 2012, and December 31, 2011, from our unaudited combined financial statements that are not included in this Information Statement.

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

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

		For the						For t	he	Fiscal Years E	ndee	d		
(in millions, except for unit data)		lay 31, 2016		ay 31, 2015	D	ecember 31, 2015	De	ecember 31, 2014	Ľ	December 31, 2013	De	ecember 31, 2012	De	ecember 31, 2011
Combined Statements of Income (Loss) Data:			-		_		_		_				-	
Revenues														
Company sales	\$	2.836	\$	2.843	\$	6.789	\$	6.821	\$	6.800	\$	6.797	\$	5,487
Franchise fees and income		55		49		120		113		105		101		79
Total revenues		2,891		2,892		6,909		6,934	_	6,905		6,898		5,566
Costs and Expenses, Net	_		-	,	_		_				-	<u>-</u>	-	- <u></u>
Company restaurants														
Food and paper		847		907		2,159		2,207		2,258		2,312		1,947
Payroll and employee benefits		587		577		1,386		1,407		1,360		1,259		890
Occupancy and other operating expenses(a)		960		982		2,386		2,415		2,347		2,210		1,747
Company restaurant expenses		2,394		2,466		5,931		6,029		5,965		5,781		4,584
General and administrative expenses(b)		170		168		395		389		356		336		278
Franchise expenses(c)		31		29		70		64		60		55		43
Closures and impairment expenses, net		31		19		64		517		325		9		12
Refranchising gain, net(d)		(4)		(4)		(13)		(17)		(5)		(17)		(14)
Other income, net		(27)		(14)		(26)		(51)		(25)		(112)		(42)
Total costs and expenses, net		2,595		2,664		6,421		6,931		6,676		6,052		4,861
Operating Profit(e)		296		228	_	488	_	3		229	-	846	-	705
Interest income, net		4		2		8		14		5		8		9
Income Before Income Taxes	_	300	-	230	_	496	_	17		234	-	854	-	714
Income tax provision		(78)		(65)		(168)		(54)		(135)		(181)		(169)
Net Income (loss)—including noncontrolling	-	()	-	(11)	_		_		-	<u> </u>	-		-	
interests		222		165		328		(37)		99		673		545
Net Income (loss)—noncontrolling interests						5		(30)		(27)		11		16
Net Income (loss)—Yum China Holdings, Inc.			_		_		_				-		-	
(e)	\$	222	\$	165	s	323	\$	(7)	S	126	\$	662	\$	529
Combined Balance Sheets Data:	-				Ě		<u> </u>		Ť		Ť		Ť	
Total assets	\$	3,293	\$	3,261	\$	3,201	\$	3,257	S	3,750	\$	3,782	\$	2,916
Property, plant and equipment, net	φ	1,742	φ	1,969	φ	1,841	φ	2,001	φ	1,979	φ	1,810	φ	1,370
Parent Company investment		1,900		1,737		1,791		1.671		2,014		2,012		1,343
I arent company investment		1,900		1,757		1,791		1,071		2,014		2,012		1,545
Other Statistics														
Net cash provided by operating activities	\$	422	\$	396	\$	910	\$	775	\$	782	\$	871	\$	931
Capital spending	Ψ	172	Ψ	235	Ψ	512	Ψ	525	Ų	568	Ψ	655	Ψ	405
Number of restaurants		7,246		6,853		7,176		6,715		6,243		5,726		4,493
		.,= . 0		,,		.,		-,		-,		-,		.,

(a) Occupancy and other operating expenses include license fees paid to YUM of \$219 million, \$217 million, \$217 million, \$217 million and \$178 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and \$86 million and \$89 million for the years to date ended May 31, 2016 and May 31, 2015, respectively.

(b) General and administrative expenses include corporate expenses allocated from YUM of \$12 million, \$11 million, \$12 million, \$15 million and \$12 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and \$6 million for both of the years to date ended May 31, 2016 and May 31, 2015.

(c) Franchise expenses include license fees paid to YUM of \$50 million, \$47 million, \$46 million and \$39 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and \$23 million for the years to date ended May 31, 2016 and May 31, 2015, respectively.

(d) See Note 4 to the Combined Financial Statements and Condensed Combined Financial Statements for discussion of Refranchising gain, net.

(e) Operating Profit for 2014 and 2013, respectively, includes \$463 million and \$295 million of expense associated with non-cash impairment of our investment in Little Sheep. After considering the tax benefit associated with these losses and the portion of the net losses allocated to noncontrolling interests, Net Income (loss)—Yum China Holdings, Inc., was negatively impacted by these impairments by \$361 million and \$258 million in 2014 and 2013, respectively. Excluding these impairments, Net income (loss)—Yum China Holdings, Inc., was income of \$354 million and \$384 million in 2014 and 2013, respectively. Operating profit in 2012 includes a \$74 million gain in 2012 related to the acquisition of additional interest in and resulting consolidation of Little Sheep with no associated tax expense. Excluding this gain, Net Income (loss)—Yum China Holdings, Inc. was \$588 million in 2012.

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

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Combined Financial Statements and accompanying notes included elsewhere in this Information Statement for the years ended December 31, 2015, 2014 and 2013 and the Condensed Combined Financial Statements for the years to date ended May 31, 2016 and May 31, 2015, which have been prepared in accordance with U.S. Generally Accepted Accounting Principals ("GAAP"). This MD&A includes the following sections:

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

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

### Separation and Distribution

On October 20, 2015, YUM announced that it intended to separate into two independent publicly traded companies each with a separate strategic focus. YUM plans to distribute to its shareholders all of the outstanding shares of common stock of the Company on the distribution date of October 31, 2016 on the basis of one share of Company common stock for each share of YUM common stock held as of 5:00 p.m., Eastern Time, on October 19, 2016, the record date for the distribution. At the time of the distribution, the Company will hold, directly or indirectly, the assets and liabilities associated with YUM's operations in China. Completion of the transaction will be subject to certain conditions, including, among others, receiving final approval from YUM's board of directors, receipt of various regulatory approvals, receipt of opinions of YUM's external tax advisors with respect to certain tax matters, the effectiveness of filings related to public listing in the United States of America and applicable securities laws, and other terms and conditions as may be determined by YUM's board of directors. The transaction is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes. The transaction will not require YUM shareholder approval.

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

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



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

### Overview

Yum China Holdings, Inc. is the largest restaurant company in China, with approximately 7,200 restaurants, \$6.9 billion of revenue, net income of \$323 million and \$998 million of adjusted EBITDA in 2015. Our growing restaurant base consists of China's leading restaurant brands, including KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep. Following our separation from Yum! Brands, we will have the exclusive right to operate, sub-franchise and license the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service and Taco Bell brands in China, and will own the East Dawning and Little Sheep concepts outright. We were the first major global restaurant brand to enter China in 1987 and have developed deep experience operating in the market. We have since grown to become one of China's largest retail developers covering over 1,100 cities and opening an average of two new locations per day over the past five years.

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

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

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

- The Company provides certain percentage changes excluding the impact of foreign currency translation ("FX" or "Forex"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise and unconsolidated affiliate restaurants that operate our brands, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise and unconsolidated affiliate restaurants typically generate ongoing franchise fees for the Company at a rate of approximately 6% of system sales. Franchise and unconsolidated affiliate restaurant sales are not included in Company sales on the Combined Statements of Income; however, the franchise fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.

- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the Company system one year or more.
- Company Restaurant profit ("Restaurant profit") is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Restaurant profit divided by Company sales. Within the Company Sales and Restaurant Profit analysis, Store Portfolio Actions represent the net impact of new unit openings, acquisitions, refranchising and store closures, and Other primarily represents the impact of same-store sales as well as the impact of changes in costs such as inflation/deflation.
- In addition to the results provided in accordance with GAAP throughout this MD&A, the Company provides non-GAAP measurements which
  present Adjusted EBITDA and operating results on a basis before Special Items. The Company uses earnings before Special Items as a key
  performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our
  segment results. The Company provides Adjusted EBITDA because we believe that investors and analysts may find it useful in measuring
  operating performance without regard to items such as income taxes, interest expense, depreciation and amortization and impairment charges.
  These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the
  Company believes that the presentation of Adjusted EBITDA and earnings before Special Items provides additional information to investors to
  facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our ongoing
  operations due to their size and/or nature.

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

### **Results of Operations**

#### Summary

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

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

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

In 2015, we expected sales and profits to grow significantly in the second half as we recovered from the adverse publicity in July 2014. Sales initially turned significantly positive as we lapped the supplier incident, but overall sales in the second half of 2015 trailed our expectations, particularly at Pizza Hut Casual Dining. In the second half of 2015, KFC grew same-store sales 3% in the third

quarter and 6% in the fourth quarter, which was below our forecasts. Over the same period, Pizza Hut Casual Dining experienced same-store sales declines of 1% in the third quarter and 8% in the fourth quarter. We believe that this performance was driven primarily by (1) extraordinary volatility in financial markets, currency devaluation and overall softer economic conditions which weigh more heavily on the casual dining sector; (2) the impact of online delivery aggregators entering the casual dining space; and (3) marketing promotions which underperformed our expectations.

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

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

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

				% Inc (Decr	
<u>Unit Count</u>	2015	2014	2013	2015	2014
Company-owned	5,768	5,417	5,026	6	8
Unconsolidated affiliates	796	757	716	5	6
Franchise	612	541	501	13	8
	7,176	6,715	6,243	7	8

#### Special Items

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

			Year		
2	2015		2014		2013
			(463)		(295)
_	(15)				
	(15)		(463)		(295)
_	4		76		18
	(11)		(387)		(277)
			26		19
\$	(11)	\$	(361)	\$	(258)
\$	503	\$	466	\$	524
	(15)		(463)		(295)
\$	488	\$	3	\$	229
				_	
	33.7%	)	26.8%	, )	28.9%
	0.2%	)	295.5%	<b>b</b>	28.6%
	33.9%	)	322.3%	)	57.5%
	\$ \$	(15) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) - (11) -	$\begin{array}{c c} \hline 2015 \\ \hline \\ (15) \\ \hline \\ (15) \\ \hline \\ 4 \\ \hline \\ (11) \\ \hline \\ $	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$

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

#### Adjusted EBITDA

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

	2015	2014	2013
Reconciliation of Reported Net Income to Adjusted EBITDA			
Net Income (loss)—Yum China Holdings, Inc.	\$ 323	\$ (7)	\$ 126
Net income (loss)—noncontrolling interests	5	(30)	(27)
Income tax provision	168	54	135
Interest income, net	(8)	(14)	(5)
Reported Operating Profit	488	3	229
Depreciation and amortization	425	411	394
Store impairment charges (See Note 4)	70	54	31
Special Items Expense—Operating Profit	15	463	295
Adjusted EBITDA	\$ 998	\$ 931	\$ 949

						<u>% B/(W)</u> 2015			8/(W) 014
	2015		2014		2013	Reported	Ex FX	Reported	Ex FX
Company sales	\$ 4,652	\$	4,782	\$	4,892	(3)	(1)	(2)	(2)
Franchise fees and income	116		111		103	4	7	7	7
Total revenues	\$ 4,768	\$	4,893	\$	4,995	(3)	(1)	(2)	(2)
Restaurant profit	\$ 620	\$	559	\$	557	11	14		1
Restaurant margin %	13.3%	6	11.7%	6	11.4%	1.6 ppts.	1.7 ppts.	0.3 ppts.	0.3 ppts.
G&A expenses	\$ 150	\$	150	\$	137	—	(2)	(9)	(10)
Closure and impairment expenses, net	\$ 50	\$	41	\$	23	(22)	(26)	(74)	(76)
Operating Profit	\$ 499	\$	435	\$	456	14	18	(5)	(4)

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

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

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

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

#### **Company Sales and Restaurant Profit**

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

			20	15 v	s. 2014			
			store rtfolio					
Income / (Expense)	 2014	A	ctions	_(	Other	_	FX	2015
Company sales	\$ 4,782	\$	137	\$	(176)	\$	(91)	\$ 4,652
Cost of sales	(1,584)		(40)		83		29	(1,512)
Cost of labor	(963)		(18)		60		18	(903)
Occupancy and other	 (1,676)		(42)		69		32	 (1,617)
Restaurant profit	\$ 559	\$	37	\$	36	\$	(12)	\$ 620

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

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

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

#### **Franchise Fees and Income**

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

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

#### **G&A** Expenses

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

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

## **Operating Profit**

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

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

#### Pizza Hut Casual Dining

						% B/(W) 2015			/(W) 014
	 2015		2014		2013	Reported	Ex FX	Reported	Ex FX
Company sales	\$ 1,824	\$	1,696	\$	1,522	8	10	11	12
Franchise fees and income	1		_		—	NM	NM	NM	NM
Total revenues	\$ 1,825	\$	1,696	\$	1,522	8	10	11	12
Restaurant profit	\$ 225	\$	243	\$	291	(7)	(5)	(17)	(17)
Restaurant margin %	12.3%	Ď	14.3%	ó	19.2%	(2.0) ppts.	(1.9) ppts.	(4.9) ppts.	(4.9) ppts.
G&A expenses	\$ 73	\$	65	\$	55	(12)	(14)	(18)	(18)
Closure and impairment expenses, net	\$ 8	\$	2	\$	1	NM	NM	NM	NM
Operating Profit	\$ 145	\$	176	\$	235	(18)	(16)	(25)	(25)

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

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

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

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

#### **Company Sales and Restaurant Profit**

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

2015 vs. 2014									
	2014	Ac	tions	0	ther	]	FX		2015
\$	1,696	\$	249	\$	(85)	\$	(36)	\$	1,824
	(494)		(75)		15		11		(543)
	(346)		(58)		5		8		(391)
	(613)		(95)		30		13		(665)
\$	243	\$	21	\$	(35)	\$	(4)	\$	225
	\$	\$ 1,696 (494) (346) (613)	2014         Por Act           \$ 1,696         \$           (494)         (346)           (613)	2014         Store Portfolio Actions           \$ 1,696         \$ 249           (494)         (75)           (346)         (58)           (613)         (95)	Store Portfolio Actions         Store O           2014         Actions         O           \$ 1,696         \$ 249         \$           (494)         (75)         \$           (346)         (58)         \$           (613)         (95)         \$	Store Portfolio         Other           2014         Actions         Other           \$ 1,696         \$ 249         \$ (85)           (494)         (75)         15           (346)         (58)         5           (613)         (95)         30	Store Portfolio         Other           2014         Actions         Other           \$ 1,696         \$ 249         \$ (85)         \$           (494)         (75)         15         (346)         5           (613)         (95)         30         30	Store Portfolio         Other         FX           2014         Actions         Other         FX           \$ 1,696         \$ 249         \$ (85)         \$ (36)           (494)         (75)         15         11           (346)         (58)         5         8           (613)         (95)         30         13	Store Portfolio Actions         Other         FX           \$ 1,696         \$ 249         \$ (85)         \$ (36)         \$           (494)         (75)         15         11           (346)         (58)         5         8           (613)         (95)         30         13

	2014 vs. 2013							
			Store ortfolio					
Income / (Expense)	2013	A	ctions	Ot	her	FX	_	2014
Company sales	\$ 1,52	2 \$	247	\$	(69)	\$ (4)	\$	1,696
Cost of sales	(42	9)	(73)		7	1		(494)
Cost of labor	(28	3)	(56)		(8)	1		(346)
Occupancy and other	(51	9)	(97)		1	2		(613)
Restaurant profit	\$ 29	1 \$	21	\$	(69)	\$ —	\$	243

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

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

#### G&A Expenses

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

#### **Operating** Profit

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

#### All Other Segments

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

							% B		<u>% B</u>	<u> </u>
		015			,			15 E EV	20	
Commony color	\$	<u>2015</u> 313	\$	343	\$	2013 386	Reported	Ex FX	Reported (11)	Ex FX
Company sales	Э		Э		Э		(9)	(7)	(11)	(11)
Franchise fees and income		3		2		2	NM	NM	(15)	(15)
Total revenues	\$	316	\$	345	\$	388	(8)	(6)	(11)	(11)
Restaurant profit	\$	13	\$	(10)	\$	(13)	NM	NM	30	28
Restaurant margin %		4.3%	)	(2.8)%	6	(3.6)%	7.1 ppts.	7.2 ppts.	0.8 ppts.	0.7 ppts.
G&A expenses	\$	28	\$	31	\$	41	7	5	26	26
Closure and impairment expenses, net	\$	6	\$	11	\$	6	44	43	NM	NM
Operating Loss	\$	(14)	\$	(44)	\$	(54)	70	70	20	20

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

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

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

#### Corporate & Unallocated

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

#### Corporate G&A Expenses

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

#### **Unallocated Closures and Impairments**

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

#### **Other Unallocated**

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

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

#### Interest Income, Net

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

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

#### Income tax provision

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

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

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

While it is difficult to estimate the full benefit of this VAT reform in the beginning of its actual implementation, we expect a positive financial benefit.

#### **Combined Cash Flows**

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

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

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

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

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



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

#### Liquidity and Capital Resources

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

Our ability to fund our future operations and capital needs will depend on our ongoing ability to generate cash from operations. We believe our principal uses of cash in the future will be primarily to fund our operations, capital expenditures and any distributions to our stockholders we may make. We believe that our future cash from operations, together with our access to funds on hand and capital markets, will provide adequate resources to fund these uses of cash and that our existing cash and net cash from operations will be sufficient to fund our operations and anticipated capital expenditures for the next 12 months.

Our balance sheet often reflects a working capital deficit, which is not uncommon in our industry and is also historically common for YUM. Company sales are paid for in cash or by credit card (which is quickly converted into cash). Substantial amounts of cash received from our restaurant operations are invested in new restaurant assets which are non-current in nature. As part of our working capital strategy, we negotiate favorable credit terms with vendors and our on-hand inventory turns faster than the related short-term liabilities as a result. Accordingly, it is not unusual for current liabilities to exceed current assets. We believe such a deficit has no significant impact on our liquidity or operations.

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

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

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

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

#### Borrowing Capacity

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



transactions specified in the agreement. Interest on any outstanding borrowings is due at least monthly. As of December 31, 2015, the full amount of borrowings were available to us under each Credit Facility.

#### Contractual Obligations

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

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

- (a) These obligations, which are shown on a nominal basis, relate primarily to approximately 5,700 company-owned restaurants. See Note 10.
- (b) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We have excluded agreements that are cancelable without penalty. Purchase obligations relate primarily to supply agreements, marketing, as well as consulting and other agreements.

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

#### **Off-Balance Sheet Arrangements**

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

#### Quantitative and Qualitative Disclosures About Market Risk

#### Foreign Currency Exchange Rate Risk

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

As substantially all of the Company's assets are located in China, the Company is exposed to movements in the RMB foreign currency exchange rate. For the fiscal year ended December 31, 2015 Operating Profit would have decreased approximately \$46 million if the RMB weakened 10% relative



to the U.S. dollar. This estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

#### **Commodity Price Risk**

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

#### New Accounting Pronouncements Not Yet Adopted

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

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

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

#### **Critical Accounting Policies and Estimates**

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

#### Impairment or Disposal of Long-Lived Assets

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

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

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

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

#### Impairment of Goodwill

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

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

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

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

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

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

#### Income Taxes

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

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

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

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

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

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

#### Years to date ended May 31, 2016 and May 31, 2015

#### **Results of Operations**

#### Summary

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

In the first half of 2016, our Operating profit increased 37%, driven by same-store sales growth of 7% at KFC, which, during the second quarter, delivered its fourth consecutive quarter of same-store sales growth. This sales growth more than offset weakness at Pizza Hut Casual Dining where same-store sales declined 12% in the first half of the year.

Effective May 1, 2016, the Chinese government implemented reform of its retail tax structure, which is intended to be a progressive and positive shift to more closely align with a more modern service-based economy. Under this reform a 6% output value added tax ("VAT") replaces a 5% Business Tax currently applied to certain restaurant sales. Input VAT is creditable to the aforementioned 6% output VAT. We believe this change will have a material benefit to Company restaurant margins balance of year. However, the scale and nature of the reform, along with implementation and transition challenges, make it very difficult to pinpoint the exact magnitude of the impact. For the balance of the year we expect labor and commodity inflation to partially offset this benefit. Given this and our first half outperformance, our current guidance for full-year restaurant margins is now at least 17% versus 16% previously, prior to the license fee paid to YUM.

The Combined Results of Operations for the years to date ended May 31, 2016 and May 31, 2015, are presented below:

	Year to Date		% B/(W)		
		2016		2015	Reported
Company sales	\$	2,836	\$	2,843	—
Franchise fees and income		55		49	12
Total revenues	\$	2,891	\$	2,892	
Restaurant profit	\$	442	\$	377	18
Restaurant Margin %		15.6%	6	13.2%	6 2.4 ppts.
Operating Profit	\$	296	\$	228	30
Interest income, net		4		2	80
Income tax provision		(78)		(65)	(23)
Net Income—including noncontrolling interests	_	222		165	34
Net Income—noncontrolling interests					NM
Net Income—Yum China Holdings, Inc.	\$	222	\$	165	34
Reported Effective tax rate	_	26.2%	6	28.0%	, 0

	Year to Date
	2016 2015
System Sales Growth	2% (6)%
System Sales Growth, excluding FX	7% (5)%
Same-store Sales Growth (Decline)%	2% (11)%

Unit Count	5/31/2016	5/31/2015	% Increase (Decrease)
Company-owned	5,800	5,520	5
Unconsolidated Affiliates	811	773	5
Franchise	635	560	13
	7,246	6,853	6

## Segment Results

# KFC

	Year to I	Date	•	% E	\$/(W)
	2016		2015	Reported	Ex FX
Company sales	\$ 1,975	\$	1,914	3	8
Franchise fees and income	 53		47	11	16
Total revenues	\$ 2,028	\$	1,961	3	8
Restaurant profit	\$ 339	\$	254	34	40
Restaurant margin %	17.2%	6	13.3%	6 3.9 ppts.	3.9 ppts.
G&A expenses	\$ 62	\$	61	(1)	(6)
Closure and impairment expenses, net	\$ 21	\$	15	(39)	(48)
Operating Profit	\$ 300	\$	209	44	51

	Year to Date
	2016 2015
System Sales Growth	5% (10)%
System Sales Growth, excluding FX	10% (9)%
Same-Store Sales Growth (Decline)%	7% (13)%

Unit Count	5/31/2016	5/31/2015	% Increase (Decrease)
Company-owned	3,815	3,767	1
Unconsolidated Affiliates	811	773	5
Franchise	413	349	18
	5,039	4,889	3

# **Company Sales and Restaurant Profit**

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

Year to Date 2016 vs. 2015											
	Store Portfolio										
2015	Actions	0	Other	FX		2016					
\$ 1,914	\$ 27	\$	130	\$	(96)	\$ 1,97	75				
(625)	(6)		—		28	(60	03)				
(372)	(3)		(26)		19	(38	82)				
(663)	(4)		(16)		32	(65	51)				
\$ 254	\$ 14	\$	88	\$	(17)	\$ 33	39				
-	(625) (372) (663)	2015         Actions           \$ 1,914         \$ 27           (625)         (6)           (372)         (3)           (663)         (4)	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $				

The year to date increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 7%, commodity deflation of 2%, the impact of retail tax structure reform (primarily in cost of sales) and lower utilities partially offset by wage inflation of 7%.

#### **Franchise Fees and Income**

The year to date increase in Franchise fees and income, excluding the impact of foreign currency translation, was driven by the impact of refranchising, franchise same-store sales growth of 4% and net new unit growth.

#### **G&A Expenses**

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

#### **Operating Profit**

The year to date increase in Operating Profit, excluding the impact of foreign currency translation, was driven by the impact of same-store sales growth, net new unit growth and lower restaurant operating costs, including the favorable impact of the retail tax structure reform, partially offset by higher restaurant impairment charges. Additionally, leap year added an extra day in 2016 resulting in incremental Operating Profit of \$5 million.

#### Pizza Hut Casual Dining

	_	Year to Date			% B/(W)	
		2016	2015		Reported	Ex FX
Company sales	\$	742	\$	792	(6)	(2)
Franchise fees and income		—			NM	NM
Total revenues	\$	742	\$	792	(6)	(2)
Restaurant profit	\$	96	\$	114	(15)	(11)
Restaurant margin %		13.0%	6	14.3%	(1.3) ppts.	(1.3) ppts
G&A expenses	\$	34	\$	31	(8)	(13)
Closure and impairment expenses, net	\$	10	\$	1	NM	NM
Operating Profit	\$	52	\$	82	(35)	(32)

	Year to I	Date
	2016	2015
System Sales Growth	(6)%	10%
System Sales Growth, excluding FX	(1)%	12%
Same-Store Sales Growth (Decline)%	(12)%	(5)%

	5/31/2016	5/31/2015	% Increase (Decrease)
Unit Count			
Company-owned	1,593	1,383	15
Franchise	17	5	NM
	1,610	1,388	16

#### **Company Sales and Restaurant Profit**

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

	Year to Date 2016 vs. 2015															
	Store															
Income / (Expense)		2015 Portfolio Actions										ther	FX		2	2016
Company sales	\$	792	\$	74	\$	(88)	\$	(36)	\$	742						
Cost of sales		(237)		(21)		42		10		(206)						
Cost of labor		(166)		(20)		9		8		(169)						
Occupancy and other		(275)		(29)		20		13		(271)						
Restaurant profit	\$	114	\$	4	\$	(17)	\$	(5)	\$	96						

The year to date increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales declines of 12% and wage inflation of 7% partially offset by 3% commodity deflation, the impact of retail tax structure reform (primarily in cost of sales) and lower utilities.

#### **G&A** Expenses

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

#### **Operating Profit**

The year to date decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales declines and higher restaurant impairment charges, partially offset by net new unit growth and lower restaurant operating costs, including the favorable impact of the retail tax structure reform.

#### All Other Segments

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

		Year to Date			% B/(W)	
	2	2016	2015		Reported	Ex FX
Company sales	\$	119	\$	137	(13)	(9)
Franchise fees and income		2		2	13	18
Total revenues	\$	121	\$	139	(13)	(9)
Restaurant profit	\$	7	\$	9	(27)	(22)
Restaurant margin %		5.6%	6	6.6%	(1.0) ppts.	(0.9) ppts
G&A expenses	\$	13	\$	12	(2)	(7)
Closure and impairment expenses, net	\$	—	\$	3	95	94
Operating Profit	\$	(3)	\$	(3)	(20)	(20)

#### Corporate & Unallocated

	_	Year to	Dat	e		
Income/(Expense)	2	2016 201		)15	% B/(W)	
Corporate G&A expenses	\$	(61)	\$	(64)	3	
Refranchising gain (loss) (See Note 4)		4		4	24	
Other unallocated		4			NM	
Interest income, net		4		2	80	
Income tax provision (See Note 8)		(78)		(65)	(23)	
Effective tax rate (See Note 8)		26.2%	)	28.0%	1.8 ppts.	

#### **Corporate G&A Expenses**

The year to date decrease in G&A expenses was driven by foreign currency translation of \$2 million and lower incentive compensation costs.

#### Interest Income, Net

The year to date increase in interest income, net was driven by higher returns on short term investment.

#### **Income Tax Provision**

Our income tax provision includes tax on our earnings at the China statutory tax rate of 25%. To the extent those earnings are not deemed permanently reinvested in China we are required to record US tax on those earnings, net of a credit for the foreign taxes paid in China. Our effective tax rate before special items was 26.2% and 28.0% in 2016 and 2015, respectively. Our year to date effective tax rate was lower than the prior year primarily due to the decreased cost of repatriating current year foreign earnings.

#### **Combined Cash Flows**

Net cash provided by operating activities was \$422 million in 2016 versus \$396 million in 2015. The increase was primarily driven by higher Net Income, partially offset by timing of payments for inventory.

Net cash used in investing activities was \$214 million in 2016 compared to \$245 million in 2015. The decrease was primarily driven by lower capital spending, partially offset by an increase in short-term investments.

Net cash used in financing activities was \$118 million in 2016 compared to \$103 million in 2015. The increase was primarily driven by changes in net parent investment.

#### Liquidity and Capital Resources

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

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

will provide adequate resources to fund these uses of cash and that our existing cash will be sufficient to fund our operations and anticipated capital expenditures for the next 12 months.

Our balance sheet often reflects a working capital deficit, which is not uncommon in our industry and is also historically common for YUM. Company sales are paid for in cash or by credit card (which is quickly converted into cash). Substantial amounts of cash received from our restaurant operations are invested in new restaurant assets which are non-current in nature. As part of our working capital strategy, we negotiate favorable credit terms with vendors and our on-hand inventory turns faster than the related short-term liabilities as a result. Accordingly, it is not unusual for current liabilities to exceed current assets. We believe such a deficit has no significant impact on our liquidity or operations.

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

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

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

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

#### Borrowing Capacity

As of May 31, 2016, we have two RMB300 million revolving credit facilities (approximately \$91 million in total at May 31, 2016) (each a "Credit Facility"). Our three-year Credit Facility matured on April 30, 2016 but remains available to us and may be renewed until the bank completes its annual internal credit review process. It contains a cross-default provision whereby our failure to make any payment on a principal amount from the other Credit Facility will constitute a default on the agreement. Our one-year Credit Facility matures on February 16, 2017. Each Credit Facility bears interest based on the prevailing rate stipulated by the People's Bank of China and contains financial covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Interest on any outstanding borrowings is due at least monthly. As of May 31, 2016 the full amount of borrowings were available to us under each Credit Facility.

#### Quantitative and Qualitative Disclosures About Market Risk

There were no material changes during the year to date ended May 31, 2016 to the disclosures regarding market risk set forth on page 75.

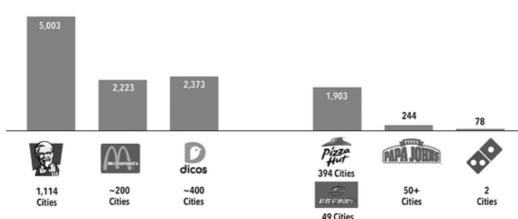
#### BUSINESS

#### Overview

Yum China Holdings, Inc. is the largest restaurant company in China with approximately 7,200 restaurants, \$6.9 billion of revenue, net income of \$323 million and \$998 million of adjusted EBITDA in 2015. Our growing restaurant base consists of China's leading restaurant brands, including KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep. Following our separation from Yum! Brands, we will have the exclusive right to operate and sub-license the KFC, Pizza Hut and Taco Bell brands in China, and will own the East Dawning and Little Sheep concepts outright. We were the first major global restaurant brand to enter China in 1987 and have developed deep experience operating in the market. We have since grown to become one of China's largest retail developers covering over 1,100 cities and opening an average of two new locations per day over the past five years.

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

# Iconic Brands with Scale in Both Number of Restaurants and Cities Number of Restaurants



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

Units and cities as of year end 2015.

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

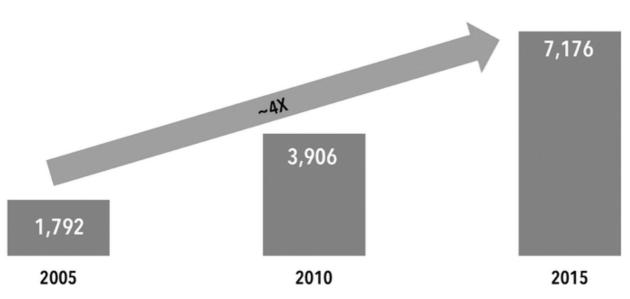
We generate strong consumer regard and loyalty by developing menus that cater to local tastes in addition to offering global favorites like KFC's Original Recipe chicken. Each of our brands has proprietary menu items, many developed in China, and emphasizes the preparation of food with high-quality ingredients,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

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

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

# Yum! China's Development Record

# Mainland China Total Restaurant Units



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

#### **Strong Cash Flow Generator**

(in millions)	2015		 2014		2013
Revenues	\$	6,909	\$ 6,934	\$	6,905
Net Income (loss)—Yum China Holdings, Inc.	\$	323	\$ (7)	\$	126
Net income (loss)—noncontrolling interests		5	(30)		(27)
Income tax provision		168	54		135
Interest income, net		(8)	(14)		(5)
Reported Operating Profit		488	 3		229
Depreciation and amortization		425	411		394
Store impairment charges(b)		70	54		31
Special Items Expense—Operating Profit(a)		15	463		295
Adjusted EBITDA(c)	\$	998	\$ 931	\$	949

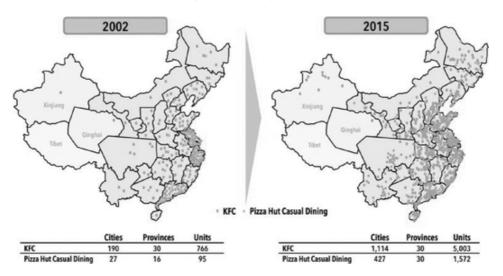
- (a) The Company believes that the presentation of Special Items provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature. Refer to further discussion of non-GAAP measures in MD&A.
- (b) Refer to Note 4 of the Combined Financial Statements.
- (c) The Company provides Adjusted EBITDA as a non-GAAP measure because we believe that investors may find it useful in measuring operating performance. Refer to further discussion of non-GAAP measures in MD&A.

#### **Industry Backdrop**

The development and growth of our business has benefited from China's rapidly growing middle class and increasing urbanization. Although changes in consumer taste are possible, the expansion of China's middle class has generally been correlated with an increase in eating outside of the home, which is in part driven by higher discretionary income associated with this demographic group. According to McKinsey, middle class and affluent households are expected to continue to grow, increasing from 116 million people in 2016 to an estimated 315 million by 2030. The number of working-age consumers is expected to increase by 100 million during the same period as their average per capita consumption doubles. By 2030, spending by this group is expected to account for an estimated 12 cents for every \$1 of worldwide urban consumption. With this, annual household spending on dining out in China may double. The Company will continue to focus on this core consumer segment and on serving China's growing middle class.

In 2002 87% of the middle class lived in coastal China and only 13% of the middle class lived in inland provinces. According to macroeconomic models prepared by McKinsey in 2012, by 2022 it is expected that only 61% of the middle class will live in coastal cities as the middle class expands more rapidly in inland cities. Likewise, according to the same models, by 2022 it is expected that 39% of the middle class will live in cities with a population of more than one million. This is consistent with the Company's development plans which have focused on entering new trade zones and building new restaurants further inland.

#### Growing with a Shifting Middle Class



#### **Reporting Segments**

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

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

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

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

#### **Restaurant Concepts**

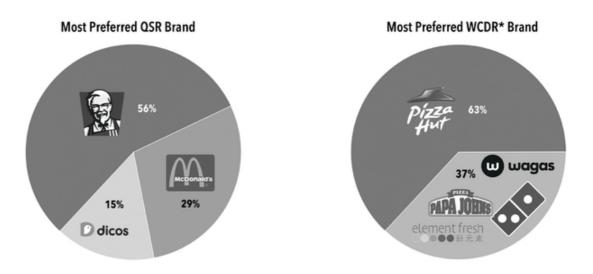
#### <u>KFC</u>

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

#### Pizza Hut Casual Dining

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

# Brands that are Clearly Preferred by Consumers



\*Western Casual Dining Restaurant

Source - Brand Image Tracking in 50 cities, AC Nielson as of Q4 2015.

Reflects a sample size of 4,800 for KFC and 2,000 for Pizza Hut. Data reflects samples' single choice on the most preferred QSR/WCDR brand.

#### Other Concepts

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

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

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

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

#### **Competitive Strengths**

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

<u>Unique Company culture based on global systems and local spirit</u>. We have operated for three decades as part of Fortune 500 global companies, first under Pepsico, and then as a part of Yum! Brands following its own spin off from PepsiCo in 1997. Our Company culture promotes systems, practices and accountability that are consistent with a global company. In addition, our experience of operating for three decades across the breadth of China has enabled us to develop a uniquely Chinese spirit that promotes and rewards team-work, respect for the individual, and a quest for excellence in everything we do. We believe this unique combination allows us to delight our customer everyday while also becoming an employer of choice for our workforce. We employ approximately 400,000 people, who serve an average of over five million Chinese consumers daily.

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

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



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

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

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

<u>Extensive experience in developing new restaurants</u>. Our development capability consists of hundreds of experienced development specialists focused on all major regions of China. We continuously update a proprietary database reflecting our own knowledge of thousands of trade zones over nearly three decades. We have extensive knowledge of infrastructure development and trade zone evolution. This allows for more in-depth site selection analysis and more accurate sales projections for

new units. Our real estate development capabilities have allowed us to historically maintain a high rate of new restaurant openings with attractive returns on investment.

<u>Knowledge and understanding of Chinese consumers and versatile approach to marketing</u>. With approximately 7,200 restaurants, \$6.9 billion of revenue, net income of \$323 million and \$998 billion of adjusted EBITDA in 2015, the Company's scale enables significant marketing investment to broadly advertise and promote our brands, and the resources to understand and leverage consumer insights and changing consumer behavior.

