

## OUR HISTORY AND CORPORATE STRUCTURE

### HISTORY AND DEVELOPMENT

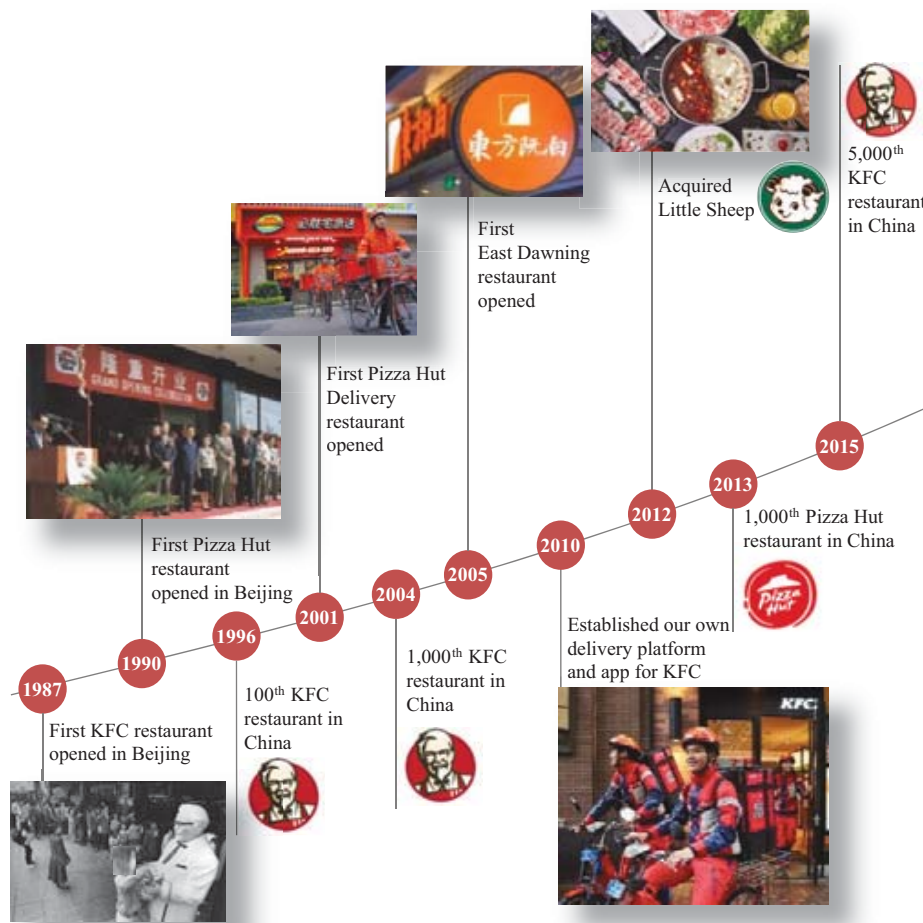
#### Overview

Our Company is the holding company of our Group and was incorporated in Delaware, the U.S., on April 1, 2016, for the purpose of holding YUM's China business in anticipation of our separation from YUM. See “— Separation from YUM” below for further details.