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

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

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

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

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

#### **Our Strategies**

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

#### **New-Unit Growth**

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

Substantial New-Unit Growth Potential...



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

<u>Development pipeline</u>. We consider our development pipeline to be robust, and believe we have an opportunity to grow our restaurant count three times over the next two to three decades. For additional information on the risks associated with this growth strategy, see the section entitled "Risk Factors," including the risk factor entitled "We may not attain our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable." We also believe the opportunity to add Taco Bell restaurants as well as other concepts could further increase our total unit count.

#### Same-Store Sales Growth

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

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

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



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

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

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

#### **Enhanced Profitability**

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

#### Franchise and New Business Development

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

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

#### **Restaurant Operations**

Restaurant management structure varies among our brands and by unit size. Generally, each restaurant operated by the Company is led by an RGM, together with one or more Assistant Managers. RGMs are skilled and highly trained, with most having a college-level education. Each brand issues detailed manuals, which may then be customized to meet local regulations and customs. These manuals set forth standards and requirements for all aspects of restaurant operations, including food safety and quality, food handling and product preparation procedures, equipment maintenance, facility standards and accounting control procedures. The restaurant management teams are responsible for the

day-to-day operation of each unit and for ensuring compliance with operating standards. The performance of RGM's is regularly monitored and coached by Area Managers. In addition, senior operations leaders regularly visit restaurants to promote adherence to system standards and mentor restaurant teams.

#### **Supply and Distribution**

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

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

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

#### **Trademarks, and Other Intellectual Property**

The Company's use of certain material trademarks and service marks is governed by a master license agreement between Yum! Restaurants Asia Pte. Ltd., a wholly-owned indirect subsidiary of YUM, and Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of the Company. The master license agreement is further described under the section "Certain Relationships and Related Person Transactions—The Master License Agreement." The Company is the exclusive licensee of the KFC, Pizza Hut Casual Dining and Pizza Hut Home Service brands and their related marks and other intellectual property rights for restaurant services in China. The term of the license is 50 years with automatic renewals for additional consecutive renewal terms of 50 years each, subject only to YCCL being in "good standing" and unless YCCL gives notice of its intent not to renew. In addition, subject to certain agreed-upon milestones, the Company has an exclusive license under the master license agreement to develop Taco Bell restaurants and use the related marks.

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

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

#### **Working Capital**

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

#### **Seasonal Operations**

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

#### Competition

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

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

#### **Research and Development**

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

#### **Government Regulation**

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

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

#### **Regulations relating to Dividend Distribution**

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



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

#### **Regulations relating to Taxation**

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

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

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

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

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

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

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

*Gains on Indirect Disposal of Equity Interests in our China Subsidiaries.* In February, 2015, the SAT issued the SAT's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises ("Bulletin 7"). Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a China resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. Where a non-resident enterprise conducts an "indirect transfer" of Chinese interests by disposing of equity interests in an offshore holding company, the transferor, transferee, and/or the China resident enterprise being indirectly transferred may report such indirect transfer to the relevant Chinese tax authority, which in turn reports to the SAT. Using general anti-tax avoidance provisions, the SAT may treat such indirect transfer as a direct transfer of Chinese interests if the transfer has avoided Chinese enterprise income tax, and the transferee or other person who is obligated to pay for the transfer would be obligated to withhold the applicable taxes, currently at a rate of up to 10% of the capital gain in the case of an indirect transfer of equity interests in a China resident enterprise. Both the transferor and the party obligated to withhold the applicable taxes may be subject to penalties under Chinese tax laws if the transfer of an the party obligated to withhold the applicable taxes.

The above regulations do not apply if either (i) the selling non-resident enterprise recognizes the relevant gain by purchasing and selling equity of the same listed enterprise in the open market (the "listed enterprise exception"); or (ii) the selling non-resident enterprise would have been exempted from enterprise income tax in China if it had directly held and transferred such Chinese interests that were indirectly transferred. Under current law, the China indirect transfer rules do not apply to gains recognized by individual stockholders, regardless of whether or not they acquire or transfer our stock in open market transactions. However, in practice there have been a few reported cases of individuals being taxed on the indirect transfer of Chinese interests and the law could be changed so as to apply to individual stockholders, possibly with retroactive effect.

It is unclear whether Company stockholders that acquire Company stock through the distribution will be treated as acquiring Company stock in an open market purchase. If such Company stock is not treated as acquired in an open market purchase, the listed transaction exception will not be available for transfers of such stock. Following the distribution, we expect that transfers in open market transactions of our stock by corporate or other non-individual stockholders that have purchased our stock in open market transactions will not be taxable under the China indirect transfer rules due to the listed enterprise exception. Transfers, whether in the open market or otherwise, of our stock by corporate and other non-individual stockholders that acquired our stock in the distribution or in non-open market transactions may be taxable under the China indirect transfer rules and our China subsidiaries may have filing obligations in respect of such transfer rules, whether or not such stock was acquired in open market transactions, and our China subsidiaries may have filing obligations in respect of such transfers. Corporate and other

non-individual stockholders may be exempt from taxation under the China indirect transfer rules with respect to transfers of our stock if they are tax resident in a country or region that has a tax treaty or arrangement with China that provides for a capital gains tax exemption and they qualify for that exemption. For example, under the U.S.-China double tax treaty, a stockholder that is a U.S. tax resident and that disposes of stock representing less than 25% of our outstanding stock should be exempt from Chinese capital gains tax.

#### Employees

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

#### **Unconsolidated Affiliates**

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

#### Properties

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

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

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

The Company leases its corporate headquarters and test kitchen facilities in Shanghai, China and owns land use rights for six non-store properties of Little Sheep. The Company subleases approximately 160 properties to franchisees. Additional information about the Company's properties is included in Note 10 of the Combined Financial Statements.

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

#### Legal Proceedings

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

#### MANAGEMENT OF THE COMPANY

#### **Executive Officers Following the Distribution**

The following table and biographies present information concerning the individuals who are expected to serve as the Company's executive officers shortly before the separation. After the separation, none of these individuals will continue to be employees of YUM.

Name	Age	Title
Muktesh "Micky" Pant	62	Chief Executive Officer
Edwin "Ted" Stedem	43	Chief Financial Officer
Joey Wat	45	Chief Executive Officer, KFC
Peter Kao	59	Chief Executive Officer, Pizza Hut
Mark Chu	58	Senior Advisor to the Chief Executive Officer
Shella Ng	51	Chief Legal Officer and Corporate Secretary
Danny Tan	47	Chief Support Officer
Christabel Lo	53	Chief People Officer
Sunny Sun	44	Chief Growth Officer
Johnson Huang	54	Chief Information and Marketing Support Officer
Ted Lee	49	Vice President and Brand General Manager, Little Sheep
Jeff Kuai	36	Brand General Manager, Pizza Hut Home Service
Angela Ai	63	Chief Development Officer
Alice Wang	46	Vice President, Public Affairs
Paul Hill	56	Vice President and Controller

*Micky Pant* is, and after the separation is expected to continue to be, the Chief Executive Officer of the Company, and is expected to serve as a member of our board of directors. He has served as CEO of the YUM China Division ("Yum! Restaurants China") since August 2015. Over the past decade, Mr. Pant has held a number of leadership positions at YUM, including CEO of the KFC Division, CEO of Yum! Restaurants International ("YRI"), President of Global Branding for YUM, President of YRI, Chief Marketing Officer of YUM, Global Chief Concept Officer for YUM and President of Taco Bell International. Before joining YUM, Mr. Pant built a foundation in marketing and international business with 15 years at Unilever in India and the U.K. and worked at PepsiCo, Inc. and Reebok International Limited. Since December 2014, Mr. Pant has served as an independent director on the board of Pinnacle Foods, Inc., where he also serves on the audit committee. Mr. Pant will bring to our board his vast knowledge of KFC and Pizza Hut best practices from around the globe and strategic, brand building expertise. In addition, Mr. Pant will bring to our board his corporate leadership knowledge and public company board experience.

*Ted Stedem* is, and after the separation is expected to continue to be, the Chief Financial Officer for the Company. He has served as Chief Financial Officer of Yum! Restaurants China since August 2016. Prior to that position, Mr. Stedem served in a number of leadership roles for YUM over the past seven years, including General Manager and Managing Director of KFC Asia, Chief Financial Officer and Chief Development Officer of KFC South Pacific (SOPAC), and Vice President of Finance of Yum! Restaurants International. Prior to joining YUM, he worked in finance, business development and marketing roles with Merrill Lynch, Bain Consulting, and Office Depot.

Joey Wat is expected to serve as the Chief Executive Officer, KFC for the Company, a position she has held for Yum! Restaurants China since September 2014. Ms. Wat joined Yum! Restaurants China in September 2014 as President of KFC China and was promoted to the Chief Executive Officer for KFC China in August 2015. Before joining YUM, Ms. Wat served in both management and strategy positions at AS Watson of Hutchinson Group ("Watson") in the U.K. from 2004 to 2014. Her last position at Watson was 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 from 2012 to 2014. She made the transition from Head of Strategy of Watson in Europe to Managing Director of Savers in 2007. Before joining Watson, Ms. Wat spent seven years in management consulting including with McKinsey & Company's Hong Kong office from 2000 to 2003.

*Peter Kao* is expected to serve as the Chief Executive Officer, Pizza Hut for the Company, a position he has held since August 2015. Mr. Kao previously served in the position of Senior Vice President & Brand General Manager of Pizza Hut for Yum! Restaurants China starting in 2013 and began leading both Pizza Hut Casual Dining and Pizza Hut Home Service as Brand General Manager in 2008. Mr. Kao has had several leadership positions at YUM, responsible for both Pizza Hut Casual Dining and Pizza Hut Home Service, since 2008. Before that, Mr. Kao served as Market Manager for the Eastern China Pizza Hut market since 1999. Prior to joining YUM in 1999, he held senior management roles in Club Development International, Sherwood Resort Guam, and Sherwood Hotel Taiwan.

*Mark Chu* is expected to serve as the Senior Advisor to the Chief Executive Officer of the Company. Mr. Chu is a long term veteran of YUM and has held a number of leadership positions with Yum! Restaurants China, including President & Chief Development and Support Officer, President & Chief Operating Officer, Chief Development Officer, and Brand General Manager of KFC China. Mr. Chu joined YUM over two decades ago as Deputy General Manager of the Nanjing KFC market. Prior to joining YUM, Mr. Chu was the Area Supervisor of an international restaurant company in Taiwan.

Shella Ng is, and after the separation is expected to continue to be, the Chief Legal Officer and will also serve as Corporate Secretary for the Company. Ms. Ng joined YUM in 1995 and was appointed to Chief Legal Officer of Yum! Restaurants China in 2005. Prior to joining YUM, she worked for Freshfields Bruckhaus Deringer and Clifford Chance.

*Danny Tan* is expected to serve as the Chief Support Officer for the Company. He has served in this role for Yum! Restaurants China since 2014 and his responsibilities include overseeing food innovation, quality assurance, food safety, supply chain management, logistics and sourcing planning. Mr. Tan joined YUM in 1997 in the finance department of Yum! Restaurants China and began leading the logistics department in 2002. He subsequently led supply chain management as Senior Director before taking on his current role. Prior to joining YUM, he was a Senior Analyst with Walt Disney, Hong Kong and a Senior Auditor with Deloitte & Touche, Singapore.

*Christabel Lo* is expected to serve as the Chief People Officer of the Company. Ms. Lo joined YUM in 1997 as the Training and Development Director of Yum! Restaurants China and was appointed to lead all of Human Resources in China in 2000. Prior to joining YUM, Ms. Lo held a number of management positions in a variety of industries, including Managing Director of Dale Carnegie, Hong Kong, Head of International Personal Banking for Citibank, Hong Kong and Manager of Cheoy Lee Shipyards, Hong Kong.

*Sunny Sun* is expected to serve as the Chief Growth Officer of the Company. She has served in this position for Yum! Restaurants China since August 2016. Ms. Sun joined YUM in May 2015 and served as Vice President, Finance, Chief Strategist and Chief Financial Officer for Yum! Restaurants China. Prior to joining YUM, Ms. Sun was the Senior Managing Director of CVC Capital Partners from 2010 to 2014, and, before that, she was the Head of M&A Greater China for DaimlerChrysler from 2001 to 2010 and Senior Manager of Corporate Development with Danone Asia Pacific from 1998 to 2001.

Johnson Huang is expected to serve as the Chief Information and Marketing Support Officer for the Company. Mr. Huang joined YUM in 2006 to lead the information technology department in China, and was appointed Chief Information Officer in 2013. He has been the key architect of Yum!

Restaurants China's digital strategy and information technology roadmap in China. Prior to joining YUM, Mr. Huang held various information technology and business leadership positions with Cap Gemini Ernst & Young Group in Taiwan and the greater China region and Evergreen Group in Taiwan and the U.K.

*Ted Lee* is expected to serve as Vice President and Brand General Manager of Little Sheep. Prior to joining YUM, Mr. Lee served as a director and Vice President & General Manager of Crocs China (Trade) Limited from 2008 to 2014.

*Jeff Kuai* is expected to serve as the Brand General Manager, Pizza Hut Home Service for the Company. Mr. Kuai was appointed Director of Delivery Support Center of Yum! Restaurants China in 2012 where he was instrumental in building online ordering and e-commerce capabilities. Before that position, Mr. Kuai spent 9 years in the information technology department of Yum! Restaurants China enhancing information technology infrastructure and productivity.

Angela Ai is expected to serve as the Chief Development Officer for the Company. Before her appointment to Chief Development Officer of Yum! Restaurants China in 2015, Ms. Ai was the Vice President, Development from 2008 to 2015, and served in management positions for KFC in Nanjing, Wuxi, Nanjing and Hangzhou from 1992 to 2008. Prior to joining YUM, she was the General Manager for China Merchant Group's department store and the Section Chief for Bureau of Youth League.

*Alice Wang* is expected to serve as the Vice President of Public Affairs for the Company. She has held this position for Yum! Restaurants China since she joined YUM in March 2015. Prior to joining YUM, Ms. Wang spent 22 years with Heinz China where she last served as Vice President of Corporate Affairs, Greater China.

*Paul Hill* is, and after the separation is expected to continue to be, the Vice President and Controller for the Company. He served as the Interim Chief Financial Officer of Yum! Restaurants China in 2015. Before serving as Interim Chief Financial Officer, Mr. Hill was the Vice President, Division Controller of Yum! Restaurants China from 2012 to 2015, and, before that, he spent 7 years as the Vice President, Division Controller for YRI. From 1995 to 2005 he has held a variety of director and controller positions with YRI and PepsiCo. Prior to joining YUM, Mr. Hill spent 12 years as a Senior Manager in Audit and Consulting at KPMG.

### **Board of Directors Following the Distribution**

The following table and biographies present information concerning the individuals who are expected to serve on the Company's board of directors immediately following the completion of the separation. Dr. Hu's appointment to the Company's board is expected to be effective as of one business day following the completion of the separation. Dr. Hu's appointment will be made pursuant to the board designation rights of Primavera described under the section entitled "Certain Relationships and Related Person Transactions—The Shareholders Agreement—Board Designation Rights." It is expected that, prior to the separation, at least one additional individual will be appointed to serve on the Company's board. The table includes Mr. Pant whose biographical information is included above in the section entitled "—Executive Officers Following the Distribution." The nominees have been selected by the Company's sole stockholder, YUM, to serve on the Company's board of directors effective as of the distribution. Mr. Jonathan S. Linen, however, has been appointed to the board of directors effective

October 12, 2016. Upon the effectiveness of his appointment to the board of directors, Mr. Linen will be also appointed to the audit committee and will serve as its sole member until the distribution date.

Name	Age	Title
Name Peter A. Bassi	67	Director
Christian L. Campbell	65	Director
Ed Yiu-Cheong Chan	53	Director
Edouard Ettedgui	64	Director
Louis T. Hsieh	52	Director
Fred Hu	53	Director
Jonathan S. Linen	72	Director
Muktesh "Micky" Pant	61	Director and Chief Executive Officer
Zili Shao	57	Director

*Peter A. Bassi* served as Chairman of Yum! Restaurants International from 2003 to 2005 and its President from 1997 to 2003. Prior to that position, Mr. Bassi spent 25 years in a wide range of financial and general management positions at PepsiCo, Inc., Pepsi-Cola International, Pizza Hut (U.S. and International), Frito-Lay and Taco Bell. Mr. Bassi currently serves as lead director and Chair of the nominating and governance committee for each of BJ's Restaurant and Potbelly Sandwich Works. He has been a member of each board of directors since 2004 and 2009, respectively. In addition, Mr. Bassi serves on the Value Optimization Board for the private equity firm Mekong Capital, based in Vietnam. Mr. Bassi served on the board of The Pep Boys—Manny, Moe & Jack from 2002 to 2009, and served on the board of Amrest Holdings (Poland) from 2012 to 2015. Mr. Bassi will bring to our board knowledge of the quick service restaurant industry and global franchising. In addition, he will bring to our board extensive public company board and corporate governance experience.

*Christian L. Campbell* is currently owner of Christian L. Campbell Consulting LLC, specializing in global corporate governance and compliance. Mr. Campbell previously served as Senior Vice President, General Counsel and Secretary of YUM from its formation in 1997 until his retirement in February 2016. In 2001, Mr. Campbell's role was expanded to include Chief Franchise Policy Officer. In these positions, Mr. Campbell oversaw all legal matters at YUM and was responsible for the oversight of YUM purchasing as a director of YUM's purchasing cooperative with its franchisees. Prior to joining YUM, Mr. Campbell was a Senior Vice President and General Counsel at Owens Corning, a leading global producer of fiberglass insulation and composite building materials. Prior to Owens Corning, he was Vice President and General Counsel for Nalco Chemical Company. In addition, Mr. Campbell was a founding director of Restaurant Supply Chain Solutions, Inc. ("RSCS"), a purchasing cooperative for YUM's U.S. franchising partners, and he served on RSCS's board of directors from its formation in 2001 until 2015. Mr. Campbell will bring to our board expertise in corporate governance and corporate compliance of publicly traded companies. In addition, Mr. Campbell will bring to our board extensive knowledge of the quick service restaurant industry, global franchising and corporate leadership.

*Ed Yiu-Cheong Chan* is currently a Vice Chairman of Charoen Pokphand Group Company Limited and has been an Executive Director and Vice Chairman of CP Lotus Corporation since April 2012. Mr. Chan was Regional Director of North Asia of the Dairy Farm Group and a director of Dairy Farm Management Services Limited from November 2001 to November 2006. Mr. Chan was the President and Chief Executive Officer of Walmart China from November 2006 to October 2011. Mr. Chan is also a non-executive director of Treasury Wine Estates Limited, a company listed on the Australian Securities Exchange and an independent non-executive director of Link Real Estate Investment Trust, which is listed on the Stock Exchange of Hong Kong Limited. Mr. Chan will bring to our board knowledge of the food and beverage industry in Asia and extensive public company board and corporate governance experience.

*Edouard Ettedgui* currently serves as the non-executive Chairman of Alliance Française, Hong Kong. He also currently serves as a non-executive director of Mandarin Oriental International Limited, the company for which he was the Group Chief Executive from 1998 to 2016. Prior to his time at Mandarin Oriental International, Mr. Ettedgui was the Chief Financial Officer for Dairy Farm International Holdings, and he served in various roles for British American Tobacco, including Business Development Director, Group Finance Controller and Group Head of Finance. Mr. Ettedgui has also held senior finance positions in seven countries at Philips International. Mr. Ettedgui will bring to our board senior management experience in various international consumer-product industries, extensive financial expertise and public company board experience.

Louis T. Hsieh currently serves as a senior adviser to the Chief Executive Officer and as a director of New Oriental Education & Technology Group. Prior to his current role, Mr. Hsieh served as that company's Chief Financial Officer from 2005 to 2015 and president from 2008 to 2016. In addition, Mr. Hsieh serves as an independent director, member of the corporate governance committee and chairman of the audit committee for JD.com, Inc, and independent director and Chairman of the audit committee for Nord Anglia Education, Inc. Previously, Mr. Hsieh also served as an independent director, member of the corporate governance committee for Perfect World Co., Ltd. and China Digital TV Holding Co., Ltd. Mr. Hsieh will bring to our board corporate leadership and public company board experience as well as his extensive financial and international business experience.

*Fred Hu* is chairman and founder of Primavera Capital Group, a China-based global investment firm ("Primavera"). Dr. Hu has served as chairman of Primavera since its inception in 2010. Prior to Primavera, Dr. Hu served in various roles at Goldman Sachs from 1997 to 2010, including serving as chairman of Greater China at Goldman Sachs Group, Inc. From 1991 to 1996, Dr. Hu served as an economist at the International Monetary Fund (IMF) in Washington D.C., where he engaged in macroeconomic research, policy consultations and technical assistance for member country governments including China. Dr. Hu also served as director of the National Center for Economic Research and professor at Tsinghua University. He is the author of several books and other publications in the areas of economics and finance and on China and Asian economies. Dr. Hu has advised the Chinese government on financial and pension reform, state-owned enterprise (SOE) restructuring, and macroeconomic policies. Dr. Hu is a trustee of China Medical Board and the co-chair of the Nature Conservatory's Asia Pacific Council. Dr. Hu will bring to our board extensive expertise in international affairs and the Chinese economy. In addition, Dr. Hu brings valuable business, strategic development and corporate leadership experience as well as expertise in economics, finance and global capital markets.

*Jonathan S. Linen* is a member of the board of directors of Yum! Brands, a position he has held since 2005, and of Modern Bank, N.A. Mr. Linen served as advisor to the Chairman of American Express Company from January 2006 to August 2016. Prior to his role as advisor to the Chairman, Mr. Linen served as the Vice Chairman of American Express Company since August 1993. Mr. Linen served on the board of directors of The Intercontinental Hotels Group from 2005 to 2015. In addition, Mr. Linen is a former director of Bausch & Lomb. Mr. Linen will bring to our board operating and management experience, expertise in finance, marketing and international business development and public company board and committee experience. Mr. Linen will resign from the board of directors of YUM prior to joining our board.

*Zili Shao* has served as Co-Chairman of King & Wood Mallesons—China since April 2015. From 2009 to 2015, Mr. Shao held various positions with JPMorgan Chase & Co., including Chairman and Chief Executive Officer of JPMorgan China, Vice Chairman of JPMorgan Asia Pacific and Chairman of JPMorgan Chase Bank (China) Company Limited. Prior to JPMorgan, he was a partner with Linklaters LLP, a global premium law firm. He held positions as Greater China managing partner and

managing partner of Asia Pacific. Mr. Shao will bring to our board extensive professional experience in Asia and public company board and corporate governance experience.

### **Director Independence**

A majority of our board of directors will be comprised of directors who are "independent" as defined by the rules of the New York Stock Exchange. We will seek to have all of our non-management directors qualify as "independent" under these standards, with the exception of Christian Campbell who served as YUM's Senior Vice President, General Counsel, Secretary and Chief Franchise Policy Officer until his retirement in February 2016. Muktesh "Micky" Pant, who is, and is expected to continue after the distribution to be, our Chief Executive Officer, is also expected to serve as a member of our board of directors. We expect that our board of directors following the distribution will be comprised of ten or eleven directors, of which at least eight will be considered independent.

### Director Qualification Standards and Board of Directors Membership Criteria

Upon consummation of the distribution, a majority of the members of the Company's board of directors will qualify as "independent" as defined by the rules of the New York Stock Exchange. The individuals who are expected to serve on the Company's board of directors following the distribution have diverse professional backgrounds and combine a broad spectrum of experience and expertise with a reputation for integrity. These individuals have experience in positions with a high degree of responsibility, are (or have been) leaders in the companies or institutions with which they are (or were) affiliated and have been selected based upon contributions they can make to the Company's board of directors.

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

### **Committees of the Board of Directors**

Effective upon completion of the separation, the Company's board of directors will establish several standing committees in connection with the discharge of its responsibilities. Such standing committees will include the Audit Committee, Compensation Committee and Nominating and Governance Committee. Each committee will consist solely of independent directors under the applicable independence requirements of the New York Stock Exchange and be governed by a written charter. All such committee charters will be available on the Company's website at www.yumchina.com.

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

- the integrity of the financial statements of the Company;
- the Company's compliance with legal and regulatory requirements;

- the Company's system of internal controls and procedures, including disclosure controls and procedures;
- the independent auditors' qualifications and independence; and
- the performance of the Company's internal audit function and independent auditors.

*Compensation Committee.* The initial membership of the Compensation Committee will be determined prior to the separation. The Compensation Committee will consist of no fewer than three members. Each member of the Compensation Committee will satisfy the independence requirements of the New York Stock Exchange and meet the definition of "non-employee director" under Rule 16b-3 under the Exchange Act, and "outside director" for purposes of Section 162(m) of the Code. Among other things, the Compensation Committee will:

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

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

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

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

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

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

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

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

### **Compensation Committee Interlocks and Insider Participation**

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

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

As noted above, the Company is currently a division of YUM and not an independent company, and the Company's Compensation Committee has not yet been formed. This Compensation Discussion and Analysis ("CD&A") describes the historical compensation practices of YUM and outlines certain aspects of the Company's anticipated compensation structure for its named executive officers following the separation. In connection with the separation, the Company (or YUM on the Company's behalf) has identified the Company's named executive officers for 2015 and this CD&A describes the material terms of the compensation arrangements in place for such individuals. For purposes of the following CD&A and executive compensation disclosures, such individuals are collectively referred to as the Company's, or our, "named executive officers" or "NEOs."

The historical decisions relating to the compensation of the Company's named executive officers, who are currently executives of YUM, have been made by YUM in 2015 and in prior years. Following the separation, the compensation of the Company's named executive officers will be determined by the Company's Compensation Committee consistent with the compensation and benefit plans, programs and policies adopted by the Company. Initially, we expect that the Company's compensation policies will be similar to those employed by YUM. The Company's Compensation Committee will review these policies and practices, and, it is expected, will make adjustments to support the Company's strategies as an independent company and to remain market competitive.

### Named Executive Officers

The Company's named executive officers for 2015 were as follows:

Name	Title
Muktesh "Micky" Pant	Chief Executive Officer
Edwin "Ted" Stedem	Chief Financial Officer
Joey Wat	Chief Executive Officer, KFC China
Mark Chu	Senior Advisor to the Chief Executive Officer
Shella Ng	Chief Legal Officer and Corporate Secretary

The following sections of this CD&A describe YUM's compensation philosophy, policies and practices as they applied to the Company's named executive officers during 2015.

## **Compensation Philosophy**

YUM's executive compensation program is designed to support its long-term growth model, while holding its executives accountable to achieve key annual results year after year. YUM's compensation philosophy for its named executive officers is reviewed annually by the Management Planning &

Development Committee of YUM's Board of Directors (the "YUM Committee") and has the following objectives:

Objective	Base Salary	Annual Performance- Based Cash Bonuses	Long-Term Equity Performance- Based Incentives
<b>Retain and reward the best talent to achieve superior shareholder results</b> —To be consistently better than its competitors, YUM needs to recruit and retain superior talent who are able to drive superior results. YUM has structured its compensation programs to be competitive and to motivate and reward high performers.	X	X	X
<b>Reward performance</b> —The majority of executive officer pay is performance based and therefore at risk. YUM designs pay programs that incorporate team and individual performance, customer satisfaction and shareholder return.		Х	Х
<b>Emphasize long-term value creation</b> —YUM's belief is simple: if it creates value for shareholders, then it shares a portion of that value with those responsible for the results. Stock Appreciation Rights/Options ("SARs/Options") reward value creation generated from sustained results and the favorable expectations of YUM's shareholders. Performance Share Unit ("PSU") awards reward for superior relative performance as compared to the S&P 500.			Х
<b>Drive ownership mentality</b> —YUM requires executives to personally invest in YUM's success by owning a substantial amount of YUM stock.			Х

## **Elements of Executive Compensation Program**

YUM's annual executive compensation program has three primary pay components: base salary, annual performance-based cash bonuses and long-term equity performance-based incentives. YUM also offers certain retirement and other benefits.

<u>Base Salary</u>. YUM provides base salary to compensate its executive officers for their primary roles and responsibilities and to provide a stable level of annual compensation. An executive officer's actual salary varies based on the role, level of responsibility, experience, individual performance, future potential and market value. Specific salary increases take into account these factors. The YUM Committee reviews the salary and performance of YUM's executive officers annually (including Mr. Pant). With respect to Ms. Wat, Mr. Chu and Ms. Ng, the YUM CEO and the CEO of YUM's China division reviewed the salary and performance of the executive officers annually. With respect to Mr. Stedem, the YUM CEO and the CEO of the KFC Division reviewed his salary and performance annually.

<u>Annual Performance-Based Cash Bonuses</u>. YUM's performance-based annual bonus program, the Yum Leaders' Bonus Program, is a cash-based plan. The principal purpose of the Yum Leaders' Bonus Program is to motivate and reward short-term team and individual performance that drives shareholder

value. The formula for calculating the performance-based annual bonus under the Yum Leaders' Bonus Program is the product of the following:

Base Salary	~	Target Bonus	~	Team Performance	~	Individual Performance	_	Bonus Payout
	~	Percentage	~	(0-200%)	~	(0-150%)	_	(0-300%)

<u>Team Performance</u>. The YUM Committee established team performance measures, targets and weights in January 2015 after receiving input and recommendations from management, which were applicable to Mr. Pant, Mr. Chu and Ms. Ng. The objectives were also reviewed by the YUM board of directors, to evaluate whether the goals support YUM's overall strategic objectives. The performance measures, targets and weights applicable to Mr. Stedem and Ms. Wat were established by the KFC Division and the China Division, respectively, rather than by the YUM Committee.

The performance objectives were developed through YUM's annual financial planning process, which takes into account growth strategies, historical performance, and the expected future operating environment of each of its Divisions, including the China Division and the KFC Division, which was led by Mr. Pant before he was appointed as CEO of the China Division. These projections included profit growth to achieve YUM's EPS growth target.

When setting targets for each specific team performance measure, the YUM Committee takes into account overall business goals and structures the target to motivate achievement of desired performance consistent with its growth commitment to shareholders.

A leverage formula for each team performance measure magnifies the potential impact that performance above or below the performance target will have on the calculation of the annual bonus. This leverage increases the payouts when targets are exceeded and reduces payouts when performance is below target. There is a threshold level of performance for all measures that must be met in order for any bonus to be paid. Additionally, all measures have a cap on the level of performance over which no additional bonus will be paid regardless of performance above the cap.

The performance targets are comparable to those YUM discloses to its investors and, when determined to be appropriate by the YUM Committee, may be slightly above or below disclosed guidance. Division and Business Unit targets may be adjusted during the year when doing so is consistent with the objectives and intent at the time the targets were originally set.

Detailed Breakdown of 2015 Team Performance. The team performance targets, actual results, weights and overall performance for each measure for the Company's NEOs are outlined below. The YUM Committee, with respect to Mr. Pant, the YUM CEO and China Division CEO, with respect to Ms. Wat, Mr. Chu, and Ms. Ng, and the Yum CEO and KFC Division CEO with respect to Mr. Stedem, selected these performance measures because they were viewed as key drivers of long-term value creation. For each NEO's Division, other than Mr. Stedem's and Ms. Wat's, the team performances were weighted 75% on Division operating measures and 25% on YUM team performance. Mr. Pant was CEO of YUM's KFC Division prior to being named CEO of its China Division on August 18, 2015 and the divisional portion of his 2015 Leader's Bonus Program was based on the performance of the KFC Division. For Mr. Stedem's Business Unit, the team performance was

weighted 75% on KFC Asia Business Unit operating measures and 25% on KFC Division team performance.

<u>NEO</u>	Measures	Target	Actual	Earned Award as % of Target	Weighting	Final Team Performance
	Weighted Average Divisions' Team			100	500/	52
	Performances(1)			106	50%	53
	Earnings Per Share Growth (excluding special					
	items)	10%	3%	0	50%	0
	FINAL YUM TEAM FACTOR	1070	570	Ū	5070	53
Pant	Operating Profit Growth(2,6)	8%	9%	115	50%	57
	System Same-Store Sales Growth	3%	3%	110	20%	
	System Net Builds(5)	425	500	200	20%	
	2) 50000 - 000 <u>-</u> 00000(0)	Weighted				
	System Customer Satisfaction	Average(4)		137	10%	14
	Total Weighted Team Performance—KFC	5()				
	Division (75%)					133
	Total Weighted Team Performance—					
	YUM (25%)					53
	FINAL KFC DIVISION TEAM					
	FACTOR(3)					113
Stedem	Operating Profit Growth(2)	2.8%	1.3%	54	50%	27
	System Same-Store Sales Growth	3.8%	2.2%	35	20%	7
	System Net Builds	125	112	88	20%	18
		Weighted				
	System Customer Satisfaction	Average(4)		200	10%	20
	Total Weighted Team Performance—KFC Asia (75%)					72
	Total Weighted Team Performance—KFC Division (25%)					133
	FINAL KFC ASIA TEAM FACTOR(3)					87
~				0	<b>-</b> 0.0 <i>i</i>	
Chu	Operating Profit Growth(2)	27%	8%	0	50%	
Ng	System Same-Store Sales Growth	7%	(4)%		20%	
	System Gross New Builds	650	743	200	20%	40
		Weighted		102	100/	10
	System Customer Satisfaction	Average(4)		183	10%	18
	Total Weighted Team Performance— China (75%)					58
	Total Weighted Team Performance— YUM (25%)					53
	FINAL CHINA TEAM FACTOR(3)					57
Wat(7)	N/A					N/A

(1) Weighted average based on each Division's contribution to overall segment operating profit of YUM in 2015.

- (2) Excludes the impact of foreign exchange.
- (3) Final Team Factor reflects 75% Division and 25% YUM weighting (Pant, Chu, and Ng) and 75% KFC Asia and 25% KFC Division weighting (Stedem).
- (4) Weighted average of each subsidiary business unit's Team Factor based on number of restaurants.
- (5) Excludes U.S. units.
- (6) KFC's standard operating profit growth rate target is 10% year-over-year. For 2015, the actual operating growth target was adjusted as shown above for the impact of certain non-recurring costs and other items distortive of brand performance primarily in the U.S. and U.K. markets.
- (7) Ms. Wat's 2015 Bonus Award was based on the target award amount, as outlined in her offer letter dated February 28, 2014, rather than on individual performance and team factors.

<u>Long-Term Equity Performance-Based Incentives</u>. YUM provides performance-based long-term equity compensation to its executive officers to encourage long-term decision making that creates shareholder value. To that end, YUM uses vehicles that are designed to motivate and balance the tradeoffs between short-term and long-term performance. Performance-based long-term equity compensation also serves as a retention tool. YUM executive officers, including Mr. Pant, are awarded long-term incentives annually based on the YUM Committee's subjective assessment of the following items for each of its executive officers (without assigning weight to any particular item):

- Prior year individual and team performance
- Expected contribution in future years
- Consideration of the market value of the executive's role compared with similar roles in the YUM Executive Peer Group described below
- Achievement of stock ownership guidelines

The YUM CEO and China Division CEO, with respect to Ms. Wat, Mr. Chu, and Ms. Ng, and the Yum CEO and KFC Division CEO with respect to Mr. Stedem, assessed the performance of these executives by considering items similar to those considered by the YUM Committee in evaluating its executives, and awarded long-term incentives annually based on such assessments. Compensation survey data was used in lieu of the YUM Executive Peer Group in the determinations for the Company's NEOs, other than Mr. Pant (for whom the YUM Executive Peer Group was used).

<u>Equity Mix</u>. Each year, the YUM Committee reviews the mix of long-term incentives to determine if it is appropriate to continue predominantly using SARs/Options as the long-term incentive vehicle. For 2015, the YUM Committee continued to choose SARs/Options and PSU awards because these equity vehicles were viewed as effectively focusing and rewarding management to enhance long-term shareholder value, thereby aligning the interests of YUM's executive officers with the interests of its shareholders. At the beginning of 2015, the YUM Committee determined each of its executive officer's target grant values and the split of those values between SARs/Options and PSU grants. For Mr. Pant and the other executive officers (other than the CEO of YUM), the target grant values were split 80% SARs/Options and 20% PSUs. The YUM Committee awarded predominantly SARs/Options because it believed SARs/Options would align the interests of executives with the interests of shareholders and incentivizes executives to drive a long-term growth in the business. Please see the section entitled "Effect of the Company's Separation from YUM on Outstanding Executive Compensation Awards" for information regarding the impact of the separation on the 2015 equity awards.

With respect to Ms. Wat, Mr. Chu, Ms. Ng, and Mr. Stedem, the YUM CEO annually reviews the mix of long-term incentives to determine if it is appropriate to continue exclusively using SARs as the

long-term incentive vehicle. For 2015, the YUM CEO continued to choose SARs awards because this equity vehicle was viewed as effectively focusing and rewarding management to enhance long-term shareholder value, thereby aligning the interests of executive officers with the interests of shareholders. At the beginning of 2015, the YUM CEO determined the named executive officers' target grant values and the split of those values between SAR and PSU grants. For Ms. Wat, Mr. Chu, Ms. Ng, and Mr. Stedem, the target grant values were 100% SARs. The YUM CEO awarded exclusively SARs because he believed SARs best align the interests of executives with the interests of shareholders and incentivizes executives to drive a long-term growth in the business. Please see the section entitled "Effect of the Company's Separation from YUM on Outstanding Executive Compensation Awards" for information regarding the impact of the separation on the 2015 equity awards.