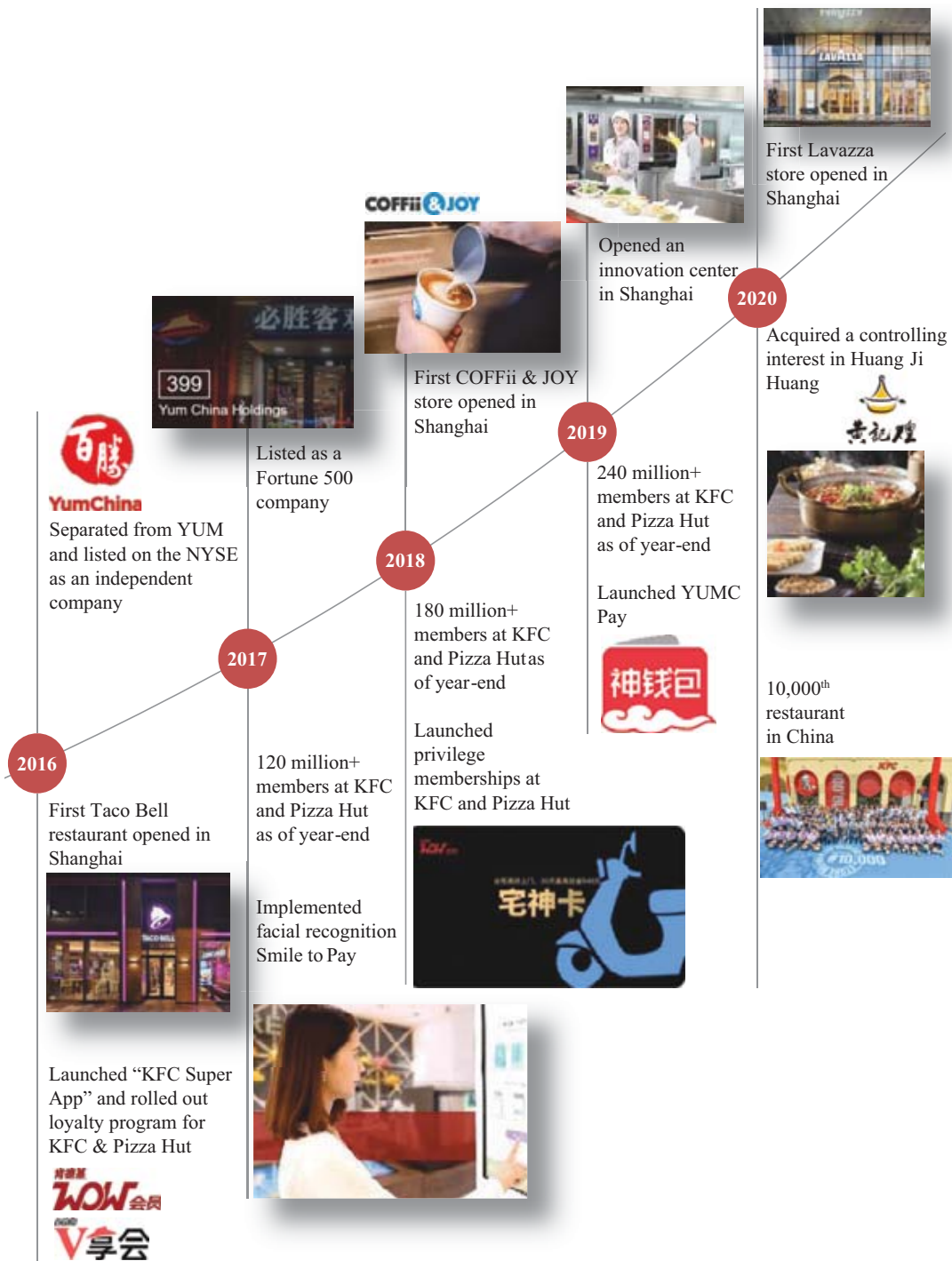
The operating history of our Group can be traced back to 1987, with the opening of our first KFC restaurant in Beijing. Soon afterwards, the first restaurant under another famous brand of ours, Pizza Hut, was opened in Beijing in 1990. With more than 30 years of operations, we have developed extensive operating experience in the China market. Opening restaurants at an average of more than two new locations per day over the past five years, we have since grown to become the largest restaurant company in China in terms of 2019 System sales, with over 9,900 restaurants covering over 1,400 cities primarily in China as of June 30, 2020. Our growing restaurant network consists of our flagship KFC and Pizza Hut brands, as well as emerging brands such as Little Sheep, Huang Ji Huang, COFFii & JOY, East Dawning, Taco Bell and Lavazza.

#### Milestones

The following is a summary of our key business milestones:



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### SEPARATION FROM YUM

#### The Separation and Distribution

Our Company separated from YUM on October 31, 2016, becoming an independent, publicly traded company as a result of a pro rata distribution of all our outstanding Shares of common stock to shareholders of YUM. Common stock of the Company began trading “regular way” under the ticker symbol “YUMC” on the NYSE on November 1, 2016.

#### Master License Agreement

In connection with the separation of our Company from YUM, Yum! Restaurants Asia Pte. Ltd., a wholly-owned indirect subsidiary of YUM, and YCCL, a wholly-owned indirect subsidiary of our Company, entered into a 50-year master license agreement with automatic renewals for additional consecutive renewal terms of 50 years each, for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its subsidiaries for the development, promotion and operation of the KFC, Pizza Hut and, subject to achieving certain agreed upon milestones, Taco Bell brands and their related marks and other intellectual property rights for restaurant services in the PRC. In exchange, we pay a license fee to YUM equal to 3% of net System sales from both our Company and franchise restaurants. The master license agreement may be terminated upon the occurrence of certain events, such as insolvency and bankruptcy. For details, see “Risk Factors — Risks relating to our business and industry — The operation of our restaurants is subject to the terms of the master license agreement which, if terminated or limited, would materially adversely affect our business, results of operations and financial condition.” We did not have any material breach of the master license agreement during the Track Record Period, and we actively monitor our compliance with the terms of the master license agreement on an ongoing basis. We own the intellectual property of Little Sheep, Huang Ji Huang, COFFii & JOY and East Dawning outright and pay no license fee related to these brands.