<u>Stock Appreciation Rights/Stock Options</u>. In 2015, YUM granted to each of its executive officers SARs/Options which have ten-year terms and vest over at least four years. The exercise price of each SARs/Options grant was based on the closing market price of the underlying YUM common stock on the date of grant. Therefore, SARs/Options awards will only have value if the YUM executive officers are successful in increasing the share price of YUM above the awards' exercise price.

<u>Performance Share Plan</u>. Under YUM's Performance Share Plan, YUM granted to each of its executive officers PSU awards in 2015. PSU awards are earned based on YUM's 3-year average total shareholder return ("TSR") relative to the companies in the S&P 500. The YUM Committee believes that incorporating TSR supports YUM's pay-for-performance philosophy while diversifying performance criteria by using measures not used in the annual bonus plan and aligning YUM's executive officers' reward with the creation of shareholder value. Ms. Wat, Mr. Chu, Ms. Ng, and Mr. Stedem were not granted PSU awards during 2015.

The threshold and maximum share payouts are aggressively set, exceeding commonly viewed market best practice. For the performance period covering the 2015 - 2017 calendar years, each YUM executive officer will earn a percentage of his or her target PSU award based on the achieved TSR percentile ranking as set forth in the chart below:

	1	Threshold	Target	Max.
TSR Percentile Ranking	<40%	40%	50%	90%
Payout as % of Target	0%	50%	100%	200%

YUM set target long-term incentive pay at the 50<sup>th</sup> percentile of the YUM Executive Peer Group, as described below. Therefore, for on-target performance YUM pays at the median, which is consistent with market practice. Dividend equivalents will accrue during the performance period and will be distributed as incremental shares but only in the same proportion and at the same time as the original awards are earned. If no awards are earned, no dividend equivalents will be paid. The awards are eligible for deferral under YUM's Executive Income Deferral Program.

## 2015 Named Executive Officer Total Direct Compensation and Performance Summary

Below is a summary of our named executive officers' total direct compensation—which includes base salary, annual cash bonus, PSUs (if applicable) and SARs—and an overview of their 2015 performance relative to YUM's annual and long term incentive performance goals.

## Micky Pant

Chief Executive Officer

2015 Performance Summary. Mr. Pant was Chief Executive Officer of YUM's KFC Division prior to being named Chief Executive Officer of its China Division on August 18, 2015. The YUM Committee determined Mr. Pant's performance was above target and approved a 130 individual performance factor. In determining Mr. Pant's annual bonus payout, the YUM Committee recognized

Mr. Pant for the strong results of the KFC Division, especially unit expansion and strong same store sales results, as described above under "Annual Performance-Based Cash Bonus Program." The YUM Committee also acknowledged his leadership in taking over as the China Division CEO in 2015 and reinvigorating the brand culture and planning the China separation. Mr. Pant's individual performance factor, combined with a team factor of 113, resulted in him receiving 147% of his annual target bonus. Mr. Pant's team factor for 2015 was weighted 75% on KFC Division results—which were driven by his leadership prior to his promotion to CEO of the YUM China Division—as agreed to by Mr. Pant and the YUM Committee, and 25% on YUM team performance.

2015 Committee Decisions. In January, Mr. Pant's compensation was adjusted as follows:

- Base salary was increased 7%.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

In connection with his mid-year promotion to CEO of YUM's China Division, Mr. Pant's compensation was further adjusted as follows:

- Base salary was increased 19%.
- Annual cash bonus target was increased to 115% of base salary.
- Target grant value of equity award remained unchanged.

These increases brought Mr. Pant's total direct compensation to between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the YUM Executive Peer Group.

The table below summarizes how the annual performance-based incentive award was calculated for Mr. Pant:

# 2015 BONUS AWARD

Base Salary	\$950,000
	×
Blended Target Bonus %(1)	105.589%
	×
Team Performance Factor	113%
	×
Individual Performance Factor	130%
	=
2015 Bonus Award	\$1,473,548

(1) Mr. Pant's "Blended Target Bonus" is based on a Target Bonus of 100% during his time as CEO of the KFC Division and 115% during his time as CEO of the China Division.

Edwin "Ted" Stedem Chief Financial Officer

2015 Performance Summary. Mr. Stedem was General Manager of KFC Asia prior to being named Chief Financial Officer of the China Division on August 1, 2016. The YUM CEO and KFC Division CEO determined Mr. Stedem's performance was on target and approved a 115 individual performance factor. In determining Mr. Stedem's annual bonus payout, the YUM CEO and KFC Division CEO recognized Mr. Stedem for: forging strong relationships with franchise partners, which helped to stabilize performance and set the foundation for strong future performance; ensuring that pricing was consistent with the consumer and competitive landscape in each market; and building on

the historically strong unit growth momentum in the region. Mr. Stedem's individual performance factor, combined with a team factor of 87, resulted in him receiving 100% of his annual target bonus. Mr. Stedem's team factor for 2015 was weighted 75% on KFC Asia results—which were driven by his leadership— and 25% on KFC Division team performance.

2015 YUM Decisions. In January, Mr. Stedem's compensation was adjusted as follows:

- Base salary was increased 3%.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

The table below summarizes how the annual performance-based incentive award was calculated for Mr. Stedem:

# 2015 BONUS AWARD

Base Salary	\$356,280
	×
Target Bonus %	45%
	×
Team Performance Factor	87.25%
	×
Individual Performance Factor	115%
	=
2015 Bonus Award	\$160,867

These increases brought Mr. Stedem's total direct compensation to between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the market reference data for a Head of a Business Unit in a Division, based on published survey data from third-party providers, as described more fully in the section below entitled "How Compensation Decisions Are Made".

## Joey Wat

# Chief Executive Officer, KFC China

2015 Performance Summary. Ms. Wat was President of KFC China prior to be being promoted to CEO of KFC China on August 18, 2015. Per her offer letter, Ms. Wat was paid her bonus at target, rather than on individual performance and team factors.

2015 Company Decisions. In February, Ms. Wat's compensation was adjusted as follows:

- In 2015, YUM did not provide an annual merit increase to its senior executives, including Ms. Wat.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

In connection with her mid-year promotion to CEO of KFC China, Ms. Wat's compensation was further adjusted as follows:

- Base salary was increased 5%.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award increased to \$750,000.

These increases brought Ms. Wat's total direct compensation to above the 75<sup>th</sup> percentile of the market reference data for a Head of a Business Unit in a Division, based on published survey data



from third-party providers (as described more fully in the section below entitled "How Compensation Decisions Are Made").

The table below summarizes how the annual performance-based incentive award was calculated for Ms. Wat:

## 2015 BONUS AWARD

Base Salary	\$610,000
	×
Target Bonus %	85%
	=
2015 Bonus Award(1)	\$518,500

(1) Ms. Wat's "2015 Bonus Award" was paid based on the target award amount, as outlined in her offer letter dated February 28, 2014, rather than on individual performance and team factors.

Mark Chu Senior Advisor

2015 Performance Summary. Mr. Chu was re-designated as Senior Advisor of the China Division on January 1, 2016. The YUM CEO and China Division CEO determined Mr. Chu's performance was on target and approved a 110 individual performance factor. In determining Mr. Chu's annual bonus payout, the YUM CEO and China Division CEO recognized Mr. Chu for playing a key role in providing continuity in the transition of leadership to Micky Pant, while making important contributions to emerging brands, such as Pizza Hut Home Service, Little Sheep and East Dawning. Mr. Chu's individual performance factor, combined with a team factor of 57, resulted in him receiving 63% of his annual target bonus. Mr. Chu's team factor for 2015 was weighted 75% on China Division results—which were partly driven by his leadership and 25% on YUM team performance.

2015 Company Decisions. In February, Mr. Chu's compensation was adjusted as follows:

- In 2015, the Company did not provide an annual merit increase to its senior executives, including Mr. Chu.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

The table below summarizes how the annual performance-based incentive award was calculated for Mr. Chu:

# 2015 BONUS AWARD

Base Salary	\$400,000
	×
Target Bonus %	60%
	×
Team Performance Factor	57%
	×
Individual Performance Factor	110%
	=
2015 Bonus Award	\$150,480



# Shella Ng Chief Legal Officer and Corporate Secretary

2015 Performance Summary. Ms. Ng was Chief Legal Officer of the China Division in 2015. The YUM CEO and China Division CEO determined Ms. Ng's performance was on target and approved a 110 individual performance factor. In determining Ms. Ng's annual bonus payout, the YUM CEO and China Division CEO recognized Ms. Ng for playing a key role in the pending separation of the Company from YUM, including her contributions in preparing intercompany agreements and readiness planning, which involved know how building and the hiring of personnel in key functions. Ms. Ng's individual performance factor, combined with a team factor of 57, resulted in her receiving 63% of her annual target bonus. Ms. Ng's team factor for 2015 was weighted 75% on China Division results—which were partly driven by her leadership and 25% on YUM team performance.

2015 Company Decisions. In February, Ms. Ng's compensation was adjusted as follows:

- In 2015, the Company did not provide an annual merit increase to its senior executives, including Ms. Ng.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

Ms. Ng's 2015 total direct compensation was between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the market reference data for a Top Legal Executive of a Division, based on published survey data from third-party providers, as described more fully in the section below entitled "How Compensation Decisions Are Made".

The table below summarizes how the annual performance-based incentive award was calculated for Ms. Ng:

# 2015 BONUS AWARD

Base Salary	\$359,243
2 and Surary	×
Target Bonus %	60%
	×
Team Performance Factor	57%
	×
Individual Performance Factor	110%
	=
2015 Bonus Award	\$135,147

## **Retirement and Other Benefits.**

As with all YUM employees, YUM executive officers receive certain employment and post-employment benefits. Benefits are an important part of retention and capital preservation for all levels of employees. Our benefits are designed to protect against the expense of unexpected catastrophic loss of health and/or earnings potential, and provide a means to save and accumulate for retirement or other post-employment needs.

<u>Retirement Benefits</u>. For executives who were hired or re-hired after September 30, 2001, YUM has implemented the Leadership Retirement Plan ("LRP"). This is an unfunded, unsecured account-based retirement plan which allocates a percentage of pay to an account payable to the executive following the later to occur of the executive's separation of employment from YUM or attainment of age 55. For 2015, Mr. Pant was eligible for the LRP and received an annual allocation to his account equal to 20% of his base salary and target bonus, and an annual earnings credit of 5%.

YUM offers certain executives working in China retirement benefits under the Yum! Restaurants (Hong Kong) Limited Retirement Scheme. Under this program, YUM provides a company funded contribution ranging from 5% to 10% of an executive's base salary. During 2015, Ms. Wat, Mr. Chu and Ms. Ng were participants in the program. YUM's contribution for 2015 was equal to 5%, 10% and 10% of salary for Ms. Wat, Mr. Chu and Ms. Ng, respectively. Upon termination, participants will receive a lump sum equal to a percentage of the Company's contributions inclusive of investment return. This percentage is based on a vesting schedule that provides participants with a vested 30% interest upon completion of a minimum of 3 years of service, and an additional 10% vested interest for each additional completed year, up to a maximum of 100%.

<u>Medical, Dental, Life Insurance and Disability Coverage</u>. YUM also provides other benefits such as medical, dental, life insurance and disability coverage to its executive officers through benefit plans, which are also provided to all eligible U.S. salaried employees. Eligible employees can purchase additional life, dependent life and accidental death and dismemberment coverage as part of their employee benefits package. YUM's broad-based employee disability plan limits the annual benefit coverage to \$300,000. Executives located in China, who are not eligible for benefits under the benefit programs provided to eligible U.S. salaried employees, are provided with medical, life and accidental death insurance by the Company.</u>

Perquisites. Certain perquisites are provided to certain Company executive officers relating to overseas assignment.

<u>Nonqualified Deferred Compensation</u>. YUM provides an Executive Income Deferral ("EID") Program, in addition to the LRP. These plans are unfunded, unsecured deferred, account-based compensation plans. For each calendar year, participants are permitted under the EID Program to defer up to 85% of their base pay and up to 100% of their annual incentive award. Mr. Pant and Mr. Stedem are the only Company NEOs currently eligible to participate in the EID Program.

## How Compensation Decisions Are Made

<u>Role of the YUM Committee</u>. YUM executive compensation decisions have historically been made by the YUM Committee using its judgment, focusing primarily on each executive officer's performance against his financial and strategic objectives, qualitative factors and YUM's overall performance. The YUM Committee considers the total compensation of each executive officer, including Mr. Pant, and retains discretion to make decisions that are reflective of overall business performance and each executive's strategic contributions to the business. It also carefully considers shareholder and advisor feedback in making its compensation decisions. The YUM CEO and China Division CEO, with respect to Ms. Wat, Mr. Chu, and Ms. Ng, and the Yum CEO and KFC Division CEO with respect to Mr. Stedem, were responsible for making compensation decisions for these NEOs during 2015.

<u>Role of the Independent Consultant</u>. The YUM Committee's charter states the YUM Committee may retain outside compensation consultants, lawyers or other advisors. The YUM Committee retains an independent consultant, Meridian Compensation Partners, LLC ("Meridian"), to advise it on certain compensation matters. The YUM Committee has instructed Meridian that:

- it is to act independently of management and at the direction of the YUM Committee;
- its ongoing engagement will be determined by the YUM Committee;
- it is to inform the YUM Committee of relevant trends and regulatory developments;
- it is to provide compensation comparisons based on information that is derived from comparable businesses of a similar size to YUM; and
- it is to assist the YUM Committee in its determination of the annual compensation package for its executive officers.

The YUM Committee considered the following factors, among others, in determining that Meridian is independent of management and its provision of services to the YUM Committee did not give rise to a conflict of interest:

- Meridian did not provide any services to YUM unrelated to executive compensation;
- Meridian has no business or personal relationship with any member of the YUM Committee or management; and
- Meridian's partners and employees who provide services to the YUM Committee are prohibited from owning YUM stock per Meridian's firm policy.

<u>YUM Executive Peer Group</u>. The YUM Committee uses an evaluation of how its executive officer target compensation levels compare to those of similarly situated executives at companies that comprise its executive peer group ("YUM Executive Peer Group") as one of the factors in setting executive compensation. The YUM Executive Peer Group is made up of retail, hospitality, food, nondurable consumer goods companies, special eatery and quick service restaurants, as these represent the sectors with which YUM is most likely to compete for executive talent. The companies selected from these sectors must also be reflective of the overall market characteristics of YUM's executive talent market, relative leadership position in their sector, size as measured by revenues, complexity of their business, and in some cases global reach.

The YUM Committee established the current peer group of companies for its executive officers at the end of 2014 for pay determinations in 2015. The 2015 YUM Executive Peer Group is comprised of the following companies:

AutoZone Inc.	Kellogg Company	Nike Inc.
Avon Products Inc.	Kimberly-Clark Corporation	Office Depot, Inc.
Campbell Soup Company	Kohl's Corporation	Staples Inc.
Colgate Palmolive Company	Kraft Foods Group, Inc.	Starbucks Corporation
Gap Inc.	Macy's Inc.	Starwood Hotels & Resorts Worldwide, Inc.
General Mills Inc.	Marriott International	Unilever USA
Hilton Worldwide Holdings Inc.	McDonald's Corporation	

<u>Competitive Positioning and Setting Compensation</u>. At the beginning of 2015, the YUM Committee considered YUM Executive Peer Group compensation data as a frame of reference for establishing compensation targets for base salary, annual bonus and long-term incentives for each executive officer. In particular, the YUM Committee generally targeted each of its executive officer's base salary and long-term incentive compensation at the 50<sup>th</sup> percentile of the YUM Executive Peer Group and target annual bonus opportunity at the 75<sup>th</sup> percentile of the YUM Executive Peer Group. In setting executive officer compensation, the YUM Committee considers this competitive market data but does not rely on it exclusively. It also considers additional factors in setting each element of YUM executive officer compensation, including individual performance, experience, time in role and expected contributions.

YUM benchmarks Division and Business Unit leaders using published survey data from third-party providers like Mercer, Willis Towers Watson, and AonHewitt. YUM compares data of comparable positions based on responsibilities and size of the business. The YUM CEO and Division CEOs considered survey data as a frame of reference for establishing compensation targets for base salary, annual bonus and long-term incentives for each named executive officer, other than Mr. Pant. In particular, the YUM CEO and Division CEOs generally target each of its executive officer's base salary and long-term incentive compensation at the 50<sup>th</sup> percentile and target annual bonus opportunity at the 75<sup>th</sup> percentile. In setting executive officer compensation, the Yum CEO and Division CEOs consider this competitive market data but do not rely on it exclusively. Additional factors are considered in setting each element of executive officer compensation, including individual performance, experience, time in role and expected future contributions.

### **Compensation Policies and Practices**

<u>YUM's Executive Stock Ownership Guidelines</u>. The YUM Committee has established stock ownership guidelines for approximately 400 of its senior employees, including its executive officers. If a YUM executive officer does not meet his or her ownership guidelines, he or she is not eligible for a long-term equity incentive award. Mr. Pant's and Mr. Chu's ownership of YUM shares was well in excess of the amount required by the guidelines, while Mr. Stedem and Ms. Ng's ownership met the guidelines. Ms. Wat joined YUM pursuant to an offer letter dated February 28, 2014, and YUM policy allows employees a period of five years within which to meet ownership guidelines.

NEO	Ownership Guidelines	Shares Owned(1)	Value of Shares(2)	Multiple of Salary
Pant	30,000	107,592	7,859,596	8
Stedem	5,000	8,302	606,461	2
Wat	5,000	_	—	
Chu	5,000	21,664	1,582,555	4
Ng	5,000	5,401	394,543	1

<sup>(1)</sup> Calculated as of December 31, 2015. For Mr. Pant, represents shares owned outright, vested RSUs and all RSUs awarded under the Company's Executive Income Deferral Program. For Mr. Chu and Ms. Ng, the figure represents 50% of vested awards. For Mr. Stedem, the figure represents shares owned outright, vested RSUs and all RSUs awarded under the Company's Executive Income Deferral Program, as well as 50% of vested awards.

(2) Based on YUM closing stock price of \$73.05 as of December 31, 2015.

<u>Payments upon Termination of Employment</u>. YUM does not have agreements with its executives concerning payments upon termination of employment except in the case of a change in control of YUM. The YUM Committee believes these are appropriate agreements for retaining executive officers to preserve shareholder value in case of a potential change in control. The YUM Committee periodically reviews these agreements and other aspects of its change in control program. YUM's change in control severance agreements, in general, entitle YUM executive officers terminated other than for cause within two years of a change in control, to receive a benefit of two times salary and bonus.

YUM's change in control severance agreements include a "best net after-tax" approach to address any potential excise tax imposed on executives. If any excise tax is due, YUM will not make a gross-up payment, but instead will reduce payments to an executive if the reduction will provide the YUM executive officer the best net after-tax result. If full payment to a YUM executive officer will result in the best net after-tax result, the full amount will be paid, but the YUM executive officer will be solely responsible for any potential excise tax payment. Also, effective for equity awards made in 2013 and beyond, the YUM Committee implemented "double trigger" vesting, pursuant to which outstanding awards will fully and immediately vest only if the executive is employed on the date of a change in control of YUM and is involuntarily terminated (other than by YUM for cause) on or within two years following the change in control.

In the case of an executive officer's retirement, YUM provides retirement benefits described above, life insurance benefits, the continued ability to exercise vested SARs/Options and the ability to vest in PSUs on a pro rata basis.

<u>Compensation Recovery Policy</u>. Pursuant to YUM's Compensation Recovery Policy (*i.e.*, "clawback"), the YUM Committee may require an executive officer (including Mr. Pant) to return compensation paid or may cancel any award or bonuses not yet vested or earned if the executive officer engaged in misconduct or violation of YUM policy that resulted in significant financial or reputational harm or violation of YUM policy, or contributed to the use of inaccurate metrics in the calculation of



incentive compensation. Under this policy, when the YUM board of directors determines that recovery of compensation is appropriate, YUM could require repayment of all or a portion of any bonus, incentive payment, equity-based award or other compensation, and cancellation of an award or bonus to the fullest extent permitted by law.

<u>Hedging and Pledging of YUM Stock</u>. Under YUM's Code of Conduct, no employee or director is permitted to engage in securities transactions that would allow them either to insulate themselves from, or profit from, a decline in YUM's stock price. Similarly, no employee or director may enter into hedging transactions in YUM stock. Such transactions include (without limitation) short sales as well as any hedging transactions in derivative securities (*e.g.*, puts, calls, swaps, or collars) or other speculative transactions related to YUM's stock. Pledging of YUM stock is also prohibited.

<u>Deductibility of Executive Compensation</u>. The provisions of Section 162(m) of the Internal Revenue Code limit the tax deduction for compensation in excess of \$1 million paid to certain YUM executive officers (including Mr. Pant). Performance-based compensation is excluded from the limit, however, so long as it meets certain requirements. The YUM Committee structures compensation to take advantage of this exemption under Section 162(m) to the extent practicable, while satisfying YUM's compensation policies and objectives. Because the YUM Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when necessary to enable YUM to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation.

### Effect of the Company's Separation from YUM on Outstanding Executive Compensation Awards

The separation of the Company from YUM is not considered a change in control under YUM's executive compensation programs, and therefore it will not entitle the Company officers to any change in control benefits under those programs.

<u>Equity-Based Compensation</u>: Concurrently with the separation, and notwithstanding anything in the foregoing to the contrary (including the more general discussion of YUM's equity-based compensation awards presented in the "Executive Compensation Tables" discussion herein), holders of YUM equity-based awards, whether vested or unvested, will generally receive both adjusted YUM awards and Company awards, subject only to limited exceptions. Further, holders of performance units will retain all awards as YUM awards, adjusted to reflect the effects of the separation.

Similarly, employees who hold unrestricted common stock of YUM acquired through past equity-based awards or otherwise will be treated like all other YUM shareholders in the distribution.

## The Company's Compensation and Benefit Programs—Going Forward

The Company expects that its compensation and benefits philosophy and programs initially will be similar to those that applied to the Company's business prior to the separation. Any equity-based programs for executives are also expected to be similar to those maintained by YUM. Following the separation, the Company's Compensation Committee will develop the Company's compensation and benefits philosophy and intends to establish financial and non-financial performance goals and competitive compensation and benefits practices to meet and advance the Company's business needs and goals.

The Company expects that it will initially establish policies regarding guidelines for executive stock ownership, payments made upon termination of employment, equity compensation granting practices, compensation recovery, the hedging and pledging of Company stock, and the deductibility of executive compensation, that will be substantially similar to those policies in place at YUM for its executive officers.

In connection with the separation, the YUM Committee has approved and expects the Company's board of directors to approve, special stock award grants called "Founders' Grants," for Mr. Pant and the Company's other named executive officers. The Founders' Grants are intended to align Mr. Pant's and the other named executive officers' interests with those of the Company, incentivize management to maximize the value of the Company, and retain critical talent. The anticipated grant date value of the Founders' Grants, which consist of a combination of SARs and RSUs, are set forth in the chart below:

NEO	SARs(1)	 RSUs(2)
NEO Pant	\$ 1,500,000	\$ 1,500,000
Stedem	\$ 500,000	\$ 500,000
Wat	\$ 500,000	\$ 500,000
Chu	\$ 375,000	\$ 375,000
Ng	\$ 250,000	\$ 250,000

(1) SARs Founders' Grants will vest 25% per year on each of the first four anniversaries of the grant date.

(2) RSU Founders' Grants will vest 50% on each of the second and third anniversaries of the grant date.

In connection with the separation, the Company has adopted, and YUM in its capacity as the Company's sole stockholder has approved, the Yum China Holdings, Inc. Long Term Incentive Plan, to be effective as of the distribution date. In addition, the Company expects to adopt the Yum China Holdings, Inc. Leadership Retirement Plan, to be effective on the distribution date. These plans are described in greater detail in the sections of this Information Statement captioned "—Yum China Holdings, Inc. Long Term Incentive Plan" and "—Yum China Holdings, Inc. Leadership Retirement Plan," respectively.

### 2015 Summary Compensation Table

The following table and footnotes summarize the total compensation awarded to, earned by or paid to the Company's Named Executive Officers ("NEOs") for the 2015 fiscal year. The Company's NEOs are its Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers for the 2015 fiscal year.

<u>Name and Principal Position</u> (a)	Year (b)	Salary (\$)(1) (c)	Bonus (\$)(d)	Stock Awards (\$)(2) (e)	Option/ SAR Awards (\$)(3) (f)	Non-Equity Incentive Plan Compensation (S)(4) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5) (h)	All Other Compensation (\$)(6) (i)	Total (\$)
Muktesh "Micky"									
Pant	2015	849,038	—	355,012	1,419,011	1,473,548	42,979	950,622	5,090,210
Chief Executive	2014	750,000		350,019	1,475,973	799,500	32,735	313,356	3,721,583
Officer	2013	750,000	_	203,735	1,323,839	784,875	15,640	309,198	3,387,287
Edwin "Ted" Stedem(7) Chief Financial Officer	2015	356,280	_	_	120,076	160,867	_	514,250	1,151,467
Joey Wat(7)	2015	590,000	—	—	1,059,813	518,500		1,560,728	3,729,041
Chief Executive Officer, KFC China									
Mark Chu(7) Senior Advisor	2015	400,000	_	_	272,877	150,480	_	335,318	1,158,675
Shella Ng(7)	2015	359,243		_	185,558	135,147		900,935	1,580,883
Chief Legal Officer									

(1) Amounts shown are not reduced to reflect the NEOs' elections, if any, to defer receipt of salary into the EID Program.

- (2) Amounts shown in this column represent the grant date fair values for PSUs granted in 2015, 2014 and 2013. The grant date fair value of the PSUs reflected in this column is the target payout based on the probable outcome of the performance condition, determined as of the grant date. The maximum potential values of the PSUs is 200% of target. Assuming the maximum achievement of the performance goal, the grant date fair value of Mr. Pant's 2015 PSU award would be \$710,024. For more information, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the YUM 2015 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans."
- (3) The amounts shown in this column represent the grant date fair values of the SARs awarded in 2015, 2014 and 2013, respectively. For more information, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the YUM 2015 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans." For Ms. Wat, this column also includes her 2015 CEO Awards with a grant date fair value of \$623,216. See the Grants of Plan-Based Awards Table for details.
- (4) Amounts in this column reflect the annual incentive awards earned for the 2015, 2014 and 2013 fiscal year performance periods, which were awarded by the YUM Committee in January 2016, January 2015 and January 2014, respectively, under the Yum Leaders' Bonus Program, which is described further in our CD&A under the heading "Annual Performance-Based Cash Bonuses.
- (5) Amounts in this column also represent the above market earnings as established pursuant to SEC rules which have accrued under each of his accounts under the LRP for Mr. Pant.
- (6) The amounts in this column for 2015 are explained in the All Other Compensation Table and footnotes to that table, which follows.
- (7) Mr. Stedem, Ms. Wat, Mr. Chu, and Ms. Ng were not executive officers of YUM during any period prior to the separation. As such, no amounts for them are included for years prior to the most recent fiscal year.

### 2015 All Other Compensation Table

The following table and footnotes summarize the compensation and benefits included under All Other Compensation in the Summary Compensation Table above for 2015 that were awarded to, earned by or paid to the Company's NEOs by YUM, for the fiscal year ending December 31, 2015.

Name (a)	Perquisites and other personal benefits (\$)(1) (b)	Tax Reimbursements (\$)(2) (c)	Insurance premiums (\$)(3) (d)	LRP Contributions (\$)(4) (e)	Other (\$)(5) (f)	Total (\$) (g)
Mr. Pant	376,431	114,028	14,913	408,500	36,750	950,622
Mr. Stedem	412,304	13,066	_	_	88,880	514,250
Ms. Wat	500,000	720,654	_	_	340,074	1,560,728
Mr. Chu	138,083	143,749	—		53,486	335,318
Ms. Ng	123,354	719,655	_	_	57,926	900,935

- (1) Amounts in this column include: for Mr. Pant, a relocation and cost of living allowance (\$150,000) and expenditures/housing allowance (\$226,431); for Mr. Stedem, a mobility premium (\$108,798), education allowance (\$75,626), housing allowance (\$157,557), and a pension plan payment (\$70,323); for Ms. Wat, a sign-on bonus (\$500,000); for Mr. Chu, a housing allowance (\$138,083); and for Ms. Ng, a housing allowance (\$123,354), and such amounts are valued based on the amounts paid directly to these NEOs.
- (2) Amounts in this column reflect payments to the executive of tax reimbursements. For Mr. Pant, this amount represents YUM-provided tax reimbursement for relocation, cost of living allowance and expenditure/housing allowance associated with his position as CEO of the China Division. For Ms. Wat, Mr. Chu and Ms. Ng, these amounts represent tax reimbursements for cost of living allowance and expenditure/housing allowance.
- (3) These amounts reflect the income each NEO was deemed to receive from IRS tables related to YUM-provided life insurance in excess of \$50,000.
- (4) This column represents YUM's annual allocations to the LRP.
- (5) This column reports the total amount of other benefits provided. Other than for certain benefits of Ms. Wat described below, none of the other benefits individually exceeded the greater of \$25,000 or 10% of the total amount of these other benefits and the perquisites and other personal benefits shown in column (b) for the NEO. These other benefits include mobility premiums, transportation benefits, home leave expenses and tax preparation assistance. For Mr. Pant, these other benefits also include the housing allowance associated with his position as CEO of the China Division. Ms. Wat received a mobility premium of \$120,000 and a housing allowance of \$127,037, each of which exceeds 10% of the sum total amount of other benefits and the perquisites and other personal benefits that she received.

### 2015 Grants of Plan-Based Awards

The following table provides information on SARs and PSUs granted in 2015 to the Company's NEOs.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Option/SAR Awards; Number of	Exercise or	
<u>Name</u>	Grant Date	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Securities Underlying Options (#)(3)	Base Price Option/SAR Awards (\$/Sh)(4)	Grant Date Fair Value (\$)(5)
(a) Mr. Pant	(b) 2/6/2015	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
MI. Pan	2/6/2013	_	1,003,096	3,009,288				89,022	73.93	1,419,011
	2/6/2015				_	4,802	9,604			355,012
Mr. Stedem	2/6/2015	_	160,326	480,978						
	2/6/2015							7,533	73.93	120,076
Ms. Wat	2/6/2015	_	518,500	1,555,500						
	2/6/2015							27,390	73.93	436,597
	3/25/2015							32,595	79.15	623,216
Mr. Chu	2/6/2015	_	240,000	720,000						
	2/6/2015							17,119	73.93	272,877
Ms. Ng	2/6/2015	_	215,546	646,638						
	2/6/2015							11,641	73.93	185,558

(1) Amounts in columns (c), (d) and (e) provide the minimum amount, target amount and maximum amount payable as annual incentive compensation under the Yum Leaders' Bonus Program based on respective team performances and on individual performance during 2015. The actual amount of annual incentive compensation awards are shown in column (g) of the Summary Compensation Table. The performance measurements, performance targets, and target bonus percentages are described in the CD&A beginning under the discussion of annual incentive compensation.

- (2) Reflects grants of PSU awards subject to performance-based vesting conditions in 2015. The PSU awards vest on December 31, 2017 and PSU award payouts are subject to YUM's achievement of specified relative TSR rankings against its peer group (which is the S&P 500) during the performance period ending on December 31, 2017. The performance target for all the PSU awards granted to the YUM NEOs in 2015 is a 50% TSR percentile ranking for YUM, determined by comparing its relative TSR ranking against its peer group as measured at the end of the performance period. If the 50% TSR percentile ranking target is achieved, 100% of the PSU award will pay out in shares of YUM stock, subject to executive's election to defer PSU awards into the EID Program. If less than 40% TSR percentile ranking is softwerd, there will be no payout. If YUM's TSR percentile ranking is 90% or higher, PSU awards pay out at the maximum, which is 200% of target. The terms of the PSU awards provide that in case of a change in control of YUM after the first year of award, shares will be distributed assuming target performance was achieved subject to reduction to reflect the portion of the performance period following the change in control. In case of a change in control of YUM after the first year of the award, shares of the performance period following the change in control.
- (3) Reflects grants of SARs in 2015. SARs allow the grantee to receive the number of shares of YUM common stock that is equal in value to the appreciation in YUM common stock with respect to the number of SARs granted from the date of grant to the date of exercise. SARs become exercisable in equal installments on the first, second, third and fourth anniversaries of the grant date. The terms of each SAR grant provides that, in case of a change in control, if an executive is employed on the date of a change in control of YUM and is involuntarily terminated on or within two years following the change in control (other than by YUM for cause) then all outstanding awards become exercisable immediately.

Executives who have attained age 55 with 10 years of service who terminate employment may exercise SARs that were vested on their date of termination through the expiration dates of the SARs (generally, the tenth anniversary following the SARs grant dates). Vested SARs of grantees who die may also be exercised by the grantee's beneficiary through the expiration dates of the vested SARs and the grantee's unvested SARs expire on the grantee's date of death. If a grantee's employment is terminated due to gross misconduct, the entire award is forfeited. For other employment terminations, all vested or previously exercisable SARs as of the last day of employment must be exercised within 90 days following termination of employment.

- (4) The exercise prices of the SARs granted in 2015 equals the closing price of YUM common stock on the respective grant dates.
- (5) Amounts in this column reflect the full grant date fair value of the PSU awards shown in column (g) and the SARs shown in column (i). The grant date fair value is the amount that YUM is expensing in its financial statements over the award's vesting schedule. For PSUs, fair value is calculated by multiplying the per unit value of the award (\$73.93) by the number of units corresponding to the most probable outcome of performance conditions on the grant date. For SARs, fair value of \$15.94 was calculated using the Black-Scholes value on the February 6, 2015 grant date. In addition, with respect to Ms. Wat, a fair value of \$19.12 was calculated using the Black-Scholes value on the March 25, 2015 grant date. For additional information, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the YUM 2015 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans."

## **Outstanding Equity Awards at 2015 Year-End**

The following table shows the number of shares covered by exercisable and unexercisable SARs and PSUs held by the Company's NEOs on December 31, 2015.

			Ontion /SAD Are		Steals	A	Equity	Equity incentive	
			Option/SAR Awa	ards(1)		Stock	Awards	incentive	plan awards:
Name	Grant Date	Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/ SARs (#) Unexercisable	Option/ SAR Exercise Price (\$)	Option/ SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	plan awards: Number of uncarned shares, units or other rights that have not vested (#)(2)	market or payout value of unearned shares, units or other rights that have not vested (\$)(3)
(a) Pant	(b) 1/19/2007	(c) 49,844	(d)	(e) \$ 29.61	(f) 1/19/2017	(g)	(h)	(i)	
1 4111	1/24/2008	133,856	_	\$ 37.30	1/24/2018				
	1/24/2008	53,543	_	\$ 37.30	1/24/2018				
	2/5/2009	135,318	_	\$ 29.29	2/5/2019				
	2/5/2010	114,745	_	\$ 32.98	2/5/2020				
	2/4/2011	101,833	—	\$ 49.30	2/4/2021				
	11/18/2011	_	94,949(vii)	\$ 53.84	11/18/2021				
	2/8/2012	86,892	28,964(i)	\$ 64.44	2/8/2022				
	2/6/2013	45,461	45,462(ii)	\$ 62.93	2/6/2023				
	2/5/2014	21,145	63,438(iii)	\$ 70.54	2/5/2024				
	2/6/2015	_	89,022(iv)	\$ 73.93	2/6/2025				
						_	-	19,528	1,426,520
Stedem	2/4/2011	4,379		\$ 49.30	2/4/2021				
	2/4/2011	7,129		\$ 49.30	2/4/2021				
	2/8/2012	3,103	1,035(i)	\$ 64.44	2/8/2022				
	2/6/2013	1,894	1,895(ii)	\$ 62.93	2/6/2023				
	2/5/2014	1,564	4,694(iii)	\$ 70.54	2/5/2024				
	2/5/2014	859	2,580(iii)	\$ 70.54	2/5/2024				
	2/6/2015	_	7,533(iv)	\$ 73.93	2/6/2025				
Wat	2/6/2015	_	27,390(iv)	\$ 73.93	2/6/2025				
Wat	3/25/2015	_	32,595(v)	\$ 79.15	3/25/2025				
~									
Chu	2/4/2011		101,833(vi)	\$ 49.30	2/4/2021				
	2/8/2012	31,033	10,345(i)	\$ 64.44	2/8/2022				
	2/6/2013	18,942	18,943(ii)	\$ 62.93	2/6/2023				
	2/5/2014	8,596	25,788(iii)	\$ 70.54	2/5/2024				
	2/6/2015		17,119(iv)	\$ 73.93	2/6/2025				
Ng	2/5/2010	4,421	_	\$ 32.98	2/5/2020				
	2/4/2011	11,886	_	\$ 49.30	2/4/2021				
	2/8/2012	_	8,276(i)	\$ 64.44	2/8/2022				
	2/8/2012	10,551	3,518(i)	\$ 64.44	2/8/2022				
	2/6/2013	6,819	6,820(ii)	\$ 62.93	2/6/2023				
	2/5/2014	3,094	9,284(iii)	\$ 70.54	2/5/2024				
	2/6/2015	—	11,641(iv)	\$ 73.93	2/6/2025				

(1) The actual vesting dates for unexercisable awards are as follows:

(i) Remainder of unexercisable awards vested on February 8, 2016.