### CORPORATE STRUCTURE

As of the Latest Practicable Date, our Group was comprised of our Company and more than 90 subsidiaries and consolidated affiliated entities in the PRC and other jurisdictions. Generally, different brands are held, managed and operated by separate groups of subsidiaries.

For example, Yum! Restaurants (China) Investment Co., Ltd. is the holding company of our KFC, Pizza Hut and Taco Bell brands and manages a group of subsidiaries responsible for the operations of each brand’s respective restaurants in different cities and surrounding areas. Most of our restaurants under the Little Sheep brand are franchise restaurants and the relevant subsidiaries are working with the franchisees and their representative organizations on key aspects of business of the franchise restaurants. Our East Dawning and COFFii & JOY restaurants are primarily managed and operated by two different subsidiaries.

On April 8, 2020, we completed the acquisition of a controlling interest in Huang Ji Huang, a leading Chinese CDR franchise business. For further details on our acquisition of Huang Ji Huang, see “Business — Our Restaurant Brands — Other Brands.” Following the acquisition, we established a Chinese dining business unit comprising our three core Chinese dining brands, namely Little Sheep, East Dawning and Huang Ji Huang.

In addition, we also have subsidiaries providing our restaurants with support and services related to, among others, trademark sub-licensing, logistics, marketing, procurement, development and construction, human resources, finance, legal and information technologies. For further details of our Major Subsidiaries engaging in the provision of support and services to the businesses of our Group, see “— Our Major Subsidiaries” below.

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We believe that this organizational structure allows for efficiency in the operation and management of our restaurants. For information of our corporate and shareholding structure, see “— Our Corporate Structure” and “— Our Shareholding Structure” below.

During the Track Record Period, we also acquired a controlling interest in Daojia, the total consideration of which consists of cash consideration of US\$36.7 million to the sellers and a concurrent capital contribution of US\$25.0 million to Daojia. Through the acquisition of Daojia, we also acquired a VIE and the subsidiaries of the VIE in the PRC effectively controlled by Daojia. Daojia has entered into a series of contractual arrangements with its consolidated affiliated entities and their nominee shareholders, which allow Daojia to: (i) receive substantially all of the economic benefits and absorb all of the expected losses from its consolidated affiliated entities; (ii) exercise effective control over its consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in its consolidated affiliated entities when and to the extent permitted by the PRC law. Our PRC Legal Advisor is of the view that the contractual arrangements entered into with Daojia do not violate applicable PRC laws and constitute valid and binding obligations of the parties thereto.

### Our Major Subsidiaries

Our Major Subsidiaries include, among others, all significant operating subsidiaries under the financial threshold of Regulation S-X in the U.S. and subsidiaries that are material to the business operation of our Group. The following table sets forth the principal business activities and date and jurisdiction of establishment of each of our Major Subsidiaries:

<u>Name of Major Subsidiary</u>	<u>Principal business activities</u>	<u>Date and jurisdiction of establishment</u>
<i>Major Subsidiaries engaging in investment holding and/or the operation of our restaurants</i>		
Bai Sheng Restaurants China Holdings Limited	Investment holding and operating a Little Sheep restaurant in Hong Kong	July 16, 2007; Hong Kong
Yum! Restaurants (China) Investment Co., Ltd. (百勝(中國)投資有限公司)	Investment holding	June 1, 1999; PRC
Yum! Restaurants (Shenyang) Co., Ltd. (百勝餐飲(瀋陽)有限公司)	Operating our KFC and Pizza Hut restaurants in respective areas	May 25, 1994; PRC
Yum! Restaurants (Guangdong) Co., Ltd. (百勝餐飲(廣東)有限公司)		October 29, 1992; PRC
Yum! Restaurants (Chengdu) Co., Ltd. (百勝餐飲(成都)有限公司)		April 11, 1994; PRC
Yum! Restaurants (Wuhan) Co., Ltd. (百勝餐飲(武漢)有限公司)		February 21, 1995; PRC
Yum! Restaurants (Shenzhen) Co., Ltd. (百勝餐飲(深圳)有限公司)		April 26, 1995; PRC