- (ii) One-half of the unexercisable award will vest on each of February 6, 2016 and 2017.
- (iii) One-third of the unexercisable award will vest on each of February 5, 2016, 2017, and 2018.
- (iv) One-fourth of the unexercisable award will vest on each of February 6, 2016, 2017, 2018, and 2019.
- (v) One-fourth of the unexercisable award will vest on each of March 25, 2016, 2017, 2018 and 2019.
- (vi) Unexercisable award vested on February 4, 2016
- (vii) Unexercisable award will vest on November 18, 2016.
- (2) The awards reflected in this column are unvested performance-based PSU awards with three-year performance periods that are scheduled to vest on December 31, 2016 or December 31, 2017 if the performance targets are met. In accordance with SEC rules, the PSU awards are reported at their maximum payout value as follows: 2014 grant— 9,924 PSUs; and 2015 grant—9,604 PSUs.
- (3) The market value of these awards are calculated by multiplying the number of shares covered by the award by \$73.05, the closing price of YUM stock on the NYSE on December 31, 2015.

### 2015 Option/SAR Exercises and Stock Vested

The table below shows the number of shares of YUM common stock acquired during 2015 upon exercise of SAR awards and before payment of applicable withholding taxes and broker commissions.

	Option/SAI	R Awards	Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value realized on Vesting (\$)
(a)	(b)	(c)	(d)	(e)
Pant	63,282	5,062,676		
Stedem	3,641	293,227		—
Wat				
Chu	35,913	2,843,068		
Ng	11,881	943,320		—

<u>Nonqualified Deferred Compensation</u>. Amounts reflected in the Nonqualified Deferred Compensation table below are provided for under YUM's EID Program and the LRP. These plans are unfunded, unsecured deferred, account-based compensation plans. For each calendar year, participants are permitted under the EID Program to defer up to 85% of their base pay and up to 100% of their annual incentive award. The LRP provides an annual allocation to the account of Mr. Pant equal to 20% of his salary plus target bonus.

## EID Program.

Deferred Investments under the EID Program. Amounts deferred under the EID Program may be invested in the following phantom investment alternatives (12 month investment returns are shown in parentheses):

- YUM! Stock Fund (2.45%\*)
- YUM! Matching Stock Fund (2.45%\*)
- S&P 500 Index Fund (-0.74%)
- Bond Market Index Fund (-0.19%)
- Stable Value Fund (1.54%)

All of the phantom investment alternatives offered under the EID Program are designed to match the performance of actual investments; that is, they provide market rate returns and do not provide for preferential earnings. The S&P 500 index fund, bond market index fund and stable value fund are designed to track the investment return of like-named funds offered under YUM's 401(k) Plan. The YUM! Stock Fund and YUM! Matching Stock Fund track the investment return of YUM's common stock. Participants may transfer funds between the investment alternatives on a quarterly basis except (1) funds invested in the YUM! Stock Fund or YUM! Matching Stock Fund may not be transferred once invested in these funds and (2) a participant may only elect to invest into the YUM! Matching Stock Fund at the time the annual incentive deferral election is made. In the case of the Matching Stock Fund, participants who defer their annual incentive into this fund acquire additional phantom shares (RSUs) equal to 33% of the RSUs received with respect to the deferral of their annual incentive into the YUM! Matching Stock Fund (the additional RSUs are referred to as "matching contributions"). The RSUs attributable to the matching contributions are allocated, which is the same day YUM makes its annual stock appreciation right grants. Eligible amounts attributable to the matching contribution under the



<sup>\*</sup> Assumes dividends are not reinvested.

YUM! Matching Stock Fund are included in column (c) below as contributions by YUM (and represent amounts actually credited to the YUM executive officer's account during 2015). Beginning with their 2009 annual incentive award, those who are eligible for PSU awards are no longer eligible to participate in the Matching Stock Fund.

RSUs attributable to annual incentive deferrals into the YUM! Matching Stock Fund and matching contributions vest on the second anniversary of the grant (or upon a change in control of YUM, if earlier) and are payable as shares of YUM common stock pursuant to the participant's deferral election. Unvested RSUs held in a participant's YUM! Matching Stock Fund account are forfeited if the participant voluntarily terminates employment with YUM within two years of the deferral date. If a participant terminates employment involuntarily, the portion of the account attributable to the matching contributions is forfeited and the participant will receive an amount equal to the amount of the original amount deferred. If a participant dies or becomes disabled during the restricted period, the participant fully vests in the RSUs. Dividend equivalents are accrued during the restricted period but are only paid if the RSUs vest. RSUs held by a participant who has attained age 65 with five years of service vest immediately. In the case of a participant who has attained age 55 with 10 years of service, RSUs attributable to bonus deferrals into the YUM! Matching Stock Fund vest immediately and RSUs attributable to the matching contribution vest on a pro rata basis during the period beginning on the first anniversary of the grant and ending on the second anniversary of the grant and ending on the second anniversary of the grant and ending on the second anniversary of the grant and re fully vested on the second anniversary.

<u>Distributions under EID Program</u>. When participants elect to defer amounts into the EID Program, they also select when the amounts ultimately will be distributed to them. Distributions may either be made in a specific year—whether or not employment has then ended—or at a time that begins at or after the executive's retirement, separation or termination of employment.

Distributions can be made in a lump sum or quarterly or annual installments for up to 20 years. Initial deferrals are subject to a minimum two year deferral. In general, with respect to amounts deferred after 2005 or not fully vested as of January 1, 2005, participants may change their distribution schedule, provided the new elections satisfy the requirements of Section 409A of the Internal Revenue Code (the "Code"). In general, Code Section 409A requires that:

- Distribution schedules cannot be accelerated (other than for a hardship),
- To delay a previously scheduled distribution,
  - A participant must make an election at least one year before the distribution otherwise would be made, and
  - The new distribution cannot begin earlier than five years after it would have begun without the election to re-defer.

With respect to amounts deferred prior to 2005, to delay a distribution the new distribution cannot begin until two years after it would have begun without the election to re-defer.

Investments in the YUM! Stock Fund and YUM! Matching Stock Fund are only distributed in shares of YUM stock.

Distributions from the EID Program will not be made solely as a result of the separation and distribution.

## <u>LRP</u>.

*LRP Account Returns.* The LRP provides an annual earnings credit to each participant's account based on the value of participant's account at the end of each year. Under the LRP, Mr. Pant receives an annual earnings credit equal to 5%. YUM's contribution ("Employer Credit") for 2015 is equal to 20% of Mr. Pant's salary plus target bonus.

*Distributions under LRP.* Under the LRP, participants age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Participants under age 55 with a vested LRP benefit combined with any other deferred compensation benefits covered under Code Section 409A exceeds \$15,000, will not receive a distribution until the calendar quarter that follows the participant's 55<sup>th</sup> birthday. Distributions from the LRP will not be made solely as a result of the separation and distribution.

2015 Nonqualified Deferred Compensation Table

<u>Name</u> (a)	Executive Contributions in Last FY (\$)(1) (b)	YUM Contributions in Last FY (\$)(2) (c)	Aggregate Earnings in Last FY (\$)(3) (d)	Aggregate Withdrawals/ Distributions (\$)(4) (e)	Aggregate Balance at Last FYE (\$)(5) (f)
Pant	721,683	408,500	288,715	15,894	11,508,418
Stedem			11,901	25,079	463,796
Wat	_		_		
Chu					
Ng	—	—	—	—	—

- (1) Amounts in column (b) reflect amounts that were also reported as compensation in YUM's 2015 Summary Compensation Table.
- (2) Amounts in column (c) reflect Mr. Pant's LRP allocation of \$408,500.
- (3) Amounts in column (d) reflect earnings during the last fiscal year on deferred amounts. All earnings are based on the investment alternatives offered under the EID Program or the earnings credit provided under the LRP described in the narrative above this table. The EID Program earnings are market based returns and, therefore, are not reported in the Summary Compensation Table. For Mr. Pant, of the earnings reflected in this column, \$42,979 was deemed above market earnings accruing to his account under the LRP. For above market earnings on nonqualified deferred compensation, see the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table.
- (4) The amount shown in column (e) was distributed to Mr. Pant to pay payroll taxes due upon the account balance under the EID Program or LRP for 2015.
- (5) The amount reflected in column (f) is the year-end balance for Mr. Pant under the EID Program and the LRP. As required under SEC rules, \$2,933,282 is the portion of the year-end balance for Mr. Pant which has previously been reported as compensation to him in YUM's Summary Compensation Table for 2015 and prior years.

<u>Potential Payments upon Termination or Change in Control</u>. The information below describes and quantifies certain compensation that would become payable under existing plans and arrangements if Mr. Pant's employment with YUM had terminated on December 31, 2015, and, if applicable, based on the YUM's closing stock price on that date. This information is not applicable to the other Company named executive officers. These benefits are in addition to benefits available generally to salaried employees, such as distributions under YUM's 401(k) Plan, retiree medical benefits, disability benefits and accrued vacation pay.

Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event, YUM's stock price and the executive's age.

SAR Awards. If Mr. Pant terminated employment for any reason other than retirement, death, disability or following a YUM change in control and as of December 31, 2015, he could exercise the SARs that were exercisable on that date as shown at the Outstanding Equity Awards at Year-End table above, otherwise all SARs, pursuant to their terms, would have been forfeited and cancelled after that date. Mr. Pant does not currently hold any YUM stock options. If he had retired, died or become disabled as of December 31, 2015, exercisable SARs would remain exercisable through the term of the award. Except in the case of a change in control of YUM, no SARs become exercisable on an accelerated basis. Benefits Mr. Pant would have received on a change in control of YUM are discussed below.

<u>EID Program</u>. As described in more detail above, the YUM executive officers participate in the EID Program, which permits the deferral of salary and annual incentive compensation. The last column of the Nonqualified Deferred Compensation Table includes the aggregate balance at December 31, 2015 of each of our NEOs. Executive officers are entitled to receive their vested amount under the EID Program in case of voluntary termination of employment. In the case of involuntary termination of employment, they are entitled to receive their vested benefit and the amount of the unvested benefit that corresponds to their deferral. In the case of death, disability or retirement after age 65, they or their beneficiaries are entitled to their entire account balance as shown in the last column of the Nonqualified Deferred Compensation table.

In the case of an involuntary termination of employment as of December 31, 2015, Mr. Pant would have received \$8,702,530. This amount reflects bonuses previously deferred by Mr. Pant and appreciation on these deferred amounts (see above for discussion of investment alternatives available under the EID). Mr. Pant's EID balance is invested primarily in RSUs. Thus, his EID account balance represents deferred bonuses (earned in prior years) and appreciation of his account based primarily on the performance of YUM's stock.

Leadership Retirement Plan. Under the LRP, participants age 55 are entitled to a lump sum distribution of their account balance following their termination of employment. Participants under age 55 who terminate with more than five years of service will receive their account balance at their 55<sup>th</sup> birthday. In case of termination of employment as of December 31, 2015, Mr. Pant would have received \$2,805,888.

<u>Performance Share Unit Awards</u>. If an executive officer terminated employment for any reason other than retirement or death or following a change in control and prior to achievement of the performance criteria and vesting period, then the award would be cancelled and forfeited. If an executive officer had retired, or died as of December 31, 2015, the PSU award would be paid out based on actual performance for the performance period, subject to a pro rata reduction reflecting the portion of the performance period not worked by the executive officer. If any of these terminations had occurred on December 31, 2015, Mr. Pant would have been entitled to \$369,464, assuming target performance.

Life Insurance Benefits. For a description of the supplemental life insurance plans that provide coverage to the YUM executive officers, see the All Other Compensation Table above. If Mr. Pant had died on December 31, 2015, the survivors of Mr. Pant would have received YUM-paid life insurance of \$2,043,000 under this arrangement. Executives and all other salaried employees can purchase additional life insurance benefits up to a maximum combined company paid and additional life insurance of \$3.5 million. This additional benefit is not paid or subsidized by YUM and, therefore, is not shown here.

<u>Change in Control</u>. Change in control severance agreements are in effect between YUM and certain key executives (including Mr. Pant, but not the other Company NEOs). These agreements are general obligations of YUM, and provide, generally, that if, within two years subsequent to a change in control of YUM, the employment of the executive is terminated (other than for cause, or for other

limited reasons specified in the change in control severance agreements) or the executive terminates employment for Good Reason (defined in the change in control severance agreements to include a diminution of duties and responsibilities or benefits), the executive will be entitled to receive the following:

- a proportionate annual incentive assuming achievement of target performance goals under the bonus plan or, if higher, assuming continued achievement of actual YUM performance until date of termination;
- a severance payment equal to two times the sum of the executive's base salary and the target bonus or, if higher, the actual bonus for the year preceding the change in control of YUM; and
- outplacement services for up to one year following termination.

The change in control severance agreements include a "best net after-tax" approach to address any potential excise tax imposed on executives. If any excise tax is due, YUM will not make a gross-up payment, but instead will reduce payments to an executive if the reduction will provide the YUM executive officer the best net after-tax result.

The change in control severance agreements have a three-year term and are automatically renewable each January 1 for another three-year term. An executive whose employment is not terminated within two years of a change in control will not be entitled to receive any severance payments under the change in control severance agreements, with respect to such change in control.

Generally, pursuant to the agreements, a change in control is deemed to occur:

- (i) if any person acquires 20% or more of YUM's voting securities (other than securities acquired directly from YUM or its affiliates);
- (ii) if a majority of the directors as of the date of the agreement are replaced other than in specific circumstances; or
- (iii) upon the consummation of a merger of YUM or any subsidiary of YUM other than (a) a merger where YUM's directors immediately before the change in control constitute a majority of the directors of the resulting organization, or (b) a merger effected to implement a recapitalization of YUM in which no person is or becomes the beneficial owner of securities of YUM representing 20% or more of the combined voting power of YUM's then-outstanding securities.

In addition to the payments described above, upon a change in control:

- All stock options and/or SARs granted prior to 2013 and held by the executive will automatically vest and become exercisable. For all stock options and/or SARs granted beginning in 2013, outstanding awards will fully and immediately vest following a change in control if the executive is employed on the date of the change in control of YUM and is involuntarily terminated (other than by YUM for cause) on or within two years following the change in control.
- All RSUs under YUM's EID Program held by the executive will automatically vest.
- All PSU awards under YUM's Performance Share Plan awarded in the year in which the change in control occurs will be paid out at target assuming a target level performance had been achieved for the entire performance period, subject to a pro rata reduction to reflect the portion of the performance period after the change in control. All PSUs awarded for performance periods that began before the year in which the change in control occurs will be paid out assuming performance achieved for the performance period was at the greater of target level performance or projected level of performance at the time of the change in control, subject to pro rata reduction to reflect the performance period after the change in control. In all cases, executives must be employed with YUM on the date of the change in control and

involuntarily terminated upon or following the change in control and during the performance period. See the Company's CD&A beginning on page 108 for more detail.

If a change in control and the involuntary termination of one of the Company's NEOs had occurred as of December 31, 2015, the following payments or other benefits would have been made or become available to them:

	Pant \$	Stedem \$	Wat \$	Chu \$	Ng \$
Severance Payment	3,906,875				
Annual Incentive	1,003,438	160,326	518,500	240,000	215,546
Accelerated Vesting of SARs	2,692,655	46,346		2,764,035	193,868
Accelerated Vesting of RSUs	_		_	_	
Acceleration of PSU Performance/Vesting	369,464				—
Outplacement	25,000				
TOTAL	7,997,432	206,672	518,500	3,004,035	409,414

If a change in control without an involuntary termination of one of the Company's NEOs had occurred as of December 31, 2015, the following benefits would have become available to them:

	Pant \$	Stedem \$	Wat \$	Chu \$	Ng \$
Accelerated Vesting of SARs	2,073,350	8,911		2,507,604	101,546
Accelerated Vesting of RSUs	_				—
Acceleration of PSU Performance/Vesting	_	_			
TOTAL	2,073,350	8,911		2,507,604	101,546

## Yum China Holdings, Inc. Long Term Incentive Plan

The Company has adopted, and YUM in its capacity as the Company's sole stockholder has approved, a long term incentive program with terms as substantially set forth below. It is expected that the Plan (defined below) will become effective as of the distribution date and will continue in effect until terminated by the Company's board of directors; provided, however, that no award may be granted under the Plan on or after the tenth anniversary of the effective date of the Plan.

#### Purpose

The purposes of the Yum China Holdings, Inc. Long Term Incentive Plan (the "Plan") are (i) to attract and retain persons eligible to participate in the Plan; (ii) to motivate participants, by means of appropriate incentives, to achieve long-range goals; (iii) to provide incentive compensation opportunities that are competitive with those of other similar companies; (iv) to align the interests of participants with those of the our shareholders; and (v) to issue awards pursuant to and in accordance with the employee matters agreement (the "EMA"). To accomplish these purposes, the Plan authorizes the award of stock options (including incentive stock options ("ISOs") and non-qualified stock options ("NQOs")), stock appreciation rights ("SARs"), "Full Value Awards" (including restricted stock awards, restricted stock unit awards, performance shares, and performance unit awards), and cash incentive awards, each as described below. The Plan also provides for the grant of awards with respect to our common stock as provided in the EMA ("EMA Awards").

### Eligibility

Any officer, director or other employee of us or one of our subsidiaries, consultants, independent contractors or agents of us or one of our subsidiaries, and persons who are expected to become officers, employees, directors, consultants, independent contractors or agents of us or one of our subsidiaries (but effective no earlier than the date on which such individual begins to provide services

to us or one of our subsidiaries), including in any case, our non-employee directors ("Outside Directors") are eligible to participate in the Plan. Upon receiving a grant of an award under the Plan, an eligible individual shall be a "participant" in the Plan. EMA Awards will also be granted to those individuals who are entitled to them pursuant to the EMA, as described below.

#### Administration of the Plan

The Plan is administered by a "Committee," which generally means the Compensation Committee of the board of directors. For purposes of the Plan and subject to the terms and conditions of the Plan, the Committee has the authority and discretion (a) to select from among the eligible individuals those persons who shall receive awards under the Plan, (b) to determine the time or times of receipt, (c) to determine the types of awards and the number of shares covered by the awards, (d) to establish the terms, conditions, performance criteria, restrictions, and other provisions of such awards, and, subject to the terms and conditions of the Plan, to cancel or suspend awards, (e) to the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the awards in jurisdictions outside the United States, to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States, (f) to conclusively interpret the Plan, (g) to establish, amend, and rescind any rules and regulations relating to the Plan, (h) to determine the terms and provisions of any award agreement made pursuant to the Plan, and (i) to make all other determinations that may be necessary or advisable for the administration of the Plan.

Except as prohibited by applicable law or as necessary to preserve exemptions under the securities laws, the Committee may delegate any of its duties under the Plan to such agents as it determines from time to time (which delegation can be revoked at any time).

#### Shares Available Under the Plan

We have reserved for issuance under the Plan 45,000,000 shares of our common stock. Shares available under the Plan may be authorized but unissued or shares currently held or subsequently acquired by us as treasury shares (to the extent permitted by law), including shares purchased in the open market or in private transactions.

Each share delivered in respect of a Full Value Award is counted as covering two shares except that, in the case of restricted stock or restricted stock units delivered pursuant to the settlement of earned annual incentives or delivered pursuant to EMA Awards, each share shall be counted as covering one share. To the extent any shares of stock covered by an award are not delivered to a participant or beneficiary because the award is forfeited or canceled, used to satisfy the applicable tax withholding obligation, or settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of stock available for delivery under the Plan. If the exercise price of any stock option granted under the Plan is satisfied by tendering shares of our common stock (by either actual delivery or by attestation, including net exercise), only the number of shares of stock issued net of the shares tendered shall be deemed delivered for purposes of the Plan.

### **Other Share Limitations**

The following limitations shall apply under the Plan: (a) the number of shares available for grants of ISOs under the Plan is equal to 45,000,000; (b) the maximum number of shares that may be covered by stock options or SARs granted to any one individual during any five calendar-year period shall be 9,000,000; (c) in the case of Full Value Awards that are intended to be performance-based compensation for purposes of Code Section 162(m) ("Performance-Based Compensation"), no more than 3,000,000 shares of common stock may be subject to such awards granted to any one individual during any five-calendar-year period (regardless of when such shares are deliverable); provided, however, that, in the case of any Full Value Award that is a performance unit award that is intended to

Performance-Based Compensation, no more than \$10,000,000 may be subject to any such awards granted to any one individual during any one-calendar-year period (regardless of when such amounts are deliverable); (d) in the case of cash incentive awards that are intended to be Performance-Based Compensation, the maximum amount payable to any participant with respect to any twelve-month performance period shall equal \$10,000,000 (pro rated for performance periods that are greater or lesser than twelve months); and (e) no Outside Director may be granted during any calendar year an award or awards having a value determined on the grant date in excess of \$1,500,000.

### Adjustments

In the event of a change in corporate capitalization (such as a stock split or stock dividend), a corporate transaction (such as a reorganization, reclassification, merger or consolidation or separation), other changes in our corporate structure, or a distribution to shareholders (other than a cash dividend that is not an extraordinary cash dividend) that affects our outstanding shares common stock, the Committee shall make such equitable adjustments, as it determines are necessary and appropriate, in: (a) the number and type of shares (or other property) with respect to which awards may be granted under the Plan; (b) the number and type of shares (or other property) subject to outstanding awards; (c) the grant or exercise price with respect to outstanding awards; (d) the limitations on shares reserved for issuance under the Plan and the limitations on the number of shares (or dollar amount) that can be subject to awards granted to certain individuals or within a specified time period; and (e) the terms, conditions or restrictions of outstanding awards and/or award agreements.

## Awards under the Plan

### Generally

The Committee shall designate the participants to whom awards are to be granted and the type of awards to be granted and shall determine the number of shares of our common stock (or cash) subject to each award and the other terms and conditions thereof, not inconsistent with the Plan. In no event shall a stock option or SAR be exercisable later than the ten-year anniversary of the date on which the stock option or SAR is granted (or such shorter period required by law or the rules of any stock exchange on which the stock is listed). Awards may be settled through the delivery of shares of our common stock, the granting of replacement awards, or combination thereof as the Committee shall determine. Any award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

### Stock Options and SARs

The grant of a stock option under the Plan entitles the participant to purchase shares of our common stock at an exercise price and during a specified time established by the Committee. Any stock option may be either an ISO or an NQO, as determined in the discretion of the Committee. An "ISO" is a stock option that is intended to satisfy the requirements applicable to an "incentive stock option" described in Code Section 422(b) and may only be granted to employees of us or our eligible subsidiaries. An "NQO" is a stock option that is not intended to be an ISO. An SAR entitles the participant to receive, in cash or stock, value equal to (or otherwise based on) the excess of: (a) the fair market value of a specified number of shares of our common stock at the time of exercise; over (b) an exercise price established by the Committee.

The "exercise price" of each stock option or SAR granted shall be established by the Committee or shall be determined by a method established by the Committee at the time the stock option or SAR is granted, except that the exercise price shall not be less than the fair market value of a share of stock on the date of grant (except in limited circumstances such as substitute awards in the context of a corporate transaction or EMA Awards).

The exercise price of a stock option shall be payable in cash or by tendering (including by way of a net exercise), by either actual delivery of shares or by attestation, shares of stock acceptable to the Committee, and valued at fair market value as of the day of exercise, or in any combination thereof, as determined by the Committee or, if permitted by the Committee, by the participant's irrevocably authorizing a third party to sell shares of stock (or a sufficient portion of the shares) acquired upon exercise of the stock option and remit to us a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

In no event shall a stock option or SAR be exercisable later than the ten-year anniversary of the date on which the stock option or SAR is granted (or such shorter period required by law or the rules of any stock exchange on which the stock is listed).

Except for either adjustments in connection with corporate transactions (discussed above) or reductions of the exercise price approved by our shareholders, the exercise price for any outstanding Option or SAR may not be decreased after the date of grant nor may an outstanding Option or SAR granted under the Plan be surrendered to us as consideration for the grant of a replacement Option or SAR with a lower exercise price or a Full Value Award. Except as approved by our shareholders, in no event shall any Option or SAR granted under the Plan be surrendered to us in consideration for a cash payment if, at the time of such surrender, the exercise price of the Option or SAR is greater than the then current fair market value of a share of our stock.

### Full Value Awards

A "Full Value Award" is a grant of one or more shares of our common stock or a right to receive one or more shares of our common stock in the future (including restricted stock, restricted stock units, performance shares, and performance units) that is contingent on continuing service, the achievement of performance objectives during a specified period performance, or other restrictions as determined by the Committee. The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee. Full Value Awards made to employees be subject to minimum vesting requirements depending on the terms and purpose of the award.

### **Cash Incentive Awards**

A "Cash Incentive Award" is the grant of a right to receive a payment of cash (or in the discretion of the Committee, shares of stock having value equivalent to the cash otherwise payable) that is contingent on achievement of performance objectives over a specified period established by the Committee. The grant of Cash Incentive Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee.

## EMA Awards

As of the distribution date, the Committee shall grant "EMA Awards" to each individual who is entitled to an award with respect to our common stock pursuant to the terms of the EMA or who is otherwise entitled to receive a share of our common stock pursuant to the EMA. All EMA Awards will be made in accordance with the terms of the EMA. With respect to EMA Awards, the provisions of the EMA relating to such awards supersede any other Plan provisions.

The number of shares of our common stock subject to an EMA Award granted to an EMA Participant, and, to the extent applicable, the exercise price of the EMA Award, shall be determined in accordance with the applicable provision of the EMA and shall otherwise be subject to the same terms and conditions (including vesting, settlement and termination) as applied to the corresponding award under the corresponding YUM award to which the EMA Award relates and otherwise shall be subject to the terms and conditions of the EMA. Any condition related to termination of a participant's employment or service with YUM or its affiliates or related to a determination by the committee charged with administration of the YUM plans shall be based on an otherwise identical condition

related to the termination of a participant's employment or service with the us and our subsidiaries or a determination by the Committee under this Plan, respectively and as applicable.

### **Performance-Based Compensation**

In general, Code Section 162(m) limits our compensation deduction to \$1,000,000 paid in any tax year to any "covered employee" as defined under Code Section 162(m). This deduction limitation does not apply to certain types of compensation, including Performance-Based Compensation. The terms of the Plan permit, but do not require, us to issue awards under the Plan that meet the requirements of Performance-Based Compensation so that such awards will be deductible by us for federal income tax purposes. Full Value Awards granted under the Plan that are designated and structured as Performance-Based Compensation will be conditioned on the achievement of one or more performance targets as determined by the Committee and one or more of the following performance measures: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; revenues; stock price; total shareholder return; customer satisfaction metrics; or restaurant unit development. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of us and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. The performance targets established by the Committee may be with respect to us, a subsidiary, operating unit, division, or group or individual performance (or any combination thereof).

### **Change in Control**

Subject to the provisions relating to adjustments in the context of corporate transactions (described above) and except as otherwise provided in the Plan or the award agreement reflecting the applicable award, if a Change in Control (as defined in the Plan) occurs prior to the date on which an award is vested and prior to the participant's separation from service and if the participant's employment is involuntarily terminated by the us or our subsidiaries (other than for cause) on or within two years following the Change in Control, then (a) all outstanding Options and SARs (regardless of whether in tandem with a SAR or Option, as applicable) shall become fully exercisable and (b) all Full Value Awards shall become fully vested and the Committee shall determine the extent to which performance conditions are met in accordance with the terms of the Plan and the applicable award agreement.

#### Transferability

Unless otherwise determined by the Committee and expressly provided for in an award agreement, no award or any other benefit under the Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution.

#### Withholding

All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the participant, through the surrender of shares of stock which the participant already owns, or through the surrender of shares of stock to which the participant is otherwise entitled under the Plan; provided, however, previously-owned stock that has been held by the participant or stock to which the participant is entitled under the Plan may only be used to satisfy the minimum tax withholding required by applicable law (or other rates of withholding that will not have a negative accounting impact).



#### **Participants Outside the United States**

The Committee may grant awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which we or any of our subsidiaries operates or has employees. The foregoing provisions may not be applied to increase the share limitations of the Plan or to otherwise change any provision of the Plan that would otherwise require the approval of our shareholders.

### **Misconduct and Recoupment**

The Committee, in its discretion, may impose such restrictions on shares of stock acquired pursuant to the Plan, whether pursuant to the exercise of a stock option or SAR, settlement of a Full Value Award or otherwise, as it determines to be desirable, including, without limitation, restrictions relating to disposition of the shares and forfeiture restrictions based on service, performance, stock ownership by the participant, conformity with our recoupment, compensation recovery, or clawback policies and such other factors as the Committee determines to be appropriate. Unless otherwise specified by the Committee, any awards under the Plan and any shares of stock issued pursuant to the Plan shall be subject to our compensation recovery, clawback, and recoupment policies as in effect from time to time.

If the Committee determines that a present or former employee has (a) used for profit or disclosed to unauthorized persons, confidential or trade secrets of us, (b) breached any contract with or violated any fiduciary obligation to us, or (c) engaged in any conduct which the Committee determines is injurious to us or our subsidiaries, the Committee may cause that employee to forfeit his or her outstanding awards under the Plan. This provision does not apply during any period where there is a potential Change in Control in effect or following a Change in Control.

### Amendment and Termination of the Plan

The Company's board of directors may, at any time, amend or terminate the Plan (and the Committee may amend any award agreement); provided, however, that no amendment or termination of the Plan or amendment of any award agreement may, in the absence of written consent to the change by the affected participant or beneficiary, if applicable, affect the rights of any participant or beneficiary under any award granted under the Plan prior to the date of such amendment or termination. Adjustments pursuant to corporate transactions and restructurings are not subject to the foregoing limitations. In addition, amendments to the provisions of the Plan that prohibit the repricing of stock options and SARs, amendments expanding the group of eligible individuals, or amendments increases in the aggregate number of shares reserved under the Plan, the shares that may be issued in the form of ISOs, limitations on certain types of Full Value Awards and amendments of the individual limits on awards and the limitations on awards to Outside Directors will not be effective unless approved by our shareholders. In addition, no amendment shall be made to the Plan without the approval of our shareholders if such approval is required by law or the rules of any stock exchange on which the common stock is listed.

## U.S. Federal Income Tax Implications of the Plan

The discussion that follows is a summary, based on U.S. federal tax laws and regulations presently in effect, of some significant U.S. federal income tax considerations relating to awards under the Plan. The applicable laws and regulations are subject to change, and the discussion does not purport to be a complete description of the federal income tax aspects of the Plan. This summary does not discuss state, local or foreign laws.

#### Stock Options. The tax treatment of a stock option depends on whether the option is a NQO or an ISO.

The grant of an NQO will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares of stock acquired over the exercise price for those shares of common stock, and we will be entitled to a corresponding deduction.

The grant of an ISO will not result in taxable income to the participant. The exercise of an ISO will not result in taxable income to the participant provided that the participant was, without a break in service, an employee of us and our eligible subsidiaries (determined under tax rules) during the period beginning on the date of the grant of the ISO and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Code).

The excess of the fair market value of the shares of common stock at the time of the exercise of an ISO over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the ISO is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares of common stock acquired pursuant to the ISO exercise, the participant will have a basis in those shares of common stock equal to the fair market value of the shares of common stock at the time of exercise.

If the participant does not sell or otherwise dispose of the shares of common stock within two years from the date of the grant of the ISO or within one year after receiving the transfer of such shares of common stock, then, upon disposition of such shares of common stock, any amount realized in excess of the exercise price will be taxed to the participant as capital gain, and we will not be entitled to any deduction for Federal income tax purposes.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income, and a corresponding deduction will be allowed to us, at the time of the disposition of the shares of common stock, in an amount equal to the lesser of (a) the excess of the fair market value of the shares of common stock on the date of exercise over the exercise price, or (b) the excess, if any, of the amount realized upon disposition of the shares of common stock over the exercise price.

Special rules apply if an option is exercised through the exchange of previously acquired stock.

*SARs.* A participant will not be deemed to have received any income upon the grant of a SAR. Generally, when a SAR is exercised, the excess of the market price of common stock on the date of exercise over the exercise price will be taxable to a participant as ordinary income. We are entitled to a deduction in the year of exercise equal to the amount of income taxable to the individual.

*Full Value Awards.* The federal income tax consequences of a Full Value Award will depend on the type of award. The tax treatment of the grant of shares of common stock depends on whether the shares are subject to a substantial risk of forfeiture (determined under Code rules) at the time of the grant. If the shares are subject to a substantial risk of forfeiture, the participant will not recognize taxable income at the time of the grant and when the restrictions on the shares lapse (that is, when the shares are no longer subject to a substantial risk of forfeiture), the participant will recognize ordinary taxable income in an amount equal to the fair market value of the shares at that time. If the shares are not subject to a substantial risk of forfeiture or if the participant elects to be taxed at the time of the grant of such shares under Code Section 83(b), the participant will recognize taxable income at the time of the grant of shares in an amount equal to the fair market value of such shares at that time, determined without regard to any of the restrictions.

If the shares are forfeited before the restrictions lapse, the participant will be entitled to no deduction on account thereof. The participant's tax basis in the shares is the amount recognized by him

or her as income attributable to such shares. Gain or loss recognized by the participant on a subsequent disposition of any such shares is capital gain or loss if the shares are otherwise capital assets.

In the case of other Full Value Awards, such as restricted stock units or performance stock units, the participant generally will not have taxable income upon the grant of the award provided that there are restrictions on such awards that constitute a substantial risk of forfeiture under applicable Code rules. Participants will generally recognize ordinary income when the restrictions on awards lapse, on the date of grant if there are no such restrictions or, in certain cases, when the award is settled. At that time, the participant will recognize taxable income equal to the cash or the then fair market value of the shares issuable in payment of such award, and such amount will be the tax basis for any shares received. In the case of an award which does not constitute property at the time of grant (such as an award of units), participants will generally recognize ordinary income when the award is paid or settled.

We generally will be entitled to a tax deduction in the same amount, and at the same time, as the income is recognized by the participant.

## Yum China Holdings, Inc. Leadership Retirement Plan

Prior to the completion of the separation and distribution, the Company expects to adopt the Yum China Holdings, Inc. Leadership Retirement Plan ("YCHLRP"). The Company expects the YCHLRP to become effective as of the distribution date and to continue in effect until terminated by the Company's board of directors. The terms of the YCHLRP are expected to be substantially similar to the terms of the YUM LRP, described above. The Company expects that executives who are at least age 21, who are classified as salary level 12, who are not eligible to participate in a tax-qualified defined benefit plan, and who satisfy certain additional requirements as to work location and assignment will be eligible to participate in the YCHLRP if selected for participation by the Company. The YCHLRP is expected to be an unfunded, unsecured account-based retirement plan that allocates a percentage of pay to an account payable to an executive following the later to occur of the executive's separation of employment from the Company or attainment of age 55. The YCHLRP is expected to provide an annual earnings credit to each participant's account based on the value of participant's account at the end of each year. Under the YCHLRP, participants age 55 or older are expected to be entitled to a lump sum distribution of their account balance on the last day of the calendar quarter that occurs on or follows their separation of employment. It is expected that participants under age 55 with a vested YCHLRP benefit that, combined with any other deferred compensation benefits covered under Code Section 409A, exceeds \$15,000, will not receive a distribution until the last day of the calendar quarter that occurs on or follows the participant's 55<sup>th</sup> birthday.

# **Non-Employee Director Compensation**

Prior to the completion of the separation, the Company expects to approve non-employee director compensation arrangements. The Company expects that it will pay its non-employee directors an annual retainer equal to \$225,000, payable in Company common stock. A director may request to receive up to one-half of his or her annual equity retainer in cash. Requests must be submitted to the chairman of the Company's Compensation Committee. In addition to the annual equity retainer paid to all Company non-employee directors, the Chairman of the board of directors will receive an additional annual cash retainer of \$225,000. Director stock ownership requirements and the timing of the stock grants and cash payments described in this paragraph will be determined by the Company's board of directors following the completion of the separation.

# CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

## Agreements with YUM

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

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

## The Separation and Distribution Agreement

## Transfer of Assets and Assumption of Liabilities

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

- Certain assets related to the Company business, which are referred to as the "Company Assets," will be transferred to the Company, including:
  - equity interests in certain YUM subsidiaries that operate the Company business:
  - contracts (or portions thereof) that relate to the Company business;
  - certain information, technology, software and intellectual property exclusively used in the Company business;
  - rights and assets expressly allocated to the Company pursuant to the terms of the separation and distribution agreement or certain other agreements entered into in connection with the separation;
  - permits primarily used in the Company business; and
  - other assets that are included in the Company pro forma combined balance sheet included in this Information Statement.
- Certain liabilities related to the Company business or the Company Assets, which are referred to as the "Company Liabilities," will be retained by or transferred to the Company, including:
  - specified litigation matters that relate to the Company business;
  - liabilities and obligations expressly allocated to the Company pursuant to the terms of the separation and distribution agreement or certain other agreements entered into in connection with the separation; and

- other liabilities that are included in the Company pro forma combined balance sheet included in this Information Statement.
- All of the assets and liabilities (including whether accrued, contingent or otherwise) other than the Company Assets and the Company Liabilities (all such assets and liabilities, other than the Company Assets and the Company Liabilities, referred to as the "YUM Assets" and the "YUM Liabilities," respectively), will be retained or assumed by YUM.

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

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

# The Distribution

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

# Conditions to the Distribution

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

# Settlement of Accounts Between the Company and YUM

The separation and distribution agreement will provide that all intercompany receivables and payables as to which there are no third parties and that are between the Company or a Company



subsidiary, on the one hand, and YUM or a YUM subsidiary, on the other hand, other than accounts related to the agreements to be entered into in connection with the separation and post-separation agreements between YUM and the Company and other than any accrued liabilities incurred in connection with providing the services that will be memorialized by certain ancillary agreements, in each case existing as of immediately prior to the completion of the separation, will be settled, capitalized, cancelled, assigned or assumed by the Company or one or more Company subsidiaries.

# Claims

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

# Releases

The separation and distribution agreement will provide that the Company and YCCL, their subsidiaries and, to the extent permitted by law, all shareholders, directors, officers, agents or employees of the Company, YCCL or their subsidiaries will release and discharge YUM, its subsidiaries and shareholders, directors, officers, agents or employees of YUM or its subsidiaries from all Company Liabilities (as defined above), from all liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing before the distribution date, and from all liabilities arising from or in connection with the implementation of the separation, in each case to the extent relating to, arising out of or resulting from the Company's business, and except as expressly set forth in the separation and distribution agreement. YUM and, to the extent permitted by law, all shareholders, directors, officers, agents or employees YUM or its subsidiaries will release and discharge the Company, its subsidiaries and YCCL from all YUM Liabilities (as defined above), from all liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing before the distribution date, and from all liabilities arising from or in connection with the implementation of the separation, in each case to the extent permitted by law, all shareholders, directors, officers, agents or employees YUM or its subsidiaries will release and discharge the Company, its subsidiaries and YCCL from all YUM Liabilities (as defined above), from all liabilities arising from or in connection with actions, events, omissions, conditions, facts or circumstances occurring or existing before the distribution date, and from all liabilities arising from or in connection with the implementation of the separation, in each case to the extent relating to, arising out of or resulting from YUM's business, and except as expressly set forth in the separation a

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

# Indemnification

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

- the Company Liabilities;
- the failure of the Company or any other person to pay, perform or otherwise promptly discharge any of the Company Liabilities, in accordance with their respective terms, whether prior to, at or after the distribution;
- specified litigation matters that relate to the Company business;
- any breach by the Company or any of its subsidiaries of the separation and distribution agreement or any of the ancillary agreements;

- except to the extent relating to a YUM Liability, any guarantee, indemnification or contribution obligation for the benefit of the Company or any of its subsidiaries by YUM or any of its subsidiaries that survives the distribution; and
- any untrue statement or alleged untrue statement or omission or alleged omission of material fact in the registration statement of which this Information Statement forms a part, or in this Information Statement (as amended or supplemented), except for any such statements made explicitly in YUM's name.

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

- the YUM Liabilities;
- the failure of YUM or any other person to pay, perform or otherwise promptly discharge any of the YUM Liabilities, in accordance with their respective terms whether prior to, at or after the distribution;
- specified litigation matters that relate to the YUM business;
- any breach by YUM or any of its subsidiaries of the separation and distribution agreement or any of the ancillary agreements;
- except to the extent relating to a Company Liability, any guarantee, indemnification or contribution obligation for the benefit of YUM or any of its subsidiaries by the Company or any of its subsidiaries that survives the distribution; and
- any untrue statement or alleged untrue statement or omission or alleged omission of a material fact with respect to statements made explicitly in YUM's name in the registration statement of which this Information Statement forms a part, or in this Information Statement (as amended or supplemented).

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

# Intellectual Property

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

# Insurance

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

# Non-Solicitation

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

#### Further Assurances

In addition to the actions specifically provided for in the separation and distribution agreement, except as otherwise set forth therein or in any ancillary agreement, both the Company and YUM will agree in the separation and distribution agreement to use reasonable best efforts, prior to, on and after the distribution date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the separation and distribution agreement and the ancillary agreements.

# **Dispute Resolution**

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

## Expenses

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

# **Other Matters**

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

## Termination

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

## **Tax Matters Agreement**

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

Under the tax matters agreement, subject to certain exceptions, YUM generally will be liable for and indemnify us against all taxes attributable to our business for all taxable periods, whether ending on, before or after the date of the distribution. YUM will also be liable for and indemnify us against pre-distribution taxes of certain non-China intermediate entities that will be part of our group. The tax matters agreement also addresses the allocation of liability for taxes that are incurred as a result of distribution or restructuring activities undertaken to effectuate the distribution. To the extent any Chinese indirect transfer tax pursuant to Bulletin 7 is imposed, such tax will be allocated between YUM and us in proportion to our respective share of the combined market capitalization of YUM and the Company during the thirty trading days after the distribution. In addition, we generally would be responsible for any tax imposed with respect to the distribution and related separation transactions, and any U.S. tax imposed on YUM with respect to the distribution arising under Section 355(e) of the Code attributable to the stock of the Company.

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

## **Employee Matters Agreement**

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

## **Employee Benefits Generally**

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

distribution, such as liabilities under qualified retirement plans and nonqualified deferred compensation plans prior to the separation and distribution.

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

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

## Equity-Based Compensation and Certain Executive Compensation Arrangements

Unless otherwise specified and notwithstanding the general provisions of the EMA relating to allocation of liabilities between YUM and the Company, concurrently with the separation and distribution, holders of YUM equity-based awards (including stock options, SARs and RSUs) will generally receive awards with respect to Company stock and their YUM awards will be adjusted. All PSU awards will remain as awards with respect to YUM stock and will be adjusted to reflect the separation and distribution. To the extent applicable, the aggregate intrinsic value of the new Company awards and the adjusted YUM awards will not exceed the intrinsic value of the corresponding YUM equity-based award as measured immediately before the separation.

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

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

Adjustments will also be made with respect to phantom equity awards under executive programs, such as the EID Program, to reflect the separation and distribution.

# **Master License Agreement**

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

## Term

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



# Payments and Required Expenditures

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

# Guarantor

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

# Growth

To maintain its exclusivity, YCCL must meet certain benchmarks designed to measure growth of the brands in the territory. These benchmarks may vary by brand. In addition, YCCL must open a certain number of Taco Bell restaurants in the territory by December 31, 2022; if it does not, YCCL will lose its exclusivity with respect to the Taco Bell brand and YRAPL may terminate YCCL's right to develop new Taco Bell restaurants.

# Non-Competition

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

# **Brand Standards**

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

# Transfer and Change of Control

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

<sup>147</sup> 

#### Termination

Except for the dissolution, liquidation, insolvency or bankruptcy of YCCL or the Company or upon the occurrence of an unauthorized transfer or change of control or other breach that YRAPL determines will not or cannot be cured, YCCL will have the right to cure any breach of the master license agreement. Upon the occurrence of a non-curable breach, YRAPL will have the right to terminate the master license agreement (or YCCL's rights to a particular brand) on delivery of written notice. Upon the occurrence of a curable breach, YRAPL will provide a notice of breach that sets forth a cure period that is reasonably tailored to the applicable breach. If YCCL does not cure the breach, YRAPL will have the right to terminate the master license agreement (or YCCL's rights to a particular brand). The master license agreement will also contemplate remedies other than termination that YRAPL may use as appropriate. These remedies include: actions for injunctive and/or declaratory relief (including specific performance) and/or damages; limitations on YCCL's future development rights or suspension of restaurant operations pending a cure; modification or elimination of YCCL's territorial exclusivity; and YRAPL's right to repurchase from YCCL the business operated under an affected brand at fair market value, less YRAPL's damages. YCCL may request an early termination of the master license agreement with respect to a particular brand declined for five consecutive years and such decline was caused by YUM's failure to maintain that brand outside of the territory, which results in material, irreparable damages to that brand in the territory, or was proximately caused by a material adverse change in the applicable laws.

# Indemnification

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

#### **Transition Services Agreement**

In connection with the separation, YUM and the Company will enter into a transition services agreement pursuant to which YUM will provide to the Company, on an interim, transitional basis, various services. The services to be provided by YUM are expected to include, among other things, finance and information technology services, office space leasing and the secondment of certain personnel, and will generally be provided on an at-cost basis. In addition, the Company is expected to provide YUM certain promotional sourcing support on a cost basis. The transition services agreement has an initial term of one year.

The Company or YUM, as applicable, will generally have the right to terminate any or all of the services upon written notice to the other party.

# Name License Agreement

In connection with the separation, we will enter into a name license agreement with YUM pursuant to which we will be granted a non-exclusive, nontransferable, non-sublicensable (except to certain Company subsidiaries) royalty-free license to use the name and mark "YUM" as part of the Company's name, domain name and stock identification symbol, subject to certain conditions. The name license agreement may be terminated by YUM in the event of, among other things, our material breach of the name license agreement, and it will automatically terminate concurrently with any termination of the master license agreement.

## The Investment by the Investors

The following is a summary of the material terms and provisions of the investment agreements entered into with the Investors and the shareholders agreement to be entered into with the Investors at the closing of

the Investment. The summaries of each of the agreements are qualified in their entireties by reference to the full text of the applicable agreements, which are filed as Exhibits 4.3, 10.11 and 10.12, respectively, to the registration statement of which this Information Statement forms a part and are incorporated herein by reference.

## The Investment Agreements

## The Investment

On September 1, 2016, the Company and YUM entered into investment agreements with each of Pollos Investment L.P., an affiliate of Primavera Capital Group, whom we refer to as "Primavera," and API (Hong Kong) Investment Limited, an affiliate of Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., whom we refer to as "Ant Financial." We refer to each of Primavera and Ant Financial as an "Investor" and collectively as the "Investors." Under the terms of the investment agreements, which are substantially on the same terms, immediately following the distribution, Primavera and Ant Financial will invest \$410 million and \$50 million, respectively, for shares of Company common stock representing an aggregate ownership of approximately 5% in the Company (or, after the adjustments following the closing of such investments, described below, between 4.3% and 5.9% in the Company) (such transactions, collectively referred to as the "Investment"). The closing of the Investment is expected to take place immediately following the distribution, except that the closing of Ant Financial's investment may take place at a later date (in accordance with the terms and conditions of the investment agreement with Ant Financial) in the event certain Chinese regulatory procedures with respect to Ant Financial's investment are not completed by such time.

Approximately 62 days following the distribution, the Investors and the Company will determine the volume weighted average trading price ("VWAP") per share of Company common stock over the trading days occurring in the 31- to 60-calendar day period following the distribution (we refer to such 31-60 day period as the "measurement period"), and will discount such VWAP by 8% (such discounted VWAP price per share, the "Adjusted VWAP Price Per Share"). The Adjusted VWAP Price Per Share is subject to a collar based on a valuation of the Company that ranges from \$8.5 billion to \$11.5 billion.

If the Adjusted VWAP Price Per Share exceeds or is less than the price per share paid by the Investors at the closing of the Investment, the Company will either repurchase at par value from, or issue a certain number of shares at par value to, the Investors. Each Investor will own, after the adjustment, the number of shares it would have owned if the price per share paid by such Investor at the closing of the Investment was the Adjusted VWAP Price Per Share. Depending on the Adjusted VWAP Price Per Share, after the adjustment, if any, Primavera and Ant Financial will own, in the aggregate, between 4.3% and 5.9% of the issued and outstanding shares of Company common stock.

Approximately 70 days after the distribution, the Investors will receive two tranches of warrants (together, the "warrants"). Upon exercise, the first tranche of warrants will provide the Investors with the right to purchase shares of Company common stock in the aggregate equal to an additional 2.0% of the Company's issued and outstanding common stock outstanding as of the time of the distribution (taking into account the shares previously issued to the Investors, as adjusted after the closing of the Investment). The second tranche of warrants will provide Primavera and Ant Financial with the right to purchase the same number of shares of Company common stock purchasable by Primavera and Ant Financial, respectively, under the first tranche of warrants. The strike price for the warrants will be based on Company equity values of \$12 billion and \$15 billion (for the first tranche and second tranche, respectively). The warrants will also contain customary anti-dilution protections.

We expect that Primavera and Ant Financial will collectively beneficially own between 4.3% and 5.9% of our common stock immediately following the distribution (as adjusted, and excluding shares issuable upon exercise of the warrants) or between 8.3% and 9.9% of our common stock including shares if both tranches of warrants are exercised.

#### Conditions to the Investment

Pursuant to the investment agreements, the completion of the Investment is subject to certain conditions, including, among other conditions, each party's performance of its covenants, the absence of any injunction or other legal prohibition on the closing of the Investment, the absence of a material adverse effect on the Company, and the accuracy of certain representations and warranties of the parties as of the time of the closing of the Investment (or, with respect to certain conditions of Ant Financial's investment, as of the closing of Primavera's investment if Ant Financial's investment takes place after the closing of Primavera's investment). The closing of Primavera's investment is not subject to any regulatory approvals or the closing of Ant Financial's investment. The closing of Primavera's investment and the completion of certain Chinese regulatory filings, including with the local equivalent agencies of the China (Shanghai) Pilot Free Trade Zone of each of the PRC Ministry of Commerce and the PRC National Development and Reform Commission.

## **Representations and Warranties**

The investment agreements contain customary representations and warranties made by the Investors to the Company and YUM, and customary representations and warranties made by the Company and YUM to the Investors.

## Indemnification

Certain fundamental representations and warranties of the Company and YUM will survive until the second anniversary of the closing of the Investment. Certain other representations made by the Company related to the Company's financial statements and the accuracy of the information contained in the registration statement on Form 10 of which this Information Statement forms a part survive until 12 months after the closing of the Investment. Under the terms of the investment agreements, YUM will indemnify the Investors with respect to actual losses that arise from misrepresentations or breaches of fundamental representations of the Company and YUM related to corporate organization and authority, organizational documents, capital structure and no conflicts.

The Company has agreed to indemnify the Investors for losses incurred as a result of any misrepresentation or breach of its representations related to brokers or finders, the Company's financial statements and the accuracy of the information contained in the registration statement on Form 10 of which this Information Statement forms a part, subject, in the case of Primavera, to a deductible equal to \$2.05 million and overall cap equal to \$61.5 million and, in the case of Ant Financial, to a deductible equal to \$250,000 and an overall cap of \$7.5 million.

## Covenants

Each party has undertaken to comply with certain covenants concerning the Investment, and YUM and the Company have also agreed to use commercially reasonable efforts to conduct the China business in the ordinary course consistent with past practice during the period between the execution of the investment agreements and the closing of the Investment. YUM and the Company have also agreed to use commercially reasonable efforts to maintain the Company's material licenses and permits, to keep available the services of the current officers and other key employees of the China business and to preserve their relationships with key customers and suppliers of the China business. In addition, YUM and the Company have agreed not to (and to cause their respective subsidiaries not to), subject to certain exceptions, take any of the following actions between the signing of the investment agreements and the closing of the Investment without the prior written consent of the Investors:

- amend the Company's organizational documents;
- transfer any material properties or assets of the China business;

- declare, set aside, make or pay any dividends in excess of \$183 million;
- issue additional shares of Company common stock, options, warrants or other convertible securities, other than in connection with the Investment and the settlement of awards issued under the Company's benefit plans prior to closing;
- make any material acquisition of businesses or assets;
- incur any material indebtedness;
- engage in a new line of business material to the Company or our subsidiaries, taken as a whole;
- fail to maintain sufficient working capital required to operate the business of the Company consistent with past practice;
- enter into or amend any related party agreement;
- make any material amendment or modification to any of the transaction agreements relating to the distribution; or
- authorize or agree to take any of the foregoing actions.

From and after the time that Primavera's investment closes, the covenants described above will terminate, even if Ant Financial's investment has not yet been completed.

# Expenses

Except as otherwise provided in the investment agreements, all fees and expenses incurred in connection with the preparation and negotiation of the investment agreements and the consummation of the transactions contemplated by the investment agreements are to be paid by the party or parties, as applicable, incurring such expenses.

# Termination

Each respective investment agreement may be terminated at any time prior to the closing of the Investment:

- by the mutual written consent of YUM and the Investor;
- by either YUM or the Investor if the Investment has not been closed on or before March 31, 2017, provided that the terminating party's breach of any obligation under the investment agreement is not primarily the cause of the Investment not being completed by such date; or
- by YUM if the Investor materially breaches any representation, warranty, covenant or agreement such that the Investor's conditions to close would not be satisfied, provided that YUM is not in material breach of any of its representations, warranties, covenants or agreements under the investment agreement;
- by the Investor if YUM materially breaches any representation, warranty, covenant or agreement such that YUM's conditions to close would not be satisfied, provided that the Investor is not in material breach of any of its representations, warranties, covenants or agreements under the investment agreement; or
- by the Investor if any event, change, circumstance or development that individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the Company has occurred and is continuing.

In addition, YUM may terminate the investment agreement with Ant Financial if (i) the closing of Primavera's investment has occurred but the closing of Ant Financial's investment has not occurred (other than solely because of Ant Financial's failure to receive required regulatory approvals) or (ii) the

closing of Ant Financial's investment has not occurred prior to the end of the measurement period. Further, the investment agreements automatically terminate if, prior to the time at which the distribution occurs, YUM publicly announces that the distribution has been abandoned.

In the event of termination, the applicable investment agreement will become void, and no party will have any liability or obligation under the investment agreement, except for any liability arising from such party's willful and intentional breach of the investment agreement prior to such termination.

#### The Shareholders Agreement

At the closing of the Investment, the Company and the Investors will enter into a shareholders agreement. If Ant Financial's investment does not close at the same time as Primavera's investment, Ant Financial will become a party to the shareholders agreement at the closing of its investment.

## **Board Designation Rights**

After the closing of the Investment, and for so long as Primavera beneficially owns at least 50% of the number of shares of Company common stock it owns immediately following the closing of the Investment (as if the adjustments, if any, were completed at the closing) (the "Primavera shareholding requirement"), Primavera will be entitled to designate one member of the Company board of directors and one non-voting board observer. Under the terms of the shareholders agreement, Dr. Fred Hu is to be Primavera's board designee (and the initial chairman of our board of directors), unless he becomes unable to serve due to death, disability, incapacity or retirement or is no longer employed by Primavera or any of its affiliates. The Company will be required to take all actions necessary to provide that Dr. Hu is initially appointed as a Class III director and, in connection with any future election of directors at any annual meeting of stockholders, the Company will be required to take all actions necessary to provide that Dr. Hu is nominated for election or re-election (including by using substantially the same level of efforts and providing no less than substantially the same level of support as is used and/or provided for the other director nominees of the Company with respect to the applicable meeting of stockholders). In addition, at any time after six months following the distribution, Primavera may request that the Company increase the size of the board of directors and nominate a second Primavera board designee at the next annual meeting of stockholders. Primavera will not be entitled to designate a non-voting board observer for so long as two or more of Primavera designees are members of the Company board of directors.

Any replacement Primavera board designee must qualify as an "independent" director, be otherwise reasonably acceptable to the Company's board of directors and not engaged in a competing business. Primavera's designation right will cease at such time that (i) the Primavera shareholding requirement is no longer met or (ii) Primavera or any of its affiliates becomes engaged in a competing business or has beneficial ownership in any person engaged in a competing business (subject to a de minimis 5% beneficial ownership exemption).

For so long as Ant Financial beneficially owns at least 50% of the number of shares of Company common stock it owns immediately following the closing of the Investment (as if the adjustments, if any, were completed at the closing), Ant Financial will also have the right to appoint one non-voting board observer. If the Primavera shareholding requirement ceases to be met, then Ant Financial will lose its right to designate a board observer on the date that is three years following the date on which the Primavera shareholding requirement ceases to be met (unless earlier terminated). In addition, Ant Financial will lose its right to appoint a board observer if Ant Financial or any of its affiliates becomes engaged in a competing business or has beneficial ownership in any person engaged in a competing business (subject to a de minimis 5% beneficial ownership exemption).

Board observers must be reasonably acceptable to the Company's board of directors, cannot be engaged in a competing business, must enter into a customary confidentiality agreement with the Company and are subject to various standards and guidelines applicable to Company board of director

members generally, including insider trading policies. Board observers are not entitled to compensation or reimbursement of any fees, costs or expenses from the Company.

# Share Repurchases

Under the terms of the shareholders agreement, the Company is prohibited from engaging in or announcing any repurchases of the Company's common stock until the expiration of the measurement period.

# Transfer Restrictions

The Investors are generally prohibited from transferring their shares of Company common stock, warrants and any shares obtained as a result of the exercise of a warrant owned by the Investors during the first year following the distribution, except for certain permitted transfers, including:

- to affiliates;
- in connection with an acquisition transaction approved by the Company's board of directors;
- in connection with the post-closing share adjustments set forth in the investment agreements;
- to participate in a tender or exchange offer commenced by the Company;
- permitted pledges as collateral for a loan or hedge (and transfers relating thereto); or
- to satisfy a margin call or repay a permitted loan (under which the shares of Company common stock, warrants and/or warrant shares acquired by Primavera have been pledged as collateral) or to avoid a margin call on a permitted loan that is reasonably likely to occur through no fault of the Investor or its affiliates.

In addition, if, at any time after six months following the distribution, the volume weighted average price per share of Company common stock trades below 70% of the Adjusted VWAP Price Per Share for a period of 10 consecutive trading days, the transfer restrictions will terminate with respect to the warrants and warrant shares.

# Standstill

The Investors will generally be subject to a standstill provision prohibiting the Investors and their affiliates from having, in the aggregate, more than 19.9% beneficial ownership of the Company's voting stock, engaging in a takeover transaction, acquiring any debt securities of the Company, soliciting proxies or otherwise seeking control of the Company's board of directors. The standstill remains in place until six months after the date on which there is no Primavera board designee on the Company's board of directors, and Primavera either no longer has the right to designate a director or has irrevocably waived any such rights in writing, or if there is a change of control of the Company.

# Information Access Rights

For so long as Primavera has the right to designate a director to the Company's board of directors, in the case of Primavera, and for so long as Ant Financial has the right to appoint a board observer, in the case of Ant Financial, the Company will provide the Investors with monthly, quarterly and annual financial statements of the Company (to the extent such statements are not publicly available on EDGAR), and the Investors have the right to meet with senior management members of the Company a maximum of four times per year.

# **Registration Rights**

The Investors will have customary registration rights from and after the first year anniversary of the distribution, including demand registration rights (four total and no more than two per year) and

piggyback registration rights. The Company, upon request from the Investors, will be required to file a shelf registration statement with the SEC and use commercially reasonable efforts to cause the shelf registration statement to become effective (and to remain effective for five years, or if earlier, until the securities covered by the shelf registration statement have been sold or until the Investors no longer hold at least 2% of Company common stock). The Investors will be entitled to assign their registration rights to a transferee in a permitted transfer, and any rights and obligations under the shareholders agreement to any of their respective affiliates.

# Termination

The shareholders agreement remains in effect until the earliest of (i) termination by the parties or their respective successors-in-interest, (ii) the date on which neither Investor holds any shares of, or any other securities of the Company exchangeable, convertible or exercisable for shares of Company common stock, (iii) a change of control or (iv) the dissolution, liquidation or winding up of the Company.

# **Other Related Person Transactions**

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

# **Procedures for Approval of Related Person Transactions**

The YUM board of directors has adopted policies and procedures for the review of related person transactions and the Company expects to adopt policies and procedures substantially similar to those in effect at YUM. The Company expects that its Audit Committee will review transactions, arrangements, or relationships or any series of similar transactions, arrangements or relationships in which a related person had or will have a material interest and that exceed \$120,000 to determine if such transactions, arrangements or relationships are in the best interests of the Company's stockholders and the Company. Any member of the Audit Committee who is a related person with respect to a transaction, arrangement relationship under review will not participate in the deliberation or vote respecting approval or ratification of such transaction, arrangement or relationship.

Related persons are directors, director nominees, executive officers, holders of 5% or more of the Company's common stock and their immediate family members. Immediate family members are spouses, parents, stepparents, children, stepchildren, siblings, daughters-in-law, sons-in-law, mothers- and fathers-in-law, brothers- and sisters-in-law and any person, other than a tenant or employee, who resides in the household of a director, director nominee, executive officer or holder of 5% or more of the Company common stock, and any person who was a related person since the beginning of the last fiscal year, even if he or she no longer serves in that position.

After its review, the Audit Committee will consider whether to approve or ratify the transaction.

# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Before the distribution, all of the outstanding shares of the Company's common stock will be owned beneficially and of record by YUM. Immediately following the distribution and the Investment, the Company expects to have outstanding an aggregate of approximately 390,000,000 shares of common stock based upon the number of shares of YUM common stock expected to be outstanding on the record date, and applying the distribution ratio, and then adding the number of shares the Company expects to issue in connection with the Investment. Yum will not own any shares of the Company's common stock following the distribution.

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

- each person who we believe will be a beneficial holder of more than 5% of our common stock based on ownership of YUM shares of common stock as reported on a Schedule 13G during 2016;
- each of our named executive officers;
- each of our expected directors; and
- all of our expected directors and executive officers as a group.

The information provided in the table is based on our records, information filed with the SEC and information provided to us, except where otherwise noted. The information is intended to estimate the expected beneficial ownership of our common stock immediately following the distribution, calculated using YUM common stock ownership as of September 1, 2016, and based upon the distribution of one share of Company common stock for each share of YUM common stock (except as otherwise noted). To the extent the expected directors and executive officers own YUM stock as of the record date for

the distribution, they will participate in the distribution on the same terms as other holders of YUM common stock.

Name and Address of Beneficial Owner	Shares Beneficially Owned	SARs Exercisable within 60 days(1)	Total Beneficial Ownership	Percent of Class
Persons expected to own over 5% of our Shares(2)				
Vanguard 100 Vanguard Blvd. Malvern, PA 19355	27,226,589	—	27,226,589	7.0%
Blackrock Inc. 55 East 52nd Street New York, NY 10055	22,171,722	—	22,171,722	5.7%
Corvex Management, LP 667 Madison Ave. New York, NY 10065	21,040,195	—	21,040,195	5.4%
Soroban Capital GP LLC Soroban Capital Partners LP Soroban Capital Partners GP LLC Eric W. Mandelblatt	20,931,736	_	20,931,736	5.4%
444 Madison Avenue, 21 <sup>st</sup> Floor New York, NY 10022				
Named Executive Officers	15 722 (2)	226 547	242 280	(
Micky Pant Ted Stedem	15,733 <i>(3)</i> 5,928	326,547 26,758	342,280 32,686	(+ (+
Joev Wat	5,928	20,738	2,192	(*
Mark Chu	5,799	65,912	71,711	(*
Shella Ng	1,500	15,708	17,208	(•
Expected Non-Employee Directors	1,000	10,700	17,200	(
Peter Bassi	45,500		45,500	(•
Christian L. Campbell	104,348(5)	44,123	148,471	(•
Ed Yiu-Cheong Chan	_	_		(-
Edouard Ettedgui		_		(-
Louis T. Hsieh	—	—	—	(•
Fred Hu		_		(-
Jonathan S. Linen	26,159(6)	11,435	37,594	(-
Zili Shao	_	—	_	(•
Expected ownership of all directors and executive officers as a group (23 total)	207,128	582,632	789,490	(4

(1) The amounts shown include beneficial ownership of shares that may be acquired within 60 days of September 1, 2016 pursuant to stock appreciation rights to be issued by the Company pursuant to the employee matters agreement upon conversion of outstanding stock appreciation rights awarded under YUM's incentive compensation plans. The number of shares shown is equal to the number of shares that would be delivered upon exercise (which is equal to the number of SAR's multiplied by the difference between the fair market value of stock and the exercise price divided by the fair market value of stock). The exercise price and the fair market value were estimated based on a \$90.00 pre-spin YUM stock price and post spin prices of \$64.89 for YUM and \$25.65 for the Company.

- (2) This information is presented as of December 31, 2015 (May 25, 2016 in the case of Soroban), and reflects ownership of YUM shares (based on a stock ownership report on Schedule 13G filed by such shareholders with the SEC and provided to YUM).
- (3) This amount includes 2,917 shares held in YUM's 401(k) plan. Following the distribution, an equal amount will be held in a Yum China stock fund within the YUM 401(k) plan.
- (4) Each director and named executive officer and the directors and executive officers as a group will beneficially own less than 1% of the Company's common stock.
- (5) This amount includes 91,060 shares that will be acquired in the distribution in respect of shares of YUM common stock to be delivered prior to the record date for the distribution pursuant to a YUM deferred compensation plan.
- (6) This amount includes 25,210 shares held in a trust, for which Mr. Linen is trustee.

# Overview

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

On September 23, 2016, the YUM board of directors approved the distribution of the issued and outstanding shares of Company common stock on the basis of one share of Company common stock for each share of YUM common stock held as of 5:00 p.m., Eastern Time, on the record date of October 19, 2016. The distribution of Company common stock as described in this Information Statement is subject to the satisfaction or waiver of certain conditions. We cannot provide any assurances YUM will complete the distribution. For a more detailed description of these conditions, see "Conditions to the Distribution," below.

# **Reasons for the Separation**

YUM's board of directors and management believes that the creation of two independent public companies, with the Company operating the China business, and YUM operating its remaining businesses (including franchising) throughout the rest of the world, is in the best interests of YUM and its shareholders and approved the plan of separation. A wide variety of factors were considered by YUM's board of directors in evaluating the creation of two independent public companies. In arriving at the decision to approve the separation, YUM's board of directors and management evaluated a number of strategic alternatives to the separation. Given the divergence in the business models of YUM and YUM's China business, YUM's board of directors determined that a separation of the businesses could improve each company's performance and create more focused investment opportunities for shareholders, and that the proposed separation could accomplish this goal in the most straightforward and tax-efficient manner available. YUM's board of directors considered the potential disadvantages of a separation, including that execution of the proposed separation will require significant time and attention from YUM management, that the separation is complex in nature and may be affected by unanticipated developments, and that YUM may experience difficulties in attracting, retaining, and motivating key employees during the pendency of the separation. Ultimately, however, YUM's board of directors considered the following expected benefits:

- Enhanced strategic and management focus. The separation will allow each company to focus on and more effectively pursue its own distinct operating priorities and strategies, and will enable the management of each company to concentrate efforts on the unique needs of each business and pursue distinct opportunities for long-term growth and profitability. Specifically, YUM will pursue its strategy of developing its brands and expanding its franchise operations globally outside of China and expects to own less than 4% of the restaurants within its system by the end of 2017. The Company, on the other hand, will pursue its strategy of owning and operating restaurants in China and plans to own and operate a substantial majority of its restaurants in China;
- *More efficient allocation of capital.* The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs and facilitating a more efficient allocation of capital;

- Alignment of incentives with performance objectives. The separation will facilitate incentive compensation arrangements for employees more directly tied to the performance of the relevant company's business, and may enhance employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives;
- Direct access to capital markets. The separation will create an independent equity structure that will afford the Company direct access to capital markets and facilitate the ability of the Company to capitalize on its unique growth opportunities and effect future acquisitions utilizing its common stock;
- *Investor choice.* The separation will allow investors to separately value YUM and the Company based on their unique investment identities, including the merits, performance and future prospects of their respective businesses. The separation will also provide investors with two distinct and targeted investment opportunities; and
- Optimized Capital Structure. By the end of 2017, we expect that at least 96% of the restaurants within YUM's system will be owned and operated by franchisees or licensees from which YUM will receive an ongoing royalty fee. These restaurants will be spread across nearly 140 countries and territories worldwide. This diversified royalty stream is expected to decrease the volatility of YUM's earnings as the royalty is not dependent upon restaurant margin performance. YUM believes this lower volatility will enable YUM to borrow at lower interest rates than would otherwise be available if its earnings were more volatile and return significant capital to its shareholders through share repurchases and dividends.

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

# Risks Associated with the Company and the Separation

YUM's board of directors also considered the following potentially negative factors in evaluating the separation:

- *Risks related to the loss of certain benefits associated with unified corporate structure.* Currently, YUM and the Company derive certain benefits from operating within a unified corporate structure. Such benefits may include sharing of general and administrative expenses, which will no longer occur following the separation, and the coordination of global best practices, which may be more limited following the separation.
- One-time separation costs. The planning, evaluation, and implementation of the separation will result in significant costs, which are expected to amount to approximately \$60 million.
- Increased operational costs. As a newly-formed public company, the Company will have increased operating costs. The primary items that are currently provided by YUM that will need to be duplicated by the Company subsequent to the separation relate to additional management and governance obligations associated with being an independent public company. Our current estimate of annual costs that will be incurred by the Company in connection with public company management and governance is approximately \$30 million. The Company has included corporate allocations in the Combined Statements of Income of \$12 million, \$11 million and \$12 million for 2015, 2014 and 2013, respectively.
- Uncertain benefits. There is a risk of not realizing the anticipated benefits of the separation.
- *Risk Relating to China Tax.* The separation could result in one-time and/or on-going material Chinese tax detriments to the Company. For example, if the Company is classified as a China resident enterprise for Chinese enterprise income tax purposes such classification would likely

result in unfavorable tax consequences to the Company and our non-Chinese stockholders. In addition, if the separation is deemed by Chinese tax authorities to constitute an indirect transfer subject to Bulletin 7, gains derived from such transfer may be subject to Chinese enterprise income tax, resulting in a significant China tax liability for YUM for a portion of which the Company and YCCL would have an indemnification obligation under the tax matters agreement.

• *Risks relating to U.S. tax.* If the IRS were successful in taking the position that the distribution does not qualify for tax-free treatment for U.S. federal income tax purposes under Sections 355 or 361 of the Code, the Company and YUM shareholders could be subject to significant U.S. federal income tax liability.

After considering these potentially negative factors, YUM's board of directors concluded that the potential benefits from the separation outweighed these factors.

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

The Company was formed in Delaware on April 1, 2016, for the purpose of holding YUM's China business. YUM's China business is currently operated primarily through two indirect subsidiaries of YUM, Yum Restaurants Consulting (Shanghai) Company Limited and Yum Restaurants (China) Investment Company Limited (together, the "China Subsidiaries"). As part of the plan to separate the China business from the remainder of YUM's business, and as provided in the separation and distribution agreement, YUM has transfered the equity interests of the holding companies through which YUM owns the China Subsidiaries as well as any related assets and liabilities of the China business to the Company.

# When and How You Will Receive Shares in the Distribution

With the assistance of the distribution agent, YUM expects to distribute Company common stock at 11:59 p.m., Eastern Time, on the distribution date, to all holders of outstanding YUM common stock as of 5:00 p.m., Eastern Time, on October 19, 2016, the record date for the distribution. The distribution agent will serve as the settlement and distribution agent in connection with the distribution and the transfer agent and registrar for Company common stock following the distribution.

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

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

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

for the Company common stock that you are entitled to receive in the distribution. If you have any questions concerning the mechanics of having shares held in "street name," please contact your bank or brokerage firm.

#### **Transferability of Shares You Receive**

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

#### Number of Shares of Company Common Stock You Will Receive

For each share of YUM common stock that you own as of 5:00 p.m., Eastern Time, on October 19, 2016, the record date for the distribution, you will receive one share of Company common stock on the distribution date. YUM will not distribute any fractional shares of Company common stock to its shareholders. Instead, if you would otherwise be entitled to receive a fractional share of Company common stock, the distribution agent will aggregate such fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds (net of discounts and commissions) of the sales pro rata (based on the fractional share such holder would otherwise be entitled to receive a fractional share in the distribution. The distribution agent, in its sole discretion, without any influence by YUM or the Company, will determine when, how, and through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by the distribution agent will not be an affiliate of either YUM or the Company. The distribution agent is not an affiliate of either YUM or the Company nor YUM will be able to guarantee any minimum sale price in connection with the sale of these shares. Recipients of cash in lieu of fractional shares, if any, will not be entitled to any interest on the amounts of payment made in lieu of fractional shares.