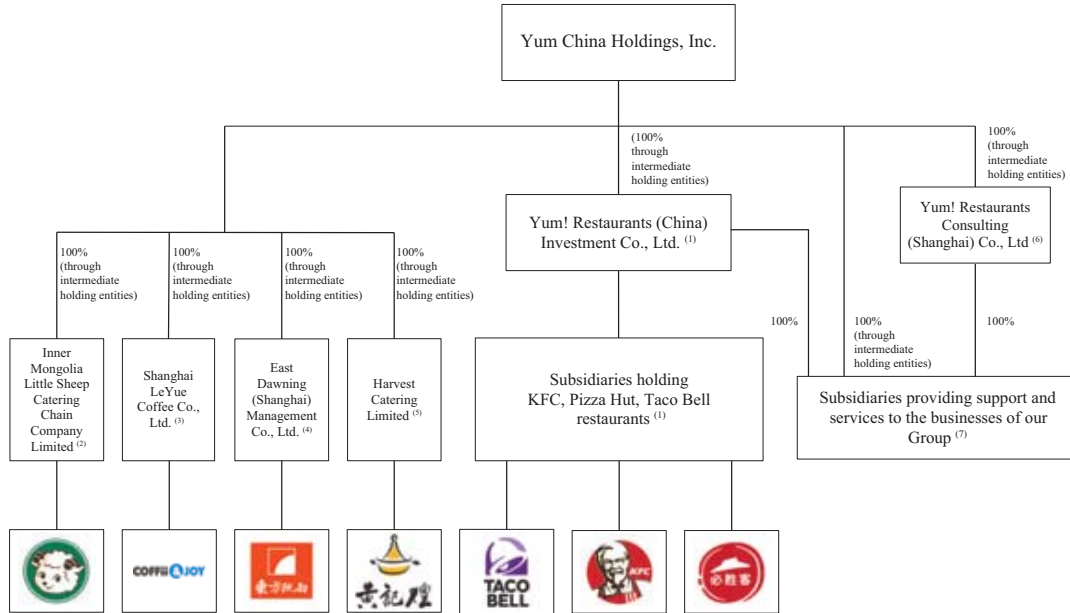
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<b>Name of Major Subsidiary</b>	<b>Principal business activities</b>	<b>Date and jurisdiction of establishment</b>
Beijing KFC Co., Ltd. (北京肯德基有限公司) Shanghai KFC Co., Ltd. (上海肯德基有限公司) Nanjing KFC Co., Ltd. (南京肯德基有限公司) Qingdao KFC Co., Ltd. (青島肯德基有限公司) Tianjin KFC Co., Ltd. (天津肯德基有限公司) Changsha KFC Co., Ltd. (長沙肯德基有限公司) Wuxi KFC Co., Ltd. (無錫肯德基有限公司) Nanning KFC Co., Ltd. (南寧肯德基有限公司)	Operating our KFC restaurants in respective areas	February 6, 1987; PRC  May 5, 1989; PRC  August 16, 1992; PRC  April 20, 1993; PRC  January 24, 1994; PRC  March 11, 1997; PRC  February 24, 1993; PRC  July 19, 2000; PRC
Shanghai Pizza Hut Co., Ltd. (上海必勝客有限公司) Beijing Pizza Hut Co., Ltd. (北京必勝客比薩餅有限公司)	Operating our Pizza Hut restaurants in respective areas	June 14, 1995; PRC  February 3, 1989; PRC
Inner Mongolia Little Sheep Catering Chain Company Limited (內蒙古小肥羊餐飲連鎖有限公司)	Working with the franchisees on key aspects of business of the franchised Little Sheep restaurants	July 11, 2001; PRC
<i>Major Subsidiaries engaging in the provision of support and services to the Group</i>		
Yum! Restaurants Consulting (Shanghai) Co., Ltd. (百勝諮詢(上海)有限公司)	Sub-licensing the brands licensed from YUM; performing headquarter functions and providing support and services to our Group	September 25, 1997; PRC
Huansheng Advertising (Shanghai) Company Limited (上海環勝廣告有限公司)	Marketing and advertising	November 17, 2010; PRC
Huansheng E-Commerce (Shanghai) Co., Ltd. (環勝電子商務(上海)有限公司)	Operation of e-commerce business of our Group	October 14, 2016; PRC
Yum! Food (Shanghai) Co., Ltd. (必勝(上海)食品有限公司)	Purchase of food, paper products and equipment for the Group	January 18, 2002; PRC