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

## **Results of the Distribution**

After the distribution, the Company will be an independent, publicly traded company. The actual number of shares to be distributed will be determined at 5:00 p.m., Eastern Time, on October 19, 2016, the record date for the distribution, and will reflect any exercise of YUM options between the date the YUM board of directors declares the distribution and the record date for the distribution. The distribution will not affect the number of outstanding shares of YUM common stock or any rights of YUM shareholders. YUM will not distribute any fractional shares of Company common stock.

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

# Market for the Company's Common Stock

There is currently no public trading market for the Company's common stock. The Company has been authorized to list its common stock on the New York Stock Exchange under the symbol "YUMC." The Company has not and will not set the initial price of its common stock. The initial price will be established by the public markets.

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

# Trading between the Record Date and Distribution Date

Beginning on or shortly before the record date for the distribution and continuing up to and including through the distribution date, YUM expects that there will be two markets in YUM common stock: a "regular-way" market and an "ex-distribution" market. Shares of YUM common stock that trade on the "regular-way" market will trade with an entitlement to Company common stock distributed pursuant to the distribution. Shares of YUM common stock that trade on the "ex-distribution" market will trade with an entitlement to Company common stock distributed pursuant to the distribution. Therefore, if you sell shares of YUM common stock in the "regular-way" market up to and including through the distribution date, you will be selling your right to receive Company common stock in the distribution. If you own shares of YUM common stock as of 5:00 p.m., Eastern Time, on the record date and sell those shares on the "ex-distribution" market up to and including through the shares of Company common stock that you are entitled to receive pursuant to your ownership as of 5:00 p.m., Eastern Time, on the record date of the shares of YUM common stock.

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

# **Conditions to the Distribution**

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

- the transfer of assets and liabilities to the Company in accordance with the separation and distribution agreement will have been completed, other than assets and liabilities intended to be transferred after the distribution;
- receipt of (A) an opinion of each of Mayer Brown LLP and PricewaterhouseCoopers LLP, regarding the qualification of the distribution as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 361 of the Code and (B) one (1) or more opinions of YUM's external tax advisors, in each case satisfactory to YUM's board of directors, regarding certain other tax matters relating to the distribution and related transactions;
- the SEC will have declared effective the registration statement of which this Information Statement forms a part, no stop order suspending the effectiveness of the registration statement will be in effect and no proceedings for such purpose will be pending before or threatened by the SEC;
- this Information Statement shall have been made available to the YUM shareholders;
- all actions or filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities laws will have been taken and, where applicable, have become effective or been accepted by the applicable governmental entity;
- any approvals of any governmental entities required for the consummation of the separation and distribution will have been obtained;
- no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the distribution or any of the related transactions will be in effect;
- the shares of Company common stock to be distributed will have been approved for listing on the New York Stock Exchange, subject to official notice of issuance;
- the receipt of an opinion from an independent advisory firm confirming the solvency and financial viability of each of the Company and YUM after the distribution that is in form and substance acceptable to YUM in its sole discretion; and
- no other event or development will have occurred or exist that, in the judgment of YUM's board of directors, in its sole discretion, makes it inadvisable to effect the separation, the distribution or the other related transactions.

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

# **Costs of Separation**

We estimate that the one-time cash costs of the separation will be approximately \$60 million, and we anticipate that substantially all of such one-time costs will be borne by YUM. Following the separation, in general, YUM and the Company will be responsible for the costs incurred by YUM or the Company, as applicable (which, in the case of the Company, will include costs incurred in connection with the transition to being an independent public company).

# MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

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

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

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

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

- subject to the discussion below regarding Section 355(e) of the Code, neither the Company nor YUM will recognize any gain or loss upon the distribution of Company common stock and no amount will be includable in the income of YUM or the Company as a result of the distribution other than taxable income or gain possibly arising out of internal reorganizations undertaken in connection with the separation and distribution and with respect to any items required to be taken into account under U.S. Treasury regulations relating to consolidated federal income tax returns;
- a YUM shareholder will not recognize any gain or loss and no amount will be includable in income as a result of the receipt of Company common stock pursuant to the distribution, except with respect to any cash received in lieu of fractional shares of Company common stock (as described below);
- a YUM shareholder's aggregate tax basis in such shareholder's shares of YUM common stock following the distribution and in Company common stock received in the distribution (including any fractional share interest in Company common stock for which cash is received) will equal such shareholder's tax basis in its YUM common stock immediately before the distribution, allocated between the YUM common stock and Company common stock (including any fractional share interest in Company common stock for which cash is received) in proportion to their relative fair market values on the distribution date;
- a YUM shareholder's holding period for Company common stock received in the distribution (including any fractional share interest in Company common stock for which cash is received) will include the holding period for that shareholder's YUM common stock; and

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

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

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

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

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

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

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

# Backup Withholding and Information Reporting.

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

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



# MATERIAL CHINA TAX CONSEQUENCES

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

# The distribution may be treated as an indirect transfer of Chinese interests resulting in Chinese tax to YUM

Pursuant to Bulletin 7, an "indirect transfer" of Chinese interests by a non-resident enterprise may be recharacterized and treated as a direct transfer of Chinese taxable assets if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM has informed us that it believes that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, there are significant uncertainties regarding the circumstances in which the tax will apply, and there can be no assurances that the Chinese tax authorities will not seek to impose this tax on YUM. Pursuant to the tax matters agreement, the Company and YCCL will indemnify YUM for a portion (tied to the relative market capitalization of YUM and the Company during the thirty trading days after the distribution) of any taxes and related losses resulting from the application of Bulletin 7 to the distribution. Alternatively, if Bulletin 7 applies to the distribution as a result of a breach by the Company or Company group members of certain representations or covenants, or due to certain actions of the Company or Company group members following the distribution, the Company and YCCL generally will indemnify YUM for all such taxes and related losses. Therefore, if YUM is subject to such Chinese tax with respect to the distribution, we may be required to make material payments to YUM under this indemnity.

# Chinese tax consequences to shareholders of receipt of Company shares

YUM shareholders are not expected to recognize gain or loss for Chinese tax purposes on receipt of Company common shares in the distribution. YUM shareholders should not be subject to any Chinese withholding or reporting obligations on such receipt, provided that the distribution is not recharacterized and taxed under Bulletin 7, and that the Company is not regarded as a China resident enterprise at the time of the distribution. However, if the distribution is recharacterized and taxed under Bulletin 7, YUM shareholders, as the transferees of Company shares, may in principle be

required to withhold their proportionate share of the Chinese enterprise income tax payable by YUM on the capital gains YUM is deemed to have realized on the indirect transfer of Chinese interests, although there are arguments against the imposition of such a withholding obligation. If a withholding obligation were deemed to apply, and the Chinese tax authorities sought to enforce such withholding obligation, failure on the part of YUM shareholders to withhold as required by Bulletin 7 could result in the imposition of penalties on such shareholders. Separately, if the Company is regarded as a China resident enterprise at the time of the distribution, YUM shareholders may have a similar withholding obligation with respect to capital gains YUM is deemed to have realized on its transfer of interest in a China resident enterprise.

# Treatment of the Company as a China resident enterprise

Under the EIT Law and its implementation rules, an enterprise established outside China with a "de facto management body" within China is considered a China resident enterprise for Chinese enterprise income tax purposes. Yum China Holdings, Inc. and each Company subsidiary that is organized outside of China intend to conduct their management functions in a manner that does not cause them to be China resident enterprises, including by carrying on their day-to-day management activities and maintaining their key records, such as resolutions of their board of directors and resolutions of stockholders, outside of China. As such, we do not believe that the Company or any of its non-Chinese subsidiaries should be considered a China resident enterprise for purposes of the EIT Law, and should not be subject to Chinese enterprise income tax on that basis. However, given the uncertainty regarding the application of the EIT Law to the Company and its future operations, there can be no assurances that the Company or any of its non-Chinese subsidiaries will not be treated as a China resident enterprise now or in the future.

# Chinese tax consequences of distributions to Company stockholders

No Chinese withholding tax should apply to dividends paid by the Company to non-Chinese stockholders, provided the Company is not considered to be a China resident enterprise.

If the Company is considered to be a China resident enterprise, dividends paid by the Company to non-Chinese stockholders will generally be subject to a withholding tax at a rate of 10%, or an individual income tax at a rate of 20% if the stockholder is an individual, unless otherwise reduced or exempted in accordance with an applicable income tax treaty. The Company will have primary responsibility for Chinese tax filings with respect to any such withholding taxes, and non-Chinese stockholders generally should not have any Chinese tax filing obligations in this regard provided the Company satisfies its obligations as the tax withholding agent.

# Chinese tax consequences to stockholders of dispositions of Company shares

As noted above, gains derived from an indirect transfer of Chinese interests by a non-resident enterprise may be subject to Chinese enterprise income tax at a rate of 10%. Under current law, this tax does not apply to gains recognized by individual stockholders. However, in practice there have been a few reported cases of individuals being taxed on the indirect transfer of Chinese interests and the law could be changed so as to apply to individual stockholders, possibly with retroactive effect. For Company stockholders that are not individuals, a transfer of Company shares may be treated as an indirect transfer of Chinese interests.

An exception to the Chinese enterprise income tax applies if (i) the selling non-resident enterprise recognizes the relevant gain by purchasing and selling equity of the same listed enterprise in the open market (the "listed enterprise exception") or (ii) the selling non-resident enterprise would have been exempted from income tax in China if it had directly held and transferred such Chinese interests that were indirectly transferred. Because Company stockholders will acquire Company stock through the



distribution, it is unclear whether such Company stockholders will be treated as acquiring Company stock through an open market purchase. If Company shares are not treated as acquired in an open market purchase the listed enterprise exception will not be available. Similarly, if Company shares are disposed of in transactions other than open market sales, such sales would not qualify for the listed enterprise exception. If the listed enterprise exception does not apply, non-individual stockholders may be subject to 10% Chinese enterprise income tax on any gains recognized, unless a treaty exception applies.

In addition to the listed enterprise exception, Company stockholders that are not individuals may be exempt from the Chinese enterprise income tax with respect to the sale of our stock if they are tax resident in a country or region that has a tax treaty or arrangement with China that provides for a capital gains tax exemption, and they qualify for that exemption. Under the U.S.-China double tax treaty, a stockholder that is a U.S. tax resident and that disposes of stock representing less than 25% of the Company's outstanding stock should be exempt from Chinese capital gains tax.

If neither the listed enterprise exception nor a treaty exception applies, non-individual stockholders may be subject to 10% Chinese enterprise income tax on any gain recognized. For purposes of calculating the amount of any such tax, a holder's tax basis for Company shares received in the distribution would generally be determined based on its investment cost in Company shares, assuming that the prior transaction in which that holder acquired those Company shares has been subject to 10% Chinese enterprise income tax. Alternatively, if the distribution is not subject to Chinese enterprise income tax, there is no formal guidance as to the computation of tax basis for holders of Company shares that receive such shares in the distribution. As a result, it is not clear that a Company stockholder would be permitted to allocate a portion of its basis in its YUM shares to Company stock, or to claim a tax basis that YUM would have been entitled to if the distribution were taxable, and Chinese tax authorities may take a position that the stockholder's basis in the Company shares is zero. Holders of Company stock that may be subject to Chinese tax on the disposition of such stock should consult their tax advisors as to the appropriate method of calculating their taxable gain in this scenario.

Company stockholders that are not individuals and are not eligible for the listed enterprise exception or a treaty exemption may also be subject to Chinese tax filing obligations in respect of any such transactions. In addition, the buyers of such shares may also be subject to Chinese tax filing obligation in respect of any such transactions and may be required to withhold the Chinese capital gains tax payable by the seller for such shares.

Finally, as discussed above, in certain circumstances the Company may be treated as a China resident enterprise. If the Company is treated as a China resident enterprise, a non-individual holder of Company stock will generally be subject to Chinese capital gains tax at a tax rate of 10%, while an individual holder of Company stock may be subject to Chinese capital gains tax at a tax rate of 20%, as well as Chinese tax filing obligations, unless otherwise reduced or exempted in accordance with an applicable income tax treaty. In addition, a purchaser of Company shares in such a scenario may be required to withhold the Chinese capital gains tax payable by the seller for such shares and comply with Chinese tax filing obligations.

THE FOREGOING DISCUSSION IS A SUMMARY OF MATERIAL CHINESE INCOME TAX CONSEQUENCES OF THE DISTRIBUTION AND THE DISPOSITION OF SHARES OF COMPANY COMMON STOCK UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION AND DISPOSITION OF SHARES OF COMPANY COMMON STOCK TO THEM, INCLUDING THE APPLICATION AND EFFECT OF CHINESE TAX LAWS.

# DESCRIPTION OF CAPITAL STOCK

Our certificate of incorporation and bylaws will be amended and restated prior to the separation. The following is a summary of the material terms of our capital stock that will be contained in our amended and restated certificate of incorporation and amended and restated bylaws. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of the certificate of incorporation or of the bylaws to be in effect at the time of the distribution. The summary is qualified in its entirety by reference to such documents, which you must read (along with the applicable provisions of Delaware law) for complete information on the Company's capital stock as of the time of the distribution. Our certificate of incorporation and bylaws to be in effect at the time of the distribution are included as exhibits to the registration statement of which this Information Statement forms a part.

## General

Our authorized capital stock consists of 1,000,000,000 shares of common stock, \$0.01 par value per share, and 100,000,000 shares of preferred stock, \$0.01 par value per share. Immediately following the distribution and the Investment, we expect that approximately 390 million shares of our common stock will be issued and outstanding and that no shares of preferred stock will be issued and outstanding.

# **Common Stock**

Each holder of Company common stock will be entitled to one vote for each share on all matters to be voted upon by the common stockholders, and there will be no cumulative voting rights. Subject to any preferential rights of any outstanding preferred stock, holders of our common stock will be entitled to receive ratably the dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for that purpose. If there is a liquidation, dissolution or winding up of the Company, holders of our common stock would be entitled to ratable distribution of its assets remaining after the payment in full of liabilities and any preferential rights of any then-outstanding preferred stock.

Holders of our common stock will have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. After the distribution, all outstanding shares of our common stock will be fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

# **Preferred Stock**

Under the terms of our amended and restated certificate of incorporation, our board of directors will be authorized, subject to limitations prescribed by the DGCL, to issue up to 100,000,000 shares of preferred stock in one or more series without further action by the holders of our common stock. Our board of directors will have the discretion, subject to limitations prescribed by the DGCL and by our amended and restated certificate of incorporation, to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

At the time of the distribution, no shares of our preferred stock will be outstanding, and, other than shares of our preferred stock that may become issuable pursuant to our rights agreement, we have no present plans to issue any shares of our preferred stock. See "—Stockholder Rights Plan" below.

# Anti-Takeover Effects of Various Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws

Provisions of the DGCL, our amended and restated certificate of incorporation and amended and restated bylaws and our stockholder rights plan could make it more difficult to acquire control of the Company by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with our board of directors. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Stockholder Rights Plan. The Company expects to enter into a rights agreement with American Stock Transfer & Trust Company, LLC, as rights agent, prior to the separation. Pursuant to the rights agreement, the Company will issue, and holders of Company common stock will receive, one preferred share purchase right for each outstanding share of Company common stock. Each right issued will be subject to the terms of the rights agreement. The Company's board of directors believes that the rights agreement will protect our stockholders from coercive or otherwise unfair takeover tactics. In general terms, the rights agreement works by imposing a significant penalty upon any person or group that acquires 15% or more of the Company's outstanding common stock, without the approval of the Company's board of directors. As an exception to the general 15% triggering threshold, the rights agreement will permit the Investors and their affiliates, in the aggregate, to acquire up to 19.9% of the Company's outstanding common stock in accordance with the terms of the shareholders agreement to be entered into with the Investors at the closing of the Investment. The rights agreement will automatically terminate without further action of the Company board of directors on the first anniversary of the distribution date.

*Delaware Anti-Takeover Statute.* The Company will be subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time the person became an interested stockholder, unless: (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock where a lass officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

*Classified Board.* Upon completion of the separation, the Company's board of directors will initially be divided into three classes of approximately equal size. The directors designated as Class I directors will have terms expiring at the first annual meeting of stockholders following the distribution, which the Company expects to hold in 2017. The directors designated as Class II directors will have terms expiring at the following year's annual meeting of stockholders, which the Company expects to hold in 2018, and the directors designated as Class III directors will have terms expiring at the following year's annual meeting of stockholders, which the Company expects to hold in 2019. Commencing with the first annual meeting of stockholders following the distribution, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the 2019 annual meeting of stockholders. Beginning at the 2019 annual meeting, all of our directors will stand for election each year for annual terms, and our board will therefore no longer be divided into three classes.

At any meeting of stockholders for the election of directors at which a quorum is present, the election will be determined by a majority of the votes cast by the stockholders entitled to vote in the election, with directors not receiving a majority of the votes cast required to tender their resignations for consideration by the board of directors, except that in the case of a contested election, the election will be determined by a plurality of the votes cast by the stockholders entitled to vote in the election. Before the Company's board of directors is declassified, it would take at least two elections of directors for any individual or group to gain control of the Company's board of directors. Accordingly, while the classified board of directors is in effect, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of the Company.

*Removal of Directors.* Our amended and restated bylaws will provide that, for long as our board of directors is classified, stockholders may only remove our directors for cause. After the board of directors has been fully declassified, stockholders may remove our directors with or without cause.

Amendments to Bylaws. Our amended and restated bylaws will provide that such bylaws may be amended by our board of directors or by the affirmative vote of a majority of our stockholders entitled to vote.

Size of Board and Vacancies. Our amended and restated certificate of incorporation will provide that the number of directors on our board of directors will be not less than three nor more than 15, and that the exact number of directors will be fixed by resolution of a majority of our entire board of directors (assuming no vacancies). Any vacancies created on our board of directors resulting from any increase in the authorized number of directors or death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of the board of directors then in office, even if less than a quorum is present, or by a sole remaining director. Any director appointed to fill a vacancy on our board of directors will be appointed for a term expiring at the next election of the class for which such director has been appointed and until his or her successor has been elected and qualified.

Special Meetings. Our amended and restated certificate of incorporation will provide that only our board of directors (or the chairman of our board of directors, our chief executive officer or our secretary with the concurrence of a majority of our board of directors) may call special meetings of our stockholders.

Stockholder Action by Written Consent. Our amended and restated certificate of incorporation will expressly eliminate the right of our stockholders to act by written consent. Accordingly, stockholder action must take place at the annual or a special meeting of our stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our amended and restated bylaws will establish advance notice procedures with respect to stockholder proposals and

174

nomination of candidates for election as directors other than nominations made by or at the direction of our board of directors or a committee of our board of directors.

*Proxy Access.* In addition to advance notice procedures, our amended and restated bylaws will also include provisions permitting, subject to certain terms and conditions, stockholders owning at least 3% of our outstanding common shares for at least three consecutive years to use our annual meeting proxy statement to nominate a number of director candidates not to exceed 20% of the number of directors in office, subject to reduction in certain circumstances.

*No Cumulative Voting.* The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless the company's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will not provide for cumulative voting.

Undesignated Preferred Stock. The authority that our board of directors will possess to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of our company through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Our board of directors may be able to issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of our common stock.

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

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, for unlawful payments of dividends or unlawful stock repurchases or redemptions described by Section 174 of the DGCL or for any transaction from which the director derived an improper personal benefit. Our amended and restated certificate of incorporation will include such an exculpation provision. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that require the Company to indemnify, to the fullest extent allowable under the DGCL, directors or officers for monetary damages for actions taken as a director or officer of the Company or while serving at the Company's request as a director or officer or another position at another corporation or enterprise, as the case may be. Our amended and restated certificate of incorporation must, subject to certain conditions, advance reasonable expenses to its directors and officers. Our amended and restated certificate of incorporation will expressly authorize the Company to carry directors' and officers' insurance to protect the Company and our directors, officers, employees and agents from certain liabilities.

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

### **Exclusive Forum**

Our amended and restated certificate of incorporation will provide that unless the board of directors otherwise determines, a state court of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Company to the Company or the Company's stockholders, creditors or other constituents, any action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the DGCL or the Company's amended and restated certificate of incorporation or bylaws, or any action asserting a claim against the Company or any director or officer of lack of subject matter jurisdiction, the action may be brought in the Federal court for the District of Delaware. Although the Company's amended and restated certificate of incorporation is inapplicable or unenforceable.

## Authorized But Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will generally be available for future issuance without the approval of the Company's stockholders. The Company may use such additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

#### Listing

We have been authorized to list our shares of common stock on the New York Stock Exchange under the symbol "YUMC."

## Sale of Unregistered Securities

On April 1, 2016, the Company issued 1,000 shares of its common stock to Yum! Restaurants International Management ("YRIM"), and the Company issued 1 share of its common stock to YRIM on each of August 2, 3 and 18, 2016, pursuant to Section 4(a)(2) of the Securities Act. The Company did not register the issuance of such shares under the Securities Act because such issuance did not constitute a public offering. All of the shares of the Company's common stock are currently owned by Yum! Brands, Inc. after YRIM, and other Yum! Brands, Inc. subsidiaries, transferred such shares until the Company became wholly owned by Yum! Brands, Inc.

## **Transfer Agent and Registrar**

After the distribution, the transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company, LLC.

176

## WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock that YUM shareholders will receive in the distribution. This Information Statement forms a part of that registration statement and, as allowed by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to the Company and the distribution, reference is made to the registration statement and the exhibits to the registration statement. Statements contained in this Information Statement as to the contents of any contract or document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit to the registration statement, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each such statement is qualified in all respects by reference to the applicable document.

Following the distribution, we will file annual, quarterly and special reports, proxy statements and other information with the SEC. We intend to furnish our stockholders with annual reports containing combined financial statements audited by an independent registered public accounting firm. The registration statement is, and any of these future filings with the SEC will be, available to the public over the Internet on the SEC's website at www.sec.gov. You may read and copy any filed document at the SEC's public reference room in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

The Company maintains an Internet site at www.yumchina.com. The Company's website and the information contained therein or connected thereto shall not be deemed to be incorporated herein, and you should not rely on any such information.

## 177

# INDEX TO FINANCIAL INFORMATION

	Page Reference
Combined Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Combined Statements of Income (Loss) for the fiscal years ended December 31, 2015, December 31, 2014 and	
December 31, 2013	F-3
Combined Statements of Comprehensive Income (Loss) for the fiscal years ended December 31, 2015,	
December 31, 2014 and December 31, 2013	F-4
Combined Statements of Cash Flows for the fiscal years ended December 31, 2015, December 31, 2014 and	
December 31, 2013	F-5
Combined Balance Sheets as of December 31, 2015 and December 31, 2014	F-6
Combined Statements of Equity for the fiscal years ended December 31, 2015, December 31, 2014 and	
December 31, 2013	F-7
Notes to Combined Financial Statements	F-8
Condensed Combined Financial Statements	
Condensed Combined Statements of Income for the years to date ended May 31, 2016 and May 31, 2015	F-36
Condensed Combined Statements of Comprehensive Income for the years to date ended May 31, 2016 and	
May 31, 2015	F-37
Condensed Combined Statements of Cash Flows for the years to date ended May 31, 2016 and May 31, 2015	F-38
Condensed Combined Balance Sheets as of May 31, 2016 and December 31, 2015	F-39
Notes to Condensed Combined Financial Statements	F-40

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Yum! Brands, Inc.:

We have audited the accompanying combined balance sheets of Yum! Brands, Inc.'s China businesses and operations ("Yum China Holdings, Inc." or the "Company") as of December 31, 2015 and 2014, and the related combined statements of income (loss), comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 and Note 2, the accompanying combined financial statements have been derived from the consolidated financial statements and underlying accounting records of Yum! Brands, Inc. ("YUM"). The combined financial statements also include expense allocations for certain corporate functions historically provided by YUM. These allocations may not be indicative of the actual expenses which would have been incurred had the Company operated as a separate entity apart from YUM.

/s/ KPMG Huazhen LLP

Shanghai, China May 3, 2016

## **Combined Statements of Income (Loss)**

## Yum China Holdings, Inc.

# Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

## (in millions)

	2015	2014	2013
Revenues			
Company sales	\$ 6,789	\$ 6,821	\$ 6,800
Franchise fees and income	120	113	105
Total revenues	6,909	6,934	6,905
Costs and Expenses, Net			
Company restaurants			
Food and paper	2,159	2,207	2,258
Payroll and employee benefits	1,386	1,407	1,360
Occupancy and other operating expenses	2,386	2,415	2,347
Company restaurant expenses	5,931	6,029	5,965
General and administrative expenses	395	389	356
Franchise expenses	70	64	60
Closures and impairment expenses, net	64	517	325
Refranchising gain, net	(13)	(17)	(5)
Other income, net	(26)	(51)	(25)
Total costs and expenses, net	6,421	6,931	6,676
Operating Profit	488	3	229
Interest income, net	8	14	5
Income Before Income Taxes	496	17	234
Income Belore Income Taxes	490	1 /	234
Income tax provision	(168)	(54)	(135)
Net Income (loss)—including noncontrolling interests	328	(37)	99
Net Income (loss)—noncontrolling interests	5	(30)	(27)
Net Income (loss)—Yum China Holdings, Inc.	\$ 323	\$ (7)	\$ 126

See accompanying Notes to Combined Financial Statements.

## Combined Statements of Comprehensive Income (Loss)

## Yum China Holdings, Inc.

# Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

## (in millions)

	2015	2014	2013
Net income (loss)—including noncontrolling interests	\$ 328	\$ (37)	\$ 99
Other comprehensive income (loss), net of tax:			
Foreign currency gains (losses) arising during the year	(93)	(52)	66
Comprehensive Income (loss)—including noncontrolling interests	235	(89)	165
Comprehensive Income (loss)—noncontrolling interests	(1)	(32)	(23)
Comprehensive Income (Loss)—Yum China Holdings, Inc.	\$ 236	\$ (57)	\$ 188

See accompanying Notes to Combined Financial Statements.

## **Combined Statements of Cash Flows**

## Yum China Holdings, Inc.

## Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

## (in millions)

	2015	2014	2013
Cash Flows—Operating Activities			
Net Income (loss)—including noncontrolling interests	\$ 328	\$ (37)	\$ 99
Depreciation and amortization	425	411	394
Closures and impairment expenses	64	517	325
Refranchising gain	(13)	(17)	(5)
Deferred income taxes	29	(104)	(49)
Equity income from investments in unconsolidated affiliates	(41)	(30)	(26)
Distributions of income received from unconsolidated affiliates	21	28	43
Excess tax benefits from share-based compensation	(3)	(2)	(3)
Share-based compensation expense	14	13	12
Changes in accounts receivable	(12)	6	(12)
Changes in inventories	61	(21)	22
Changes in prepaid expenses and other current assets	(1)	10	(5)
Changes in accounts payable and other current liabilities	31	39	(24)
Changes in income taxes payable	(14)	(44)	6
Other, net	21	6	5
Net Cash Provided by Operating Activities	910	775	782
Cash Flows—Investing Activities			
Capital spending	(512)	(525)	(568)
Proceeds from refranchising of restaurants	27	31	10
Other, net	(8)	(18)	(17)
Net Cash Used in Investing Activities	(493)	(512)	(575)
Cash Flows—Financing Activities			
Net transfers to Parent	(214)	(316)	(105)
Payment of capital lease obligations	(2)	(1)	(1)
Short-term borrowings, by original maturity			
More than three months—proceeds	_	2	56
More than three months—payments		(2)	(56)
Excess tax benefits from share-based compensation	3	2	3
Other, net		(4)	(33)
Net Cash Used in Financing Activities	(213)	(319)	(136)
Effect of Exchange Rates on Cash and Cash Equivalents	(17)	(6)	6
Net Increase (Decrease) in Cash and Cash Equivalents	187	(62)	77
Cash and Cash Equivalents—Beginning of Year	238	300	223
Cash and Cash Equivalents—End of Year		\$ 238	\$ 300

See accompanying Notes to Combined Financial Statements.

## **Combined Balance Sheets**

## Yum China Holdings, Inc.

## December 31, 2015 and December 31, 2014

## (in millions)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	• -	\$ 238
Accounts receivable, net	76	60
Inventories	189	260
Prepaid expenses and other current assets	109	90
Total Current Assets	799	648
Property, plant and equipment, net	1,841	2,001
Goodwill	85	89
Intangible assets, net	107	127
Investments in unconsolidated affiliates	61	52
Other assets	192	199
Deferred income taxes	116	141
Total Assets	\$ 3,201	\$ 3,257
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	\$ 926	\$ 1,004
Income taxes payable	22	36
Total Current Liabilities	948	1,040
Capital lease obligations	34	34
Other liabilities and deferred credits	234	229
Total Liabilities	1,216	1,303
Redeemable Noncontrolling Interest	6	9
Equity	0	
Parent Company investment	1,791	1,671
Accumulated other comprehensive income (loss)	130	217
Total Equity—Yum China Holdings, Inc.	1,921	1,888
Noncontrolling interests	58	57
Total Equity	1,979	1,945
Total Liabilities, Redeemable Noncontrolling Interest and Equity	\$ 3,201	\$ 3,257

See accompanying Notes to Combined Financial Statements.

## **Combined Statements of Equity**

## Yum China Holdings, Inc.

## Fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013

## (in millions)

	С	Yum Chin: Parent ompany vestment	Accur Ot Compr	, Inc. nulated ther ehensive e (Loss)	Noncontrolling Interests		Total Equity	Redeemable Noncontrolling Interest
Balance at December 31, 2012	\$	2,012	\$	205	<u>\$ 99</u>	\$	2,316	\$ 59
Net Income (loss)		126			(5)		121	(22)
Foreign currency translation gains (losses)				62	2		64	2
Comprehensive Income (loss)							185	(20)
Dividends declared					(18)		(18)	
Acquisitions of Little Sheep store-level								
noncontrolling interests					(15)		(15)	
Net transfers to Parent		(124)					(124)	
Balance at December 31, 2013	\$	2,014	\$	267	\$ 63	\$	2,344	\$ 39
Net Income (loss)		(7)			(1)	_	(8)	(29)
Foreign currency translation gains (losses)				(50)	(1)		(51)	(1)
Comprehensive Income (loss)						_	(59)	(30)
Dividends declared					(4)		(4)	
Net transfers to Parent		(336)					(336)	
Balance at December 31, 2014	\$	1,671	\$	217	\$ 57	\$	1,945	\$ 9
Net Income (loss)		323			6		329	(1)
Foreign currency translation gains (losses)				(87)	(4)		(91)	(2)
Comprehensive Income (loss)						_	238	(3)
Acquisitions of Little Sheep store-level								
noncontrolling interests		1			(1)		_	
Net transfers to Parent	_	(204)				_	(204)	
Balance at December 31, 2015		1,791		130	58	_	1,979	6

See accompanying Notes to Combined Financial Statements.

### Notes to Combined Financial Statements

#### (Tabular amounts in millions, except share data)

#### Note 1—Description of the Business

On October 20, 2015, Yum! Brands, Inc. ("YUM" or the "Parent") announced that it intended to separate into two independent publicly traded companies each with a separate strategic focus. YUM plans to distribute to its shareholders all outstanding shares of Yum China Holdings, Inc. (the "Company"), which will hold, directly or indirectly, the assets and liabilities associated with YUM's operations in China. The separation transaction will be completed by way of a pro rata distribution of Company shares by YUM to its shareholders as of the record date. These Combined Financial Statements reflect the results of operations, comprehensive income and cash flows of the Company for the three years ended December 31, 2015 and the Company's financial position as of December 31, 2015 and 2014. References to the Company throughout these Combined Financial Statements are made using the first person notations of "we," "us" or "our."

The Company operates and owns, franchises or has ownership in entities that own and operate restaurants under the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep concepts (collectively, the "Concepts"). The operating results of these Concepts in China have historically been included in the China Division segment of YUM's Consolidated Financial Statements. Upon the separation of the Company from YUM, Yum! Restaurants Asia Pte. Ltd., a wholly-owned indirect subsidiary of YUM, and Yum Restaurants Consulting (Shanghai) Company Limited (`YCCL"), a wholly-owned indirect subsidiary of the Company, will enter into a 50-year master license agreement with automatic renewals for additional consecutive renewal terms of 50 years each, subject only to YCCL being in "good standing" and unless YCCL gives notice of its intent to not renew, for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its subsidiaries for the development and operation of the KFC, Pizza Hut Casual Dining and Pizza Hut Home Services brands and their related marks and other intellectual property rights for restaurant services in China. In addition, subject to certain agreed-upon milestones, the Company has an exclusive license under the master license agreement to operate and develop Taco Bell restaurants and use the related marks in China. In exchange we will pay a license fee to YUM equal to 3% of net sales for both our Company and franchise restaurants. We will continue to own the East Dawning and Little Sheep intellectual property and will pay no license fee related to these concepts.

Completion of the transaction will be subject to certain conditions, including, among others, receiving final approval from YUM's board of directors, receipt of various regulatory approvals, receipt of opinions of YUM's external tax advisors with respect to certain tax matters, the effectiveness of filings related to public listing in the United States of America and applicable securities laws, and other terms and conditions as may be determined by YUM's board of directors. The transaction is expected to be completed by the end of 2016 and is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes.

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

KFC was the first quick-service restaurant brand to enter China in 1987. As of December 31, 2015, there are approximately 5,000 KFCs in China. We maintain a 58% and 70% controlling interest in the entities that own and operate the KFCs in Shanghai and Beijing, respectively. We have a 47%

#### (Tabular amounts in millions, except share data)

#### Note 1—Description of the Business (Continued)

non-controlling ownership in each of the entities that own and operate KFCs in Hangzhou, Suzhou and Wuxi.

KFC Unit Count	2015	2014	2013
Company-owned	3,821	3,732	3,569
Unconsolidated affiliates	796	757	716
Franchise	386	339	278
	5,003	4,828	4,563

The first Pizza Hut Casual Dining in China opened in 1990. As of December 31, 2015 there are nearly 1,600 Pizza Hut Casual Dining restaurants in China.

Pizza Hut Casual Dining Unit Count	2015	2014	2013
Company-owned	1,556	1,310	1,058
Franchise	16	3	2
	1,572	1,313	1,060

## Note 2—Summary of Significant Accounting Policies

Our preparation of the accompanying Combined Financial Statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

The Combined Financial Statements include all revenues, costs, assets and liabilities directly attributable to the Company either through specific identification or allocation. The Combined Statements of Income include allocations for certain of YUM's Corporate functions which provide a direct benefit to the Company. These costs have been allocated based on Company system sales relative to YUM's global system sales. System sales includes the sales results of all restaurants regardless of ownership. All allocated costs have been deemed to have been paid to the Parent in the period in which the costs were recorded. The Company considers the cost allocation methodology and results to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for the periods presented. See Note 3 for further discussion.

We consolidate entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. We also consider for consolidation an entity, in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity

#### (Tabular amounts in millions, except share data)

## Note 2—Summary of Significant Accounting Policies (Continued)

("VIE"), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it.

Our most significant variable interests are in entities that operate restaurants under franchise arrangements. We do not generally have an equity interest in our franchisee businesses with the exception of certain entities discussed below. Additionally, we do not typically provide significant financial support such as loans or guarantees to our franchisees. We have variable interests in certain entities that operate restaurants under franchise agreements through real estate lease arrangements with them to which we are a party. At December 31, 2015, the Company had future lease payments due from franchisees, on a nominal basis, of approximately \$100 million. As our franchise arrangements provide our franchise entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might otherwise be considered a VIE.

We consolidate the entities that operate KFCs in Shanghai and Beijing where we have controlling interests of 58% and 70%, respectively. We report Net income (loss) attributable to noncontrolling interests, which includes the minority shareholders of the entities separately on the face of our Combined Statements of Income. The portion of equity not attributable to the Company for these entities is reported within equity, separately from the Company's equity on the Combined Balance Sheets.

We have a noncontrolling 47% interest in each of the entities that operate the KFCs in Hangzhou, Suzhou and Wuxi. We account for these entities by the equity method. These entities are not VIEs and our lack of majority voting rights precludes us from controlling these affiliates. Thus, we do not consolidate these affiliates, instead accounting for them under the equity method. We also have a 25% noncontrolling interest in a meat processing entity affiliated with our Little Sheep business which is also accounted for by the equity method. Our share of the net income or loss of these unconsolidated affiliates is included in Other income, net.

The shareholder that owns the remaining 7% ownership interest in Little Sheep holds an option that, if exercised, requires us to redeem its noncontrolling interest. This redeemable non-controlling interest is classified outside permanent equity and recorded in the Combined Balance Sheets as the greater of the initial carrying amount adjusted for the non-controlling interest's share of net income (loss), or its redemption value.

Fiscal Calendar. Our fiscal year ends on December 31. The Company operates on a fiscal monthly calendar, with two months in the first quarter, three months in the second and third quarters and four months in the fourth quarter.

**Foreign Currency.** Our functional currency for the operating entities in China is the Chinese Renminbi ("RMB"), the currency of the primary economic environment in which they operate. Income and expense accounts for our operations are then translated into U.S. dollars at the average exchange rates prevailing during the period. Assets and liabilities are then translated into U.S. dollars at exchange rates in effect at the balance sheet date. As of December 31, 2015, net cumulative translation adjustment gains of \$130 million are recorded in Accumulated other comprehensive income (loss) in the Combined Balance Sheet. Gains and losses arising from the impact of foreign currency exchange

#### (Tabular amounts in millions, except share data)

#### Note 2—Summary of Significant Accounting Policies (Continued)

rate fluctuations on transactions in foreign currency, to the extent they arise, are included in Other income, net in our Combined Statements of Income.

**Franchise Operations.** We execute agreements which set out the terms of our arrangement with franchisees. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and their payment of a renewal fee, a franchise may generally renew the franchise agreement upon its expiration.

The internal costs we incur to provide support services to our franchisees are charged to General and Administrative ("G&A") expenses as incurred. Certain direct costs of our franchise operations are charged to Franchise expenses. These costs include provisions for estimated uncollectible fees, rent or depreciation expense associated with restaurants we sublease to franchisees, and certain other direct incremental franchise support costs. The 3% license fee we pay to YUM for the right to sublicense the KFC and Pizza Hut intellectual property is also recorded in Franchise expenses.

**Revenue Recognition.** Revenues from Company-owned restaurants are recognized when payment is tendered at the time of sale. The Company presents sales net of sales-related taxes. The license fee we pay to YUM as a percentage of these Company sales is included in Occupancy and other operating expenses. We recognize income from gift cards when the gift card is redeemed by the customer. We recognize breakage revenue, which is the amount of gift card proceeds that is not expected to be redeemed, when the likelihood of redemption becomes remote.

Income from our franchisees includes initial fees, continuing fees, renewal fees and rental income from restaurants we sublease to them. We recognize initial fees received from a franchisee as revenue when we have performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a store. We recognize continuing fees, which are based upon a percentage of franchisee sales, as those sales occur and rental income is recognized as it is earned. We recognize renewal fees when a renewal agreement with a franchisee becomes effective. We present initial fees collected upon the sale of a Company-owned restaurant to a franchisee in Refranchising gain, net.

**Direct Marketing Costs.** We charge direct marketing costs to expense ratably in relation to revenues over the year in which incurred and, in the case of advertising production costs, in the year the advertisement is first shown. Deferred direct marketing costs, which are classified as prepaid expenses, consist of media and related advertising production costs which will generally be used for the first time in the next fiscal year and have historically not been significant. Our direct marketing expenses were \$327 million, \$328 million and \$346 million in 2015, 2014 and 2013, respectively. We report direct marketing costs in Occupancy and other operating expenses.

Our franchise agreements require our franchisees to fund advertising and marketing expenditures, typically in an amount that is a percentage of sales. Local marketing expenditures are managed by each operator. The Company, as an agent, collects and disburses non-local funds on behalf of the entire system. We record cash received and accounts payable from the administration of such non-local funds in our Combined Balance Sheets. Any unused non-local funds are returned to the system.

**Research and Development Expenses.** Research and development expenses, which are expensed as incurred and are reported in G&A expenses. Research and development expenses were \$5 million, in each of 2015, 2014 and 2013.

#### (Tabular amounts in millions, except share data)

### Note 2—Summary of Significant Accounting Policies (Continued)

**Share-Based Compensation.** Certain of the Company's employees participate in YUM's share-based compensation plans. We recognize all share-based payments to employees, including grants of employee stock options and stock appreciation rights ("SARs"), in the Combined Financial Statements as compensation cost over the service period based on their fair value on the date of grant. This compensation cost is recognized over the service period on a straight-line basis for awards that actually vest. We present this compensation cost consistent with the other compensation costs for the employee recipient in G&A expenses. Share-based compensation expense includes an allocation of amounts incurred by YUM for services provided on our behalf. See Note 13 for further discussion of YUM's share-based compensation plans.

**Impairment or Disposal of Property, Plant and Equipment.** Property, plant and equipment ("PP&E") is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The assets are not recoverable if their carrying value is less than the undiscounted cash flows we expect to generate from such assets. If the assets are not deemed to be recoverable, impairment is measured based on the excess of their carrying value over their fair value.

For purposes of impairment testing for our restaurants, we have concluded that an individual restaurant is the lowest level of independent cash flows unless our intent is to refranchise restaurants as a group. We review our long-lived assets of such individual restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We use two consecutive years of operating losses after a restaurant has been open for three years as our primary indicator of potential impairment for our semi-annual impairment testing of these restaurant assets. We evaluate the recoverability of these restaurant assets by comparing the estimated undiscounted future cash flows, which are based on our entity-specific assumptions to the carrying value of such assets. Our impairment indicator and recoverability tests do not include a deduction for license fees paid to YUM. For restaurant assets that are not deemed to be recoverable, we write-down an impaired restaurant to its estimated fair value, which becomes its new cost basis. Fair value is an estimate of the price a franchisee would pay for the restaurant and its related assets and is determined by discounting the estimated future after-tax cash flows of the restaurant, which include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement. The discount rate used in the fair value calculation is our estimate of the required rate-ofreturn that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

When we believe it is more likely than not a restaurant or groups of restaurants will be refranchised for a price less than their carrying value, but do not believe the restaurant(s) have met the criteria to be classified as held for sale, we review the restaurants for impairment. We evaluate the recoverability of these restaurant assets by comparing estimated sales proceeds plus holding period cash flows, if any, to the carrying value of the restaurant or group of restaurants. For restaurant assets that are not deemed to be recoverable, we recognize impairment for any excess of carrying value over the fair value of the restaurants, which is based on the expected net sales proceeds. To the extent ongoing

#### (Tabular amounts in millions, except share data)

## Note 2—Summary of Significant Accounting Policies (Continued)

agreements to be entered into with the franchisee simultaneous with the refranchising are expected to contain terms, such as royalty rates, not at prevailing market rates, we consider the off-market terms in our impairment evaluation. We recognize any such impairment charges in Refranchising gain. Refranchising gain includes the gains or losses from the sales of our restaurants to new and existing franchisees, including any impairment charges discussed above, and the related initial franchise fees. We recognize gains on restaurant refranchisings when the sale transaction closes, the franchisee has a minimum amount of the purchase price in at-risk equity and we are satisfied that the franchisee can meet its financial obligations.

When we decide to close a restaurant, it is reviewed for impairment and depreciable lives are adjusted based on the expected disposal date. Other costs incurred when closing a restaurant such as costs of disposing of the assets as well as other facility-related expenses from previously closed stores are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, if any. Any costs recorded upon store closure as well as any subsequent adjustments to liabilities for remaining lease obligations as a result of lease termination or changes in estimates of sublease income are recorded in Closures and impairment expenses. In the event we are forced to close a store and receive compensation for such closure, that compensation is recorded in Closures and impairment expenses. To the extent we sell assets associated with a closed store, any gain or loss upon that sale is also recorded in Closures and impairment expenses.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, sublease income and refranchising proceeds. Accordingly, actual results could vary significantly from our estimates.

**Impairment of Investments in Unconsolidated Affiliates.** We record impairment charges related to an investment in an unconsolidated affiliate whenever events or circumstances indicate that a decrease in the fair value of an investment has occurred which is other than temporary. In addition, we evaluate our investments in unconsolidated affiliates for impairment when they have experienced two consecutive years of operating losses.

**Income Taxes.** The Company's results have historically been included in the consolidated U.S. federal income tax return and U.S. state income tax filings of YUM. The Company has computed its provision for income taxes on a separate return basis in these Combined Financial Statements. The separate return method applies the accounting guidance for income taxes to the stand-alone financial statements as if the Company was a separate taxpayer and a stand-alone enterprise for the periods presented. The calculation of income taxes for the Company on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations.

We record deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences or carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Additionally, in determining the need for recording a valuation allowance against the carrying amount of deferred tax assets, we consider the amount of

#### (Tabular amounts in millions, except share data)

## Note 2—Summary of Significant Accounting Policies (Continued)

taxable income and periods over which it must be earned, actual levels of past taxable income and known trends and events or transactions that are expected to affect future levels of taxable income. Where we determine that it is more likely than not that all or a portion of an asset will not be realized, we record a valuation allowance.

We recognize the benefit of positions taken or expected to be taken in our tax returns when it is more likely than not (*i.e.*, a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. We evaluate these amounts on a quarterly basis to ensure that they have been appropriately adjusted for audit settlements and other events we believe may impact the outcome. Changes in judgment that result in subsequent recognized as a discrete item in the interim period in which the change occurs. We recognize accrued interest and penalties related to unrecognized tax benefits as components of our Income tax provision.

We do not record a U.S. deferred tax liability for the excess of the book basis over the tax basis of our investments in foreign subsidiaries to the extent that the basis difference results from earnings that meet the indefinite reversal criteria. This criteria is met if the foreign subsidiary has invested, or will invest, the undistributed earnings indefinitely. The decision as to the amount of undistributed earnings that we intend to maintain in non-U.S. subsidiaries considers items including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity plans and expected cash requirements in the United States.

In November, 2015 the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17) to simplify the presentation of deferred taxes on the balance sheet. ASU 2015-17 requires organizations that present a classified balance sheet to classify all deferred taxes as noncurrent assets or noncurrent liabilities. We have elected to early adopt this guidance as of December 31, 2015.

See Note 14 for a further discussion of our income taxes.

**Fair Value Measurements.** Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities we record or disclose at fair value, we determine fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, we determine fair value based upon the quoted market price of similar assets or the present value of expected future cash flows considering the risks involved, including counterparty performance risk if appropriate, and using discount rates appropriate for the duration. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

- Level 1 Inputs based upon quoted prices in active markets for identical assets.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 Inputs that are unobservable for the asset.

Cash and Cash Equivalents. Cash equivalents represent funds we have temporarily invested (with original maturities not exceeding three months), including short-term, highly liquid debt securities. Cash

### (Tabular amounts in millions, except share data)

## Note 2—Summary of Significant Accounting Policies (Continued)

and overdraft balances that meet the criteria for right to offset are presented net on our Combined Balance Sheets.

**Receivables.** Trade receivables consisting of royalties from franchisees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts receivable on our Combined Balance Sheets. Our provision for uncollectible franchise receivable balances is based upon predefined aging criteria or upon the occurrence of other events that indicate that we may not collect the balance due. Additionally, we monitor the financial condition of our franchisees and record provisions for estimated losses on receivables when we believe it probable that our franchisees will be unable to make their required payments. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Trade receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. Receivables due from unconsolidated affiliates were \$19 million as of December 31, 2015 and 2014, respectively.

Inventories. We value our inventories at the lower of cost (computed on the first-in, first-out method) or market.

**Property, Plant and Equipment.** We state PP&E at cost less accumulated depreciation and amortization. We calculate depreciation and amortization on a straight-line basis over the estimated useful lives of the assets as follows: 20 years for buildings, the lesser of 8 years and remaining lease term for leasehold improvements, 5 to 10 years for restaurant machinery and equipment and 3 to 5 years for capitalized software costs. We suspend depreciation and amortization on a ssets related to restaurants that are held for sale.

Leases and Leasehold Improvements. The Company leases land, buildings or both for its restaurants. The length of our lease terms which generally do not have renewal options are an important factor in determining the appropriate accounting for leases including the initial classification of the lease as capital or operating and the timing of recognition of rent expense over the duration of the lease. We include renewal option periods in determining the term of our leases when failure to renew the lease would impose a penalty on the Company in such an amount that a renewal appears to be reasonably assured at the inception of the lease. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might be impaired if we choose not to continue the use of the leased property. Leasehold improvements are amortized over the shorter of their estimated useful lives or the lease term. We generally do not receive leasehold improvement incentives upon opening a store that is subject to a lease.

We expense rent associated with leased land or buildings while a restaurant is being constructed whether rent is paid or we are subject to a rent holiday. Additionally, certain of the Company's operating leases contain predetermined fixed escalations of the minimum rent during the lease term. For leases with fixed escalating payments and/or rent holidays, we record rent expense on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (*e.g.*, when Company sales occur).

#### (Tabular amounts in millions, except share data)

## Note 2—Summary of Significant Accounting Policies (Continued)

From time to time, we purchase the rights to use government-owned land for a fixed period of time. These land use rights are recorded in Other Assets in our Combined Balance Sheets as we are purchasing the right and are a legal party to the underlying land grant, and are amortized to rent expense on a straight-line basis over the term of the land use right.

**Internal Development Costs and Abandoned Site Costs.** We capitalize direct costs associated with the site acquisition and construction of a Company unit on that site, including direct internal payroll and payroll-related costs. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized. If we subsequently make a determination that it is probable a site for which internal development costs have been capitalized will not be acquired or developed, any previously capitalized internal development costs are expensed and included in G&A expenses.

**Goodwill and Intangible Assets.** From time to time, the Company acquires restaurants from our existing franchisees or acquires another business. Goodwill from these acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. Goodwill is not amortized and has been assigned to reporting units for purposes of impairment testing. Our reporting units are our individual operating segments.

We evaluate goodwill for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairment might exist. We have selected the beginning of our fourth quarter as the date on which to perform our ongoing annual impairment test for goodwill. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a willing buyer would pay for a reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value.

If we record goodwill upon acquisition of a restaurant(s) from a franchisee and such restaurant(s) is then sold within two years of acquisition, the goodwill associated with the acquired restaurant(s) is written off in its entirety. If the restaurant is refranchised two years or more subsequent to its acquisition, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising and the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. Appropriate adjustments are made if a franchise agreement includes terms that

#### (Tabular amounts in millions, except share data)

### Note 2—Summary of Significant Accounting Policies (Continued)

are determined to not be at prevailing market rates. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. As a result, the percentage of a reporting unit's goodwill that will be written off in a refranchising transaction will be less than the percentage of the reporting unit's Company-owned restaurants that are refranchised in that transaction.

We evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, we amortize the intangible asset prospectively over its estimated remaining useful life. Intangible assets that are deemed to have a definite life are generally amortized on a straight-line basis to their residual value.

We evaluate our indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairments might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. We may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not that the fair value of an indefinite-lived intangible asset exceeds its carrying value, then the asset's fair value is compared to its carrying value. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset.

Our definite-lived intangible assets that are not allocated to an individual restaurant are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed not recoverable on an undiscounted basis is written down to its estimated fair value, which is our estimate of the price a willing buyer would pay for the intangible asset based on discounted expected future after-tax cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the definite-lived intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

Asset Retirement Obligations. We recognize an asset and a liability for the fair value of a required asset retirement obligation ("ARO") when such an obligation is incurred. The Company's AROs are primarily associated with leasehold improvements which, at the end of the lease, the Company is contractually obligated to remove in order to comply with the lease agreement. As such, we amortize the asset on a straight-line basis over the lease term and accrete the liability to its nominal value using the effective interest method over the lease term.

**Retirement Plans.** Certain of the Company's employees participate in noncontributory defined benefit plans and post-retirement medical plans sponsored by YUM. For these plans, the Company considers them to be part of multi-employer plans. We have allocated expenses related to our employees' participation in these plans in our Combined Statements of Income. However, our Combined Balance Sheets do not reflect any assets or liabilities related to these plans. We consider the expense allocation methodology and results to be reasonable for all periods presented. See Note 3 for additional information.



#### (Tabular amounts in millions, except share data)

### Note 2—Summary of Significant Accounting Policies (Continued)

Net Earnings Per Share. We do not present historical net earnings per share as common stock was not part of the Company's capital structure for the periods presented.

**Parent Company Investment.** Parent Company Investment in the Combined Balance Sheets represents YUM's historical investment in the Company, the Company's accumulated net earnings after taxes, and the net effect of transactions with and allocations from YUM. The Combined Statements of Equity include net cash transfers to and from YUM and the Company. All intercompany transactions that are not cash settled through Parent Company Investment in the accompanying Combined Balance Sheets are considered to be settled at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in financing activities in the accompanying Combined Statements of Cash Flows.

### Note 3—Transactions with Parent

## Allocation of Corporate Expenses

YUM has historically performed centralized corporate functions on our behalf. Accordingly, certain YUM costs have been allocated to the Company and reflected as expenses in these Combined Financial Statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the historical Parent expenses attributable to the Company. The expenses reflected in the Combined Financial Statements may not be indicative of the actual expenses that would have been incurred during the periods presented if we had operated as a separate, stand-alone entity.

Corporate expense allocations primarily relate to centralized corporate functions, including finance, accounting, treasury, tax, legal, internal audit and risk management functions. In addition, corporate expense allocations include, among other costs, IT maintenance, professional fees for legal services and expenses related to litigation, investigations, or similar matters. Corporate allocations of \$12 million, \$11 million, and \$12 million were allocated to the Company during fiscal years 2015, 2014 and 2013, respectively, and have been included in G&A expenses in the Combined Statements of Income. All of the corporate allocations of costs are deemed to have been incurred and settled through Parent Company Investment in the period where the costs were recorded. Following the separation, we will perform these functions using our own resources or purchased services.

#### License Fee

The Combined Statements of Income include a fee that was historically paid to YUM comprised of initial fees and continuing fees equal to 3% of net sales for both our Company and franchise restaurants. License fees due to YUM for our Company-owned stores are included within restaurant margin in Occupancy and other operating expenses in the Combined Statements of Income. License

### (Tabular amounts in millions, except share data)

## Note 3—Transactions with Parent (Continued)

fees due to YUM on franchise sales are included in Franchise expenses. Total license fees paid to YUM in 2015, 2014 and 2013 are reflected in the table below:

	2015	2014	2013
Initial fees—Company	\$ 18	\$ 17	\$ 17
Initial fees—Franchise	3	2	2
Continuing fees—Company	201	200	198
Continuing fees—Franchise	47	46	45
Total	\$ 269	\$ 265	\$ 262

## Cash Management and Treasury

The Company funds its operations through cash generated from the operation of its Company-owned stores, franchise operations and dividend payments from our unconsolidated affiliates. Excess cash has historically been repatriated to YUM through intercompany loans or dividends. Transfers of cash both to and from YUM are included within Parent Company Investment on the Combined Statements of Equity. YUM has issued debt for general corporate purposes but in no case has any such debt been guaranteed or assumed by the Company or otherwise secured by the assets of the Company. As YUM debt and related interest is not directly attributable to the Company, no such amounts have been allocated to these Combined Financial Statements.

### Note 4—Items Affecting Comparability of Net Income and Cash Flows

### Little Sheep Impairment

On February 1, 2012 we acquired an additional 66% interest in Little Sheep for \$540 million, net of cash acquired of \$44 million, increasing our ownership to 93%. The primary assets recorded as a result of the acquisition and resulting consolidation of Little Sheep were the Little Sheep trademark and goodwill of approximately \$400 million and \$375 million, respectively.

Sustained declines in sales and profits in 2013 resulted in a determination that the Little Sheep trademark, goodwill and certain restaurant level PP&E were impaired during the quarter ended September 7, 2013. As a result, we recorded impairment charges to the trademark, goodwill and PP&E of \$69 million, \$222 million and \$4 million, respectively, during the quarter ended August 31, 2013.

The Little Sheep business continued to underperform during 2014 with actual average-unit sales volumes and profit levels significantly below those assumed in our 2013 estimation of the Little Sheep trademark and reporting unit fair values. As a result, a significant number of Company-operated restaurants were closed or refranchised during 2014 with future plans calling for further focus on franchise-ownership for the Concept. We tested the Little Sheep trademark and goodwill for impairment in the fourth quarter of 2014 pursuant to our accounting policy. As a result of comparing the trademark's 2014 fair value estimate of \$58 million to its carrying value of \$342 million, we recorded a \$284 million impairment charge. Additionally, after determining the 2014 fair value estimate of the Little Sheep reporting unit was less than its carrying value we wrote off Little Sheep's remaining goodwill balance of \$160 million. The Company also evaluated other Little Sheep long-lived assets for impairment and recorded \$14 million of restaurant-level PP&E impairment and a \$5 million

#### (Tabular amounts in millions, except share data)

## Note 4-Items Affecting Comparability of Net Income and Cash Flows (Continued)

impairment of our equity method investment in a meat processing business that supplies lamb to Little Sheep.

The losses related to Little Sheep that have occurred concurrent with our trademark and goodwill impairments in 2014 and 2013, none of which have been allocated to any segment for performance reporting purposes, are summarized below:

	2014 2013		2013	Income Statement Classification	
Impairment of Goodwill	\$	160	\$	222	Closures and impairment (income) expense
Impairment of Trademark		284		69	Closures and impairment (income) expense
Impairment of PP&E		14		4	Closures and impairment (income) expense
Impairment of Investment in Little Sheep Meat		5		—	Closures and impairment (income) expense
Tax Benefit		(76)		(18)	Income tax provision
Loss Attributable to Non-Controlling Interest		(26)		(19)	Net Income (loss) noncontrolling interests
Net loss	\$	361	\$	258	

## Refranchising Gain, net

The Refranchising gain, net by reportable segment and All Other Segments is presented below. We do not allocate such gains and losses to our segments for performance reporting purposes.

		ranchisi ain, net	
	2015	2014	2013
	\$ 8	\$ 17	\$ 5
t Casual Dining	3	—	_
er Segments	2		
npany	<u>\$ 13</u>	\$ 17	\$5

## Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment and All Other Segments are presented below. These tables exclude \$463 million and \$295 million of Little Sheep impairment losses in 2014 and 2013, respectively which were not allocated to any segment for performance reporting purposes.

					2015			
	Tota	al			Pizza		All O	
	Comp	any	K	FC	Casual	Dining	Segm	ents
Store closure (income) costs(a)	\$	(6)	\$	(7)	\$	(2)	\$	3
Store impairment charges		70		57		10		3
Closure and impairment (income) expenses	\$	64	\$	50	\$	8	\$	6

## (Tabular amounts in millions, except share data)

## Note 4—Items Affecting Comparability of Net Income and Cash Flows (Continued)

					2014				
	To	Total				a Hut	All Othe		
	Com	Company		Company KFC		Casual Dining		Segments	
Store closure (income) costs(a)	\$	—	\$	(2)	\$	(1)	\$	3	
Store impairment charges		54		43		3		8	
Closure and impairment (income) expenses	\$	54	\$	41	\$	2	\$	11	

					2013				
		Total Company				Pizza Hut Casual Dining		All Ot g Segme	
Store closure (income) costs(a)	\$	(1)	\$	(4)	\$	(1)	\$	4	
Store impairment charges		31		27		2		2	
Closure and impairment (income) expenses	\$	30	\$	23	\$	1	\$	6	

(a) Store closure (income) costs include lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves, other facility-related expenses from previously closed stores and proceeds from forced store closures. Remaining lease obligations for closed stores were not material at December 31, 2015 or December 31, 2014.

## Note 5—Franchise Fees and Income

	201	5	2014	2013	5
Initial fees, including renewal fees	\$	9	\$ 7	\$	5
Initial franchise fees included in Refranchising gain, net		(3)	(3	) (	(1)
		6	4		4
Continuing fees and rental income	1	14	109	10	)1
Franchise fees and income	\$ 1	20	\$ 113	\$ 10	)5

## Note 6—Other Income, net

	2015	2014	2013
Equity income from investments in unconsolidated affiliates	\$ (41)	\$ (30)	\$ (26)
China poultry supply insurance recovery(a)	(5)	(25)	—
Loss associated with planned sale of aircraft(b)	15	—	_
Foreign exchange net loss and other	5	4	1
Other income, net	\$ (26)	\$ (51)	\$ (25)

(a) Recoveries related to lost profits associated with a 2012 poultry supply incident.

## (Tabular amounts in millions, except share data)

## Note 6—Other Income, net (Continued)

(b) During 2015, we made the decision to dispose of a corporate aircraft. The loss associated with this planned sale reflects the shortfall of the expected proceeds, less any selling costs, over the carrying value of the aircraft.

## Note 7—Supplemental Balance Sheet Information

	As Decemb	
Prepaid Expenses and Other Current Assets	2015	2014
Assets held for sale(a)	\$ 18	\$ —
Prepaid rent	53	45
Other prepaid expenses and current assets	38	45
Prepaid expenses and other current assets	\$ 109	\$ 90

(a) Reflects the carrying value of a corporate aircraft (See Note 6).

	As of December 31,				
Property, Plant and Equipment		2015		2014	
Buildings and improvements	\$	2,231	\$	2,237	
Capital leases, primarily buildings		35		38	
Machinery and equipment		1,171		1,253	
Property, plant and equipment, gross		3,437		3,528	
Accumulated depreciation and amortization		(1,596)		(1,527)	
Property, plant and equipment, net	\$	1,841	\$	2,001	

Depreciation and amortization expense related to property, plant and equipment was \$408 million, \$392 million and \$377 million in 2015, 2014 and 2013, respectively.

		s of nber 31,
Accounts Payable and Other Current Liabilities	2015	2014
Accounts payable	\$ 454	\$ 501
Accrued capital expenditures	128	187
Accrued compensation and benefits	180	186
Accrued taxes, other than income taxes	42	42
Other current liabilities	122	88
Accounts payable and other current liabilities	\$ 926	\$ 1,004

## (Tabular amounts in millions, except share data)

## Note 7—Supplemental Balance Sheet Information (Continued)

	As Decem	of ber 31,
Other Liabilities and Deferred Credits	2015	2014
Deferred escalating minimum rent	\$ 162	\$ 163
Other noncurrent liabilities and deferred credits	72	66
Other liabilities and deferred credits	\$ 234	\$ 229

## Note 8—Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Total Company K						Pizza Hut Casual Dining	All Other Segments(a)
Balance as of December 31, 2013								
Goodwill, gross	\$	478	\$	80	\$ 11	387		
Accumulated impairment losses		(222)		—	—	(222)		
Goodwill, net		256		80	11	165		
Impairment Losses		(160)		—		(160)		
Disposals and other, net(b)		(7)		(2)		(5)		
Balance as of December 31, 2014								
Goodwill, gross		471		78	11	382		
Accumulated impairment losses		(382)		—		(382)		
Goodwill, net		89		78	11			
Disposals and other, net(b)		(4)		(3)	(1)	_		
Balance as of December 31, 2015								
Goodwill, gross		467		75	10	382		
Accumulated impairment losses		(382)		—		(382)		
Goodwill, net	\$	85	\$	75	\$ 10	<u>\$                                    </u>		

(a) Goodwill and Accumulated impairment losses associated with Little Sheep. (See Note 4)

(b) Disposals and other, net includes the impact of foreign currency translation on existing balances and goodwill write-offs associated with refranchising.



#### (Tabular amounts in millions, except share data)

## Note 8—Goodwill and Intangible Assets (Continued)

Intangible assets, net as of December 31, 2015 and 2014 are as follows:

		:	2015																			
	Car	Gross Carrying Amount		Accumulated Amortization																Gross rrying mount	Accumulated Amortization	
Definite-lived intangible assets																						
Reacquired franchise rights	\$	100	\$	(66)	\$	105	\$	(59)														
Other		30		(13)		35		(14)														
	\$	130	\$	(79)	\$	140	\$	(73)														
Indefinite-lived intangible assets																						
Little Sheep trademark	\$	56			\$	60																

Amortization expense for all definite-lived intangible assets was \$13 million in 2015, \$14 million in 2014 and \$14 million in 2013. Amortization expense for definite-lived intangible assets will approximate \$13 million in 2016, \$13 million in 2017, \$13 million in 2018, \$5 million in 2019 and \$2 million in 2020.

#### Note 9—Credit Facilities

Our bank credit agreements comprise two RMB300 million (approximately \$92 million in total) revolving credit facilities (each a "Credit Facility"). Our three-year Credit Facility matured on April 30, 2016 but remains available to us and may be renewed until the bank completes its annual credit review process. It contains a cross-default provision whereby our failure to make any payment on a principal amount from the other Credit Facility will constitute a default on the agreement. Our one-year Credit Facility matures on February 16, 2017. Each Credit Facility bears interest based on the prevailing rate stipulated by the People's Bank of China and contains financial covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Interest on any outstanding borrowings is due at least monthly. As of December 31, 2015, no amounts were outstanding under either credit facility and the full amount of borrowings were available to us under each credit facility.

#### Note 10—Leases

At December 31, 2015 we operated 5,768 restaurants, leasing the underlying land and/or building, with our commitments expiring within 20 years from the inception of the lease. In addition, the Company subleases approximately 160 properties to franchisees. Most leases require us to pay related executory costs, which include property taxes, maintenance and insurance.

We also lease office space for headquarters and support functions, as well as certain office and restaurant equipment. We do not consider any of these individual leases material to our operations.

### (Tabular amounts in millions, except share data)

## Note 10—Leases (Continued)

Future minimum commitments and amounts to be received as lessor or sublessor under non-cancelable leases are set forth below:

					Lease R	eceivable	s
		Com	nitme	nts	Direct		
	Car	oital	Operating		Financing	Opera	ating
2016	\$	3	\$	490	\$ —	\$	16
2017		3		461			16
2018		3		427	_		15
2019		4		393	_		14
2020		4		359			12
Thereafter		37		1,419	_		25
	\$	54	\$	3,549	\$ —	\$	98

At December 31, 2015 and December 31, 2014, the present value of minimum payments under capital leases was \$35 million and \$36 million, respectively. The current portion of capital lease obligations was \$1 million and \$2 million in 2015 and 2014, respectively, and is classified in Accounts payable and other current liabilities.

The details of rental expense and income are set forth below:

	2015	2014	2013
Rental expense			
Minimum	\$ 516	\$ 523	\$ 530
Contingent	260	265	258
	\$ 776	\$ 788	\$ 788
Rental income	\$ 24	\$ 20	\$ 17

## Note 11—Fair Value Disclosures

As of December 31, 2015 the carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values because of the short-term nature of these instruments.

The following table presents expense recognized from all non-recurring fair value measurements during the years ended December 31, 2015 and 2014. All fair value measurements used in these impairment evaluations were based on unobservable inputs (Level 3). These amounts exclude fair value

#### (Tabular amounts in millions, except share data)

#### Note 11—Fair Value Disclosures (Continued)

measurements made for restaurants that were subsequently closed or refranchised prior to those respective year-end dates.

	2015	2014
Little Sheep impairment(a)	\$ —	\$ 463
Restaurant-level impairment(b)	51	35
Total		\$ 498

- (a) Except for the Little Sheep trademark, which had a carrying value of \$56 million at December 31, 2015, the remaining carrying value of assets measured at fair value due to the 2014 Little Sheep impairments is insignificant. See Note 4 for further discussion. Our 2014 fair value estimate of the Little Sheep trademark was determined using a relief-from-royalty valuation approach that included future revenues as a significant input and a discount rate of 13% as our estimate of the required rate-of-return that a third party buyer would expect to receive when purchasing the trademark. The primary drivers of the trademark's fair value were franchise revenue growth and revenues associated with a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflected annual same store sales growth of 4% and approximately 35 new franchise units per year, partially offset by approximately 25 franchise closures per year. The retail seasoning business was forecasted to generate sales growth consistent with historical results. Our 2015 fair value estimate exceeded its carrying value using similar assumptions and methods as those used in 2014.
- (b) Restaurant-level impairment charges are recorded in Closures and impairment (income) expenses and resulted primarily from our semi-annual impairment evaluation of long-lived assets of individual restaurants that were being operated at the time of impairment and had not been offered for refranchising. The fair value measurements used in these impairment evaluations were based on discounted cash flow estimates using unobservable inputs. The remaining net book value of assets measured at fair value during the years ended December 31, 2015 and December 31, 2014 is insignificant.

### Note 12—Retirement Plans

Certain of the Company's employees participate in retirement plans administered and sponsored by YUM. For these plans, the Company has considered participating employees to be part of multi-employer plans. We have allocated expenses related to this participation in our Combined Statements of Income. However, as we are not the plan sponsor for these benefit plans, our Combined Balance Sheets do not reflect any assets or liabilities related to these plans. We consider the expense allocation methodology and results to be reasonable for all periods presented.

As stipulated by Chinese state regulations, the Company participates in a government-sponsored defined contribution retirement plan. Substantially all employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. We are required to make contributions to the local social security bureau between 10% and 22% of the previous year's average basic salary amount of the geographical area where the employees are under our employment. Contributions are recorded in the Combined

### (Tabular amounts in millions, except share data)

### Note 12—Retirement Plans (Continued)

Statements of Income as they become payable. We have no obligation for the payment of pension benefits beyond the annual contributions as set out above. The Company contributed \$150 million, \$147 million and \$141 million to the plan for 2015, 2014 and 2013, respectively.

### Note 13—Share-Based Compensation

### Overview

Certain of the Company's employees participate in YUM's Long-term Incentive Plan (the "Plan") which provides employees with certain share-based awards as described below. Accordingly, certain costs related to the Plan have been allocated to the Company and are reflected in the Combined Statements of Income in G&A expenses. Under the Plan, the exercise price of stock options and SARs granted must be equal to or greater than the average market price or the ending market price of YUM's stock on the date of grant.

Potential awards to employees under the Plan include stock options, SARs, stock units, restricted stock units (RSUs), performance RSUs, performance share units (PSUs) and performance units. YUM has only issued stock options, SARs, RSUs and PSUs under the Plan. While awards can have varying provisions and exercise periods, outstanding awards vest in periods ranging from three to five years. Stock options and SARs expire ten years after grant.

## Award Valuation

YUM estimated the fair value of each stock option and SAR award granted to the Company's employees as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2015	2014	2013
Risk-free interest rate	1.3%	1.6%	0.8%
Expected term (years)	6.5	6.3	6.3
Expected volatility	27.0%	29.9%	30.0%
Expected dividend yield	2.2%	2.1%	2.1%

Grants made to executives under the Plan typically have a graded vesting schedule of 25% per year over four years and expire ten years after grant. YUM uses a single weighted-average term for awards that have a graded vesting schedule. Based on analysis of the historical exercise and post-vesting termination behavior, YUM determined that executives exercised the awards on average after 6.5 years.

When determining expected volatility, YUM considers both historical volatility of its stock as well as implied volatility associated with its publicly traded options. The expected dividend yield is based on the annual dividend yield at the time of grant.

The fair values of RSU awards are based on the closing price of YUM stock on the date of grant. The fair values of PSU awards granted prior to 2013 are based on the closing price of YUM stock on the date of grant. Beginning in 2013, YUM granted PSU awards with market-based conditions which have been valued based on the outcome of a Monte Carlo simulation.

#### (Tabular amounts in millions, except share data)

## Note 13—Share-Based Compensation (Continued)

## Award Activity

## Stock Options and SARs

	Shares (in thousands)	Weighted-Average Exercise Price														Exercise Price				Weighted-Average Remaining Contractual Term	Aggrega Intrinsic V (in million	alue										
Outstanding at the beginning of the year	4,165	\$	49.26																													
Granted	753		74.27																													
Exercised	(754)		36.90																													
Forfeited or expired	(120)		69.20																													
Transfers, net(a)	980		47.16																													
Outstanding at the end of the year	5,024(b)	\$	53.98	5.70	\$	97																										
Exercisable at the end of the year	3,076	\$	44.86	4.30	\$	87																										

- (a) Reflects awards previously granted to YUM employees who transferred into or out of the Company from or to another YUM Division during the year.
- (b) Outstanding awards include 1,461 options and 3,563 SARs with weighted average exercise prices of \$47.61 and \$56.59, respectively.

The weighted-average grant-date fair value of stock options and SARs granted during 2015, 2014 and 2013 was \$16.11, \$17.45 and \$14.56, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 31, 2015, December 31, 2014 and December 31, 2013, was \$33 million, \$16 million and \$24 million, respectively.

As of December 31, 2015, there was \$19 million of unrecognized compensation cost related to stock options and SARs, which will be reduced by any forfeitures that occur, related to unvested awards that is expected to be recognized over a remaining weighted-average period of approximately 1.7 years. The total fair value at grant date of awards that vested during 2015, 2014 and 2013 was \$6 million, \$7 million and \$10 million, respectively.

## RSUs and PSUs

As of December 31, 2015, there was \$0.8 million of unrecognized compensation cost related to unvested RSUs and PSUs.

## Impact on Net Income

Share-based compensation expense was \$14 million, \$13 million and \$12 million for 2015, 2014 and 2013, respectively. Deferred tax benefits recognized totaled \$3 million, \$3 million and \$2 million for 2015, 2014 and 2013, respectively.

#### (Tabular amounts in millions, except share data)

## Note 14—Income Taxes

The Company's results have historically been included in the consolidated U.S. federal tax return and U.S. state income tax filings of YUM. Our foreign income tax returns, primarily those filed by our China subsidiaries, are filed on an individual entity basis. The Company has calculated its provision using the separate return method in these Combined Financial Statements. Under this method, the Company is assumed to have filed hypothetical tax returns on a stand-alone basis separate from YUM in the relevant tax jurisdictions. Any additional accrued tax liability attributable to the Company arising from the separate return method has been shown as settled against the net Parent company investment account in these Combined Financial Statements. The Company has recorded deferred taxes on its temporary differences, including hypothetical carryforwards and tax credits created by the separate tax return filings. The established current and deferred tax balances may not be indicative of the Company's actual balances prior or subsequent to the separation of operations from YUM.