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### Our Corporate Structure

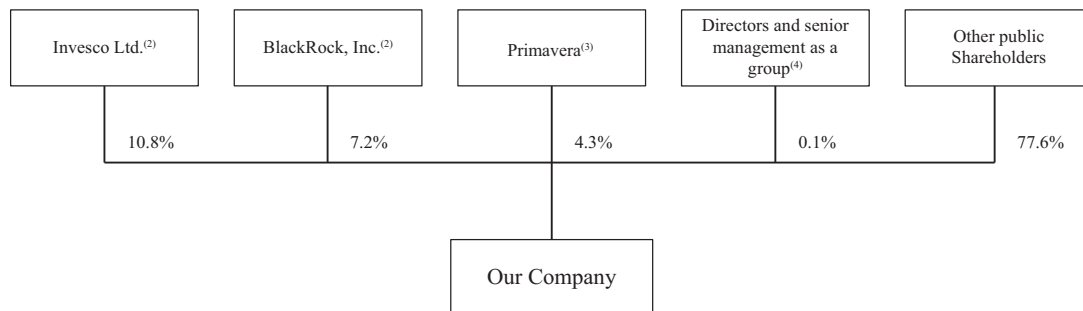
As of the Latest Practicable Date, we conducted our business operations through more than 90 subsidiaries and consolidated affiliated entities incorporated in the PRC and other jurisdictions. The following chart summarizes our corporate structure:



- (1) As of June 30, 2020, Yum! Restaurants (China) Investment Co., Ltd. held more than 30 subsidiaries operating an aggregate of over 7,300 company-owned KFC, Pizza Hut and Taco Bell restaurants across China.
- (2) The subsidiary working with, and holding an entity which works with, the franchisees and their representative organizations on key aspects of business of the franchise restaurants under our Little Sheep brand.
- (3) The restaurants under our “COFFii & JOY” brand are primarily held by this subsidiary.
- (4) The restaurants under our “East Dawning” brand are primarily held by this subsidiary.
- (5) The subsidiary holding a 93.3% interest in the holding companies of Huang Ji Huang.
- (6) The subsidiary sub-licensing the brands licensed from YUM, performing headquarter functions and providing support and services to the businesses of our Group.
- (7) The subsidiaries providing e-commerce and marketing services to the businesses of our Group.

### Our Shareholding Structure

The following chart illustrates our shareholding structure as of the Latest Practicable Date <sup>(1)(5)</sup>:





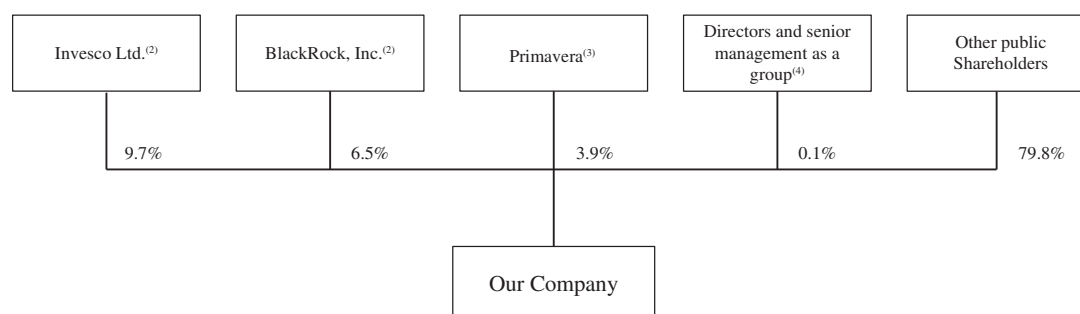
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- (1) The shareholding percentage is calculated by dividing the number of Shares of common stock held by such Shareholder and its subsidiaries or affiliates by the total outstanding Shares of common stock of our Company as of the Latest Practicable Date.
- (2) Please see “Major Shareholders” of this prospectus for further details.
- (3) In addition to our Shares of common stock, Primavera also held warrants to purchase additional Shares of common stock. Please refer to “Appendix IV — Statutory and General Information — E. Further Information about Our Warrants Granted to Primavera and Ant Financial” for further details.
- (4) The shareholding percentage of our Directors and senior management refers to the percentage of our Shares of common stock held in aggregate by our Directors and senior management as named in “Directors, Senior Management and Employees” of this prospectus. For clarification purpose, the outstanding stock options and SARs, and the unvested RSUs and PSUs held by our Directors and senior management as of the Latest Practicable Date are not included for calculation.
- (5) For details of the beneficial ownership in our Shares of common stock, which are determined in accordance with the rules and regulations of the SEC and include the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities, please see “Major Shareholders” of this prospectus for further details.

The following chart illustrates our shareholding structure immediately upon the completion of the Global Offering (assuming all major Shareholders’ shareholding remain unchanged, the Over-allotment Option is not exercised and no additional