U.S. and foreign income before taxes are set forth below:

	2015	2014	2013
U.S.	\$ (7	) \$ 15	\$ (12)
China	502	—	251
Other Foreign	1	2	(5)
	\$ 496	\$ 17	\$ 234

The details of our income tax provision (benefit) are set forth below:

		2	015	2	2014	2	013
Current:	Federal	\$	7	\$	9	\$	6
	Foreign		132		149		178
		\$	139	\$	158	\$	184
Deferred:	Federal	\$	(7)	\$	(9)	\$	(3)
	Foreign		36		(95)		(46)
			29		(104)		(49)
		\$	168	\$	54	\$	135

The reconciliation of income taxes calculated at the U.S. federal statutory rate to our effective tax rate is set forth below:

	 2015	5	20	14	201	3
U.S. federal statutory rate	\$ 173	35.0% \$	6	35.0% \$	82	35.0%
Statutory rate differential attributable to foreign operations	(15)	(3.1)	5	32.2	(12)	(5.2)
Adjustments to reserves and prior years	3	0.6	(3)	(20.9)	(2)	(0.8)
Change in valuation allowances	12	2.4	13	79.8	17	7.4
Other, net	(5)	(1.0)	33	196.2	50	21.1
Effective income tax rate	\$ 168	33.9% \$	54	322.3% \$	135	57.5%

### (Tabular amounts in millions, except share data)

#### Note 14—Income Taxes (Continued)

Statutory rate differential attributable to foreign operations. This item includes local taxes, withholding taxes, and shareholder-level taxes, net of foreign tax credits. There is a favorable impact attributable to our income being earned in China where it is subject to a 25% tax rate, which is lower than the U.S. federal statutory rate of 35%.

In 2015, 2014 and 2013, this benefit was negatively impacted by the actual and deemed repatriation of current year foreign earnings to the U.S. as we recognized additional tax expense, resulting from the related effective tax rate being lower than the U.S. federal statutory rate.

Adjustments to reserves and prior years. This item includes: (1) changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position; and (2) the effects of reconciling income tax amounts recorded in our Combined Statements of Income to amounts reflected on our tax returns, including any adjustments to the Combined Balance Sheets. The impact of certain effects or changes may offset items reflected in the 'Statutory rate differential attributable to foreign operations' line.

In 2014 and 2013, this item was impacted by the favorable resolution of uncertain tax positions.

*Change in valuation allowances.* This item relates to changes for deferred tax assets generated or utilized during the current year and changes in our judgment regarding the likelihood of using deferred tax assets that existed at the beginning of the year. The impact of certain changes may offset items reflected in the 'Statutory rate differential attributable to foreign operations' line.

In 2015 and 2014, \$12 million and \$13 million, respectively, of net tax expense was driven by valuation allowances recorded against deferred tax assets generated during the current year.

In 2013, \$17 million of net tax expense was driven by \$13 million for valuation allowances recorded against deferred tax assets generated during the current year, as well as \$4 million tax expense resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

Other. This item primarily includes the impact of permanent differences related to current year earnings as well as tax credits and deductions.

In 2014 and 2013, this item was negatively impacted by the \$160 million and \$222 million, respectively, of non-cash impairments of Little Sheep goodwill, which resulted in no related tax benefit. See Note 4.

## (Tabular amounts in millions, except share data)

## Note 14—Income Taxes (Continued)

The details of deferred tax assets (liabilities) as of December 31, 2015 and 2014 are set forth below:

	2	015	2	2014
Operating losses and tax credit carryforwards	\$	66	\$	54
Employee benefits		2		33
Share-based compensation		11		9
Deferred escalating minimum rent		43		42
Various liabilities		14		13
Deferred income and other		37		36
Gross deferred tax assets		173		187
Deferred tax asset valuation allowances		(45)		(34)
Net deferred tax assets	\$	128	\$	153
Intangible assets	\$	(23)	\$	(30)
Property, plant and equipment		(4)		(2)
Other		(9)		(3)
Gross deferred tax liabilities	\$	(36)	\$	(35)
Net deferred tax assets (liabilities)	\$	92	\$	118
Reported in Combined Balance Sheets as:				
Deferred income taxes	\$	116	\$	141
Other liabilities and deferred credits		(24)		(23)
	\$	92	\$	118

We have investments in our foreign subsidiaries where the carrying values for financial reporting exceed the tax basis. We have not provided deferred tax on the portion of the excess that we believe is indefinitely reinvested, as we have the ability and intent to indefinitely postpone the basis differences from reversing with a tax consequence. The China separation from YUM is intended to qualify as a tax-free reorganization for U.S. income tax purposes resulting in the excess of financial reporting over tax basis in our investment in the China business continuing to be indefinitely reinvested. This amount may become taxable upon an actual or deemed repatriation of assets from the subsidiaries or a sale or liquidation of the subsidiaries. We estimate that our total temporary difference upon which we have not provided deferred tax is approximately \$1.6 billion at December 31, 2015. However, it is not practicable to determine the deferred tax liability on this amount due to uncertainty with regard to the timing or manner of repatriation and the related impact on local taxes, withholding taxes and foreign tax credits.

At December 31, 2015, the Company has operating loss carryforwards of \$163 million, primarily related to our Little Sheep business, all of which will expire by 2020. These losses are being carried forward in jurisdictions where we are permitted to use tax losses from prior periods to reduce future taxable income. At December 31, 2015 the Company also has U.S. tax credit carryforwards of \$25 million, all of which will expire by 2025.

Cash payments for tax liabilities on income tax returns filed in China were \$143 million, \$186 million and \$174 million in 2015, 2014 and 2013, respectively.

#### (Tabular amounts in millions, except share data)

### Note 14—Income Taxes (Continued)

We recognize the benefit of positions taken or expected to be taken in tax returns in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	2	015	20	014
Beginning of Year	\$	13	\$	20
Additions on tax positions		4		4
Reductions due to statute expiration		(2)		(11)
End of Year	\$	15	\$	13

During 2015 and 2014, we increased our unrecognized tax benefits by \$4 million related to uncertainty with regard to the deductibility of certain business expenses incurred during the year. The Company believes it is reasonably possible its unrecognized tax benefits may decrease by approximately \$3 million in the next twelve months, all of which, if recognized upon audit settlement or statute expiration, would affect the 2016 effective tax rate.

The Company's results are subject to examination in the U.S. federal jurisdiction as well as various U.S. state jurisdictions as part of the YUM income tax filings, and separately in foreign jurisdictions. Any liability arising from these examinations is expected to be settled among the Company, YCCL and YUM in accordance with the tax matters agreement.

YUM has settled audits with the IRS through fiscal year 2010. The Company's operations in foreign jurisdictions remain subject to examination for tax years as far back as 2010, some of which years are currently under audit by local tax authorities. The accrued interest and penalties related to income taxes are set forth below:

	As	s of
	Decem	ıber 31,
	2015	2014
Accrued interest and penalties	\$ 3	\$ 3

During 2015, 2014 and 2013, a net expense of \$1 million, and net benefit of \$4 million and \$3 million, respectively, for interest and penalties was recognized in our Combined Statements of Income as components of its income tax provision.

## Note 15—Reportable Operating Segments

We have two reportable segments: KFC and Pizza Hut Casual Dining. We also have three non-reportable operating segments, Pizza Hut Home Service, East Dawning and Little Sheep, which are

## Notes to Combined Financial Statements (Continued)

### (Tabular amounts in millions, except share data)

## Note 15—Reportable Operating Segments (Continued)

combined and referred to as All Other Segments, as these operating segments are individually insignificant.

		Revenues			
	2015	2014	2013		
KFC	4,768	4,893	4,995		
Pizza Hut Casual Dining	1,825	1,696	1,522		
All Other Segments	316	345	388		
Total	\$ 6,909	\$ 6,934	\$ 6,905		

	Oper Interes and I Ind	et;				
	2015	2015 2014 201				
KFC(a)	499	435	456			
Pizza Hut Casual Dining	145	176	235			
All Other Segments	(14)	(44)	(54)			
Unallocated and corporate expenses(b)	(144)	(143)	(123)			
Unallocated Closures and impairment expense(b)(c)		(463)	(295)			
Unallocated Other income(b)	(11)	25	5			
Unallocated Refranchising gain(b)	13	17	5			
Operating Profit	488	3	229			
Interest income, net(b)	8	14	5			
Income Before Income Taxes	\$ 496 \$	\$ 17	\$ 234			

	Depreciati Amortiz	
	2015 2014	4 2013
KFC	283 2	86 283
Pizza Hut Casual Dining	109	92 73
All Other Segments	20	20 30
Corporate	13	13 8
	\$ 425 \$ 4	11 \$ 394

	Ca	Capital Spending		
	2015	2014	2013	
KFC	259	269	303	
Pizza Hut Casual Dining	176	187	167	
All Other Segments	16	23	26	
Corporate	61	46	72	
	\$ 512	\$ 525	\$ 568	



#### (Tabular amounts in millions, except share data)

#### Note 15—Reportable Operating Segments (Continued)

	Identifiat	ole Assets
	2015	2014
KFC(d)	1,577	1,773
Pizza Hut Casual Dining	718	694
All Other Segments	181	181
Corporate(e)	725	609
	\$ 3,201	\$ 3,257

	Long-l Asse	
	2015	2014
KFC	1,248	1,424
Pizza Hut Casual Dining	616	584
All Other Segments	146	149
Corporate	23	60
	\$ 2,033	\$ 2,217

(a) Includes equity income from investments in unconsolidated affiliates of \$41 million, \$30 million and \$26 million in 2015, 2014 and 2013, respectively.

(b) Amounts have not been allocated to any segment for performance reporting purposes.

(c) Represents 2014 and 2013 impairment losses related to Little Sheep. See Note 4.

(d) Includes investments in 3 unconsolidated affiliates totaling \$61 million and \$51 million for 2015 and 2014, respectively.

(e) Primarily includes cash and inventories that are centrally managed.

(f) Includes property, plant and equipment, net, goodwill, and intangible assets, net.

### Note 16—Contingencies

### China Tax on Indirect Transfers of Assets

In February 2015, the Chinese State Administration of Taxation ("SAT") issued the SAT's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises ("Bulletin 7"). Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a China resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM has informed us that it believes that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, given how recently Bulletin 7 was promulgated, there are significant uncertainties regarding what constitutes a reasonable commercial purpose, how the

#### Notes to Combined Financial Statements (Continued)

#### (Tabular amounts in millions, except share data)

#### Note 16—Contingencies (Continued)

safe harbor provisions for group restructurings are to be interpreted and how the taxing authorities will ultimately view the planned distribution. As a result, YUM's position could be challenged by Chinese tax authorities resulting in a 10% tax assessed on the difference between the fair market value and the tax basis of the separated China business. As YUM's tax basis in the China business is minimal, the amount of such a tax could be significant.

Any tax liability arising from the application of Bulletin 7 to the planned distribution is expected to be settled in accordance with the tax matters agreement among the Company, YCCL and YUM. Such a settlement could be significant and have a material adverse effect on our results of operations and our financial condition.

### Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. At December 31, 2015 there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of approximately \$1 billion for the year ended December 31, 2015 and assets and debt of approximately \$350 million and \$50 million, respectively, at December 31, 2015.

### Legal Proceedings

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

### Note 17—Subsequent Events

The Company evaluates subsequent events in accordance with ASC Topic 855, Subsequent Events. Subsequent events were evaluated through May 3, 2016, the date the Combined Financial Statements were available to be issued.

## **Condensed Combined Statements of Income**

## Yum China Holdings, Inc.

# (in millions—Unaudited)

	Year to date			
-	5/3	31/2016	5/3	1/2015
Revenues				
Company sales	\$	2,836	\$	2,843
Franchise fees and income		55		49
Total revenues		2,891		2,892
Costs and Expenses, Net				
Company restaurants				
Food and paper		847		907
Payroll and employee benefits		587		577
Occupancy and other operating expenses		960		982
Company restaurant expenses		2,394		2,466
General and administrative expenses		170		168
Franchise expenses		31		29
Closures and impairment expenses, net		31		19
Refranchising gain, net		(4)		(4)
Other income, net		(27)		(14)
Total costs and expenses, net		2,595		2,664
Operating Profit		296		228
Interest income, net		4		2
Income Before Income Taxes		300		230
Income tax provision		(78)		(65)
Net income—including noncontrolling interests		222		165
Net income—noncontrolling interests		-		_
Net Income—Yum China Holdings, Inc.	\$	222	\$	165

See accompanying Notes to Condensed Combined Financial Statements.

# **Condensed Combined Statements of Comprehensive Income**

## Yum China Holdings, Inc.

## (in millions—Unaudited)

	Year to date			
	5/3	1/2016	5/31	1/2015
Net income—including noncontrolling interests	\$	222	\$	165
Other comprehensive loss, net of tax:				
Foreign currency gains (losses) arising during the period		(29)		1
Comprehensive Income—including noncontrolling interests		193		166
Comprehensive Income (loss)—noncontrolling interests		1		(1)
Comprehensive Income—Yum China Holdings, Inc.	\$	192	\$	167

See accompanying Notes to Condensed Combined Financial Statements.

## **Condensed Combined Statements of Cash Flows**

## Yum China Holdings, Inc.

# (in millions—Unaudited)

5/31/20165/31/2015Cash Flows—Operating ActivitiesNet Income—including noncontrolling interestsNet Income—including noncontrolling interests\$ 222 \$ 165Depreciation and amortization171179Closures and impairment expenses3119Refranchising gain(4)(4)Deferred income taxes(29)1Equity income from investments in unconsolidated affiliates(26)(16)Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10Changes in inventories(20)25
Net Income—including noncontrolling interests\$ 222 \$ 165Depreciation and amortization171 179Closures and impairment expenses31 19Refranchising gain(4) (4)Deferred income taxes(29) 1Equity income from investments in unconsolidated affiliates(26) (16)Distributions of income received from unconsolidated affiliates13 4Excess tax benefits from share-based compensation(1) (3)Share-based compensation expense5 5Changes in accounts receivable(15) 10
Depreciation and amortization171179Closures and impairment expenses3119Refranchising gain(4)(4)Deferred income taxes(29)1Equity income from investments in unconsolidated affiliates(26)(16)Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10
Closures and impairment expenses3119Refranchising gain(4)(4)Deferred income taxes(29)1Equity income from investments in unconsolidated affiliates(26)(16)Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10
Refranchising gain(4)(4)Deferred income taxes(29)1Equity income from investments in unconsolidated affiliates(26)(16)Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10
Deferred income taxes(29)1Equity income from investments in unconsolidated affiliates(26)(16)Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10
Equity income from investments in unconsolidated affiliates(26)(16)Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10
Distributions of income received from unconsolidated affiliates134Excess tax benefits from share-based compensation(1)(3)Share-based compensation expense55Changes in accounts receivable(15)10
Share-based compensation expense55Changes in accounts receivable(15)10
Share-based compensation expense55Changes in accounts receivable(15)10
Changes in inventories (20) 25
Changes in inventories (30) 25
Changes in prepaid expenses and other current assets 7 (4)
Changes in accounts payable and other current liabilities 35 8
Changes in income taxes payable 25 (3)
Other, net 18 10
Net Cash Provided by Operating Activities422396
Cash Flows—Investing Activities
Capital spending (172) (235)
Changes in short-term investments, net (54) (16)
Proceeds from refranchising of restaurants 13 8
Other, net (1) (2)
Net Cash Used in Investing Activities(214)(214)(245)
Cash Flows—Financing Activities
Net transfers to Parent (118) (104)
Payment of capital lease obligations (1) (2)
Excess tax benefits from share-based compensation 1 3
Net Cash Used in Financing Activities (118) (103)
Effect of Exchange Rates on Cash and Cash Equivalents (7) –
Net Increase in Cash and Cash Equivalents   83   48
Cash and Cash Equivalents—Beginning of Period 425 238
Cash and Cash Equivalents—End of Period \$ 508 \$ 286

See accompanying Notes to Condensed Combined Financial Statements

## **Condensed Combined Balance Sheets**

### Yum China Holdings, Inc.

## (in millions)

	31/2016 audited)	12/	/31/2015
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 508	\$	425
Accounts receivable, net	117		76
Inventories	216		189
Prepaid expenses and other current assets	 151		109
Total Current Assets	 992		799
Property, plant and equipment, net	1,742		1,841
Goodwill	83		85
Intangible assets, net	101		107
Investments in unconsolidated affiliates	46		61
Other assets	187		192
Deferred income taxes	142		116
Total Assets	\$ 3,293	\$	3,201
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY	 		
Current Liabilities			
Accounts payable and other current liabilities	\$ 921	\$	926
Income taxes payable	47		22
Total Current Liabilities	968		948
Capital lease obligations	31		34
Other liabilities and deferred credits	236		234
Total Liabilities	 1,235		1,216
Redeemable Noncontrolling Interest	-		6
Equity			
Parent Company investment	1,900		1,791
Accumulated other comprehensive income	100		130
Total Equity—Yum China Holdings, Inc.	2,000		1,921
Noncontrolling interests	58		58
Total Equity	 2,058		1,979
Total Liabilities, Redeemable Noncontrolling Interest and Equity	\$ 3,293	\$	3,201

See accompanying Notes to Condensed Combined Financial Statements.

### (Tabular amounts in millions)

#### Note 1—Description of the Business

On October 20, 2015, Yum! Brands, Inc. ("YUM" or the "Parent") announced that it intended to separate into two independent publicly traded companies each with a separate strategic focus. YUM plans to distribute to its shareholders all outstanding shares of Yum China Holdings, Inc. (the "Company"), which will hold directly or indirectly, the assets and liabilities associated with YUM's operations in China. References to the Company throughout these Condensed Combined Financial Statements are made using the first person notations of "we," "us" or "our."

The Company operates and owns, franchises or has ownership in entities that own and operate restaurants under the KFC, Pizza Hut Casual Dining, Pizza Hut Home Service, East Dawning and Little Sheep concepts (collectively, the "Concepts"). The operating results of these Concepts in China have historically been included in the China Division segment of YUM's Consolidated Financial Statements. Upon separation of the Company from YUM, Yum! Restaurants Asia Pte. Ltd., a wholly-owned indirect subsidiary of YUM, and Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of YUM, and Yum Restaurants consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of the Company, will enter into a 50-year master license agreement with automatic renewals for additional consecutive renewal terms of 50 years each, subject only to YCCL being in "good standing" and unless YCCL gives notice of its intent to not renew, for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its subsidiaries for the development and operation of the KFC, Pizza Hut Casual Dining and Pizza Hut Home Services brands and their related marks and other intellectual property rights for restaurant services in China. In addition, subject to certain agreed-upon milestones, the Company has an exclusive license under the master license agreement to operate and develop Taco Bell restaurants and use the related marks in China. In exchange we will pay a license fee to YUM equal to 3% of net sales for both our Company and franchise restaurants. We will continue to own the East Dawning and Little Sheep intellectual property and will pay no license fee related to these concepts.

Completion of the transaction will be subject to certain conditions, including, among others, receiving final approval from YUM's board of directors, receipt of various regulatory approvals, receipt of opinions of YUM's external tax advisors with respect to certain tax matters, the effectiveness of filings related to public listing in the United States of America and applicable securities laws, and other terms and conditions as may be determined by YUM's board of directors. The transaction is expected to be completed around October 31, 2016, and is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes.

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

### Note 2—Basis of Presentation

We have prepared our accompanying unaudited Condensed Combined Financial Statements in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles in the United States ("GAAP") for complete financial statements. These statements should be read in conjunction with the Combined Financial

### (Tabular amounts in millions)

#### Note 2—Basis of Presentation (Continued)

Statements and notes thereto for the Company for the year ended December 31, 2015 included elsewhere in this amendment to the initial Form 10.

Our preparation of the accompanying Condensed Combined Financial Statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Condensed Combined Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

The Condensed Combined Financial Statements include all revenues, costs, assets and liabilities directly attributable to the Company either through specific identification or allocation. The Condensed Combined Statements of Income include allocations for certain of YUM's Corporate functions which provide a direct benefit to the Company. These costs have been allocated based on Company system sales relative to YUM's global system sales. System sales includes the sales results of all restaurants regardless of ownership. All allocated costs have been deemed to have been paid to the Parent in the period in which the costs were recorded. The Company considers the cost allocation methodology and results to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for the periods presented. See Note 3 for further discussion.

The accompanying Condensed Combined Financial Statements include all normal and recurring adjustments considered necessary to present fairly, when read in conjunction with the Combined Financial Statements and notes thereto for the year ended December 31, 2015 included elsewhere in this amendment to the initial Form 10, our financial position as of May 31, 2016, and the results of our operations, comprehensive income and cash flows for the years to date ended May 31, 2015. Our results of operations, comprehensive income and cash flows for these interim periods are not necessarily indicative of the results to be expected for the full year.

Our fiscal year ends on December 31. As a subsidiary of YUM, the Company operates on a fiscal monthly calendar, with two months in the first quarter, three months in the second and third quarters and four months in the fourth quarter.

### Note 3—Transactions with Parent

### Allocation of Corporate Expenses

YUM has historically performed centralized corporate functions on our behalf. Accordingly, certain YUM costs have been allocated to the Company and reflected as expenses in these Condensed Combined Financial Statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the historical Parent expenses attributable to the Company. The expenses reflected in the Condensed Combined Financial Statements may not be indicative of the actual expenses that would have been incurred during the periods presented if we had operated as a separate, stand-alone entity.

### (Tabular amounts in millions)

### Note 3—Transactions with Parent (Continued)

Corporate expense allocations primarily relate to centralized corporate functions, including finance, accounting, treasury, tax, legal, internal audit and risk management functions. In addition, corporate expense allocations include, among other costs, IT maintenance, professional fees for legal services and expenses related to litigation, investigations, or similar matters. Corporate allocations of \$6 million were allocated to the Company during each of the years to date ended May 31, 2016 and May 31, 2015, respectively and have been included in G&A expenses in the Condensed Combined Statements of Income. All of the corporate allocations of costs are deemed to have been incurred and settled through Parent Company Investment in the period where the costs were recorded. Following the separation, we will perform these functions using our own resources or purchased services.

### License Fee

The Condensed Combined Statements of Income include a fee that was historically paid to YUM comprised of initial fees and continuing fees equal to 3% our Company and franchise sales. License fees due to YUM for our Company-owned stores are included within restaurant margin in Occupancy and other operating expenses in the Condensed Combined Statements of Income. License fees due to YUM on franchise sales are included in Franchise Expenses. Total license fees paid during the years to date ended May 31, 2016 and May 31, 2015, respectively are reflected in the table below:

		Year t	o da	te
	2	016	2	2015
Initial fees—Company	\$	4	\$	6
Initial fees—Franchise		1		1
Continuing Fees—Company		82		83
Continuing Fees—Franchise		22		20
Total	\$	109	\$	110

. . . .

### Cash Management and Treasury

The Company funds its operations through cash generated from the operation of its Company-owned stores, franchise operations and dividend payments from our unconsolidated affiliates. Excess cash has historically been repatriated to YUM through intercompany loans or dividends. Transfers of cash both to and from YUM are included within Parent Company Investment on the Condensed Combined Balance Sheets. YUM has issued debt for general corporate purposes but in no case has any such debt been guaranteed or assumed by the Company or otherwise secured by the assets of the Company. As YUM debt and related interest is not directly attributable to the Company, no such amounts have been allocated to these Condensed Combined Financial Statements.

### (Tabular amounts in millions)

## Note 4—Items Affecting Comparability of Net Income and Cash Flows

### Refranchising Gain, net

The Refranchising gain, net by reportable segment and All Other Segments is presented below. We do not allocate such gains and losses to our segments for performance reporting purposes.

	Year	to date
	2016	2015
KFC	\$ 4	\$ 2
Pizza Hut Casual Dining	-	1
All Other Segments	-	1
Total Company	\$ 4	\$ 4

### Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment and All Other Segments are presented below.

	Year to date							
					2016			
	Total Pizza Hut All Othe				ther			
	Company KFC Casual Dining S			Segm	Segments			
Store closure (income) costs(a)	\$ (	(6)	\$	(4)	\$	(1)	\$	(1)
Store impairment charges	3	37		25		11		1
Closure and impairment (income) expenses	\$3	31	\$	21	\$	10	\$	-

	Year to date						
				2015			
	Total Pizza Hut All Ot				her		
	Company KFC			Casual Dining		Segments	
Store closure (income) costs(a)	\$ (3	) \$	(4)	\$	(1)	\$	2
Store impairment charges	22		19		2		1
Closure and impairment (income) expenses	\$ 19	\$	15	\$	1	\$	3

(a) Store closure (income) costs include lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves, other facility-related expenses from previously closed stores and proceeds from forced store closures. Remaining lease obligations for closed stores were not material at May 31, 2016 or December 31, 2015.



## (Tabular amounts in millions)

## Note 5—Other Income, net

	Year to date
	2016 2015
Equity income from investments in unconsolidated affiliates	\$ (26) \$ (16)
Foreign exchange net (gain) loss and other	(1) 2
Other income, net	\$ (27) \$ (14)

## Note 6—Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	5/31/2016	12/31/2015
Assets held for sale(a)	\$ 17	\$ 18
Prepaid rent	39	53
Short-term investments	53	_
Other prepaid expenses and current assets	42	38
Prepaid expenses and other current assets	\$ 151	\$ 109

(a) Reflects the carrying value of a corporate aircraft.

Property, Plant and Equipment	5/31/2016	12/31/2015
Buildings and improvements	\$ 2,192	\$ 2,231
Capital leases, primarily buildings	33	35
Machinery and equipment	1,100	1,171
Property, plant and equipment, gross	3,325	3,437
Accumulated depreciation and amortization	(1,583)	(1,596)
Property, plant and equipment, net	\$ 1,742	\$ 1,841

Accounts Payable and Other Current Liabilities	5/3	1/2016	12/3	1/2015
Accounts payable	\$	495	\$	454
Accrued capital expenditures		93		128
Accrued compensation and benefits		157		180
Accrued taxes, other than income taxes		18		42
Other current liabilities		158		122
Accounts payable and other current liabilities	\$	921	\$	926

Other Liabilities and Deferred Credits	5/3	1/2016	12/3	1/2015
Deferred escalating minimum rent	\$	161	\$	162
Other noncurrent liabilities and deferred credits		75		72
Other liabilities and deferred credits	\$	236	\$	234

### (Tabular amounts in millions)

### Note 6—Supplemental Balance Sheet Information (Continued)

### Noncontrolling Interests

Noncontrolling interests represent the ownership interests of minority shareholders of the entities that operate KFC restaurants in Beijing and Shanghai, China. At December 31, 2015 the Redeemable noncontrolling interest comprised the 7% ownership interest in Little Sheep held by the Little Sheep founding shareholders, and was classified outside of permanent equity on our Condensed Consolidated Balance Sheets due to redemption rights held by the founding Little Sheep shareholders. 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 interest was recorded as an \$8 million loss attributable to noncontrolling interests. Consistent with our 2012 gain on the acquisition of Little Sheep and subsequent impairments of Little Sheep goodwill and intangible assets in 2013 and 2014, this loss attributable to noncontrolling interest is not being allocated to any segment operating results. A reconciliation of the beginning and ending carrying amount of the equity attributable to noncontrolling interests is as follows:

	ntrolling erests	Redeemable Noncontrolling Interest		
Balance at December 31, 2015	\$ 58	\$	6	
Net income (loss)—noncontrolling interests	7		1	
Noncontrolling interest loss upon redemption	_		(8)	
Dividends declared	(7)		-	
Currency translation adjustments and other	_		1	
Balance at May 31, 2016	\$ 58	\$	_	

#### Note 7—Fair Value Measurements

As of May 31, 2016 the carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximated their fair values because of the short-term nature of these instruments.

In addition, certain of the Company's assets such as property, plant and equipment, goodwill and intangible assets, are measured at fair value on a nonrecurring basis if determined to be impaired. During the year to date ended May 31, 2016, we recorded restaurant-level impairment (Level 3) of \$33 million, excluding impairment recorded associated with stores that were being closed. The remaining net book value of the assets measured at fair value as of May 31, 2016, subsequent to these impairments, was not significant.

### Note 8—Income Taxes



### (Tabular amounts in millions)

### Note 8—Income Taxes (Continued)

Our effective tax rate was lower than the U.S. federal statutory rate of 35% primarily due to the majority of our income being earned outside the U.S. where tax rates are generally lower than the U.S. rate.

### Note 9—Reportable Operating Segments

We have two reportable segments: KFC and Pizza Hut Casual Dining. We also have three non-reportable operating segments, Pizza Hut Home Service, East Dawning and Little Sheep, which are combined and referred to as All Other Segments, as these operating segments are individually insignificant. The following tables summarize Revenues and Operating Profit for each of our reportable operating segments:

Voon to data

	Year t	o date
	2016	2015
Revenues		
KFC	2,028	1,961
Pizza Hut Casual Dining	742	792
All Other Segments	121	139
Total	\$ 2,891	\$ 2,892

	Year to	date
	2016	2015
Operating Profit		
KFC(a)	300	209
Pizza Hut Casual Dining	52	82
All Other Segments	(3)	(3)
Unallocated and corporate expenses(b)	(61)	(64)
Unallocated Other income	4	-
Unallocated Refranchising gain(b)	4	4
Operating Profit	296	228
Interest income, net(b)	4	2
Income Before Income Taxes	\$ 300	\$ 230

(a) Includes equity income from investments in unconsolidated affiliates of \$26 million and \$16 million for the years to date ended May 31, 2016 and May 31, 2015, respectively.

(b) Amounts have not been allocated to any segment for performance reporting purposes.

### Note 10—Contingencies

### China Tax on Indirect Transfers of Assets

In February 2015, the Chinese State Administration of Taxation issued the SAT's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets,

### (Tabular amounts in millions)

#### Note 10—Contingencies (Continued)

including equity interests in a China resident enterprise, by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM has informed us that it believes that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, given how recently Bulletin 7 was promulgated, there are significant uncertainties regarding what constitutes a reasonable commercial purpose, how the safe harbor provisions for group restructurings are to be interpreted and how the taxing authorities will ultimately view the planned distribution. As a result, YUM's position could be challenged by Chinese tax authorities resulting in a 10% tax assessed on the difference between the fair market value and the tax basis of the separated China business. As YUM's tax basis in the China business is minimal, the amount of such a tax could be significant.

Any tax liability arising from the application of Bulletin 7 to the planned distribution is expected to be settled in accordance with the tax matters agreement among the Company, YCCL and YUM. Such a settlement could be significant and have a material adverse effect on our results of operations and our financial condition.

### Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. As of May 31, 2016, there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of approximately \$480 million for the year to date ended May 31, 2016 and assets and debt of approximately \$310 million and \$20 million, respectively, at May 31, 2016.

### Legal Proceedings

We are subject to lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. These matters typically involve claims from landlords, customers, employee wage and hour claims and others related to operational issues common to the restaurant industry. While the resolution of a lawsuit, proceeding or claim may have an impact on our financial results for the period in which it is resolved, we believe that the final disposition of the lawsuits, proceedings and claims in which we are currently involved, either individually or in the aggregate, will not have a material adverse effect on our financial position, results of operations or liquidity.

#### Note 11—Subsequent Events

The Company evaluates subsequent events in accordance with ASC Topic 855, Subsequent Events. Subsequent events were evaluated through August 1, 2016, the date the Condensed Combined Financial Statements were available to be issued.

# QuickLinks

Exhibit 99.1 TABLE OF CONTENTS Presentation of Information Trademarks, Trade Names, Service Marks and Restaurants Market and Industry Data QUESTIONS AND ANSWERS ABOUT THE SEPARATION AND DISTRIBUTION **INFORMATION STATEMENT SUMMARY** SUMMARY SELECTED HISTORICAL AND UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION **RISK FACTORS** CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS **DIVIDEND POLICY** CAPITALIZATION UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS Unaudited Pro Forma Condensed Combined Statement of Income Yum China Holdings, Inc. For the year to date ended May 31, 2016 (in millions, except per share data) Unaudited Pro Forma Combined Statement of Income Yum China Holdings, Inc. For the year ended December 31, 2015 (in millions, except per share data) Unaudited Pro Forma Condensed Combined Balance Sheet Yum China Holdings, Inc. As of May 31, 2016 (in millions) NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS SELECTED HISTORICAL COMBINED FINANCIAL DATA MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS **BUSINESS** Strong Cash Flow Generator Growing with a Shifting Middle Class Number One Restaurant Company in World's Fastest-Growing Major Economy Substantial New-Unit Growth Potential ... MANAGEMENT OF THE COMPANY COMPENSATION DISCUSSION AND ANALYSIS 2015 BONUS AWARD 2015 Summary Compensation Table 2015 All Other Compensation Table 2015 Grants of Plan-Based Awards Outstanding Equity Awards at 2015 Year-End 2015 Option/SAR Exercises and Stock Vested CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT THE SEPARATION AND DISTRIBUTION MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES MATERIAL CHINA TAX CONSEQUENCES DESCRIPTION OF CAPITAL STOCK WHERE YOU CAN FIND MORE INFORMATION INDEX TO FINANCIAL INFORMATION Report of Independent Registered Public Accounting Firm Notes to Combined Financial Statements (Tabular amounts in millions, except share data) Condensed Combined Statements of Income Yum China Holdings, Inc. (in millions-Unaudited) Condensed Combined Statements of Comprehensive Income Yum China Holdings, Inc. (in millions-Unaudited) Condensed Combined Statements of Cash Flows Yum China Holdings, Inc. (in millions-Unaudited) Condensed Combined Balance Sheets Yum China Holdings, Inc. (in millions) Notes to Condensed Combined Financial Statements (Unaudited) (Tabular amounts in millions)

### YUM CHINA COMPLETES SEPARATION FROM YUM! BRANDS, LISTS ON THE NEW YORK STOCK EXCHANGE

### Yum China to ring NYSE opening bell remotely from Shanghai

Shanghai, China — November 1, 2016 — Yum China Holdings, Inc. ("Yum China") today announced that it has completed its separation from Yum! Brands, Inc. (NYSE: YUM). Yum China will begin trading "regular way" as an independent company today on the New York Stock Exchange (NYSE) under the ticker symbol "YUMC."

"After 30 years in China, we are incredibly excited to begin a new chapter as an independent company focused on growth in China," said Yum China CEO Micky Pant.

In ceremonies taking place today in New York and Shanghai, Yum! Brands CEO Greg Creed and Yum China CEO Micky Pant will simultaneously ring the NYSE opening bell to begin the day's trading and commemorate the occasion.

In Shanghai, four Yum China restaurant general managers will join Micky Pant to ring the NYSE opening bell, celebrating the birth of the largest publiclytraded restaurant operator in China. It is the first time that the NYSE opening bell will be rung remotely in China to celebrate a company listing on the market. Tom Farley, President of the NYSE, three Yum China Board members and the Yum China Leadership Team will also attend the event.

Mr. Pant continued, "China presents an outstanding opportunity for high-quality restaurant concepts with unprecedented urbanization, a rapidly growing middle class, and ongoing investment in world class infrastructure. With exclusive rights in mainland China to the iconic global brands — KFC, Pizza Hut and Taco Bell, ownership of two unique local brands, and a presence in more than 1,100 cities, we are well positioned to take advantage of this opportunity. As an independent company, we will maintain our focus on China by increasing our investment in new stores, innovative menu offerings, digital engagement and delivery to further grow our brands across the country. This will enable us to provide delicious food to more customers, deliver even greater opportunities for our employees and partners, and generate long-term value for our shareholders."

The NYSE Opening Bell ceremony will begin at 9:26a.m. Eastern Time, and a live feed of the event can be found at www.livestream.com/NYSE. Photos and video of the NYSE Bell Ringing Ceremony will also be available, courtesy of the NYSE, on Facebook (NYSE) and Twitter (@NYSE and @NYSECam).

#### Additional Information

For further information about the independent company please visit www.yumchina.com or ir.yumchina.com.

### **About Yum China Holdings**

Yum China Holdings, Inc., with executive offices in Shanghai, China, is a licensee of Yum! Brands in mainland China. It has exclusive rights in mainland China to KFC, China's leading quick-service restaurant concept, Pizza Hut, the leading casual dining restaurant brand in China, and Taco Bell, which is expanding globally and opening in China in 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 has more than 7,300 restaurants and more than 400,000 employees in over 1,100 cities, and generated over \$8 billion in system sales in 2015. 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.

### **Forward-Looking Statements**

Certain statements in this communication contain "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 earnings and performance of Yum China, anticipated effects of population and macroeconomic trends, and statements regarding the capital structure of Yum China. 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 on our website are only made as of the date indicated on the relevant materials, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances. 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 "Cautionary Statement Concerning Forward-Looking Statements" in the Information Statement included in our Registration Statement on Form 10) for additional detail about factors that could affect our financial and other results.

<u>Media Contacts</u> **Yum China Holdings, Inc.** Forest Liu, +86 21 2407 7505 Director, Financial Media

or

**Brunswick Group** Naomi Tudhope, +86 21 6039 6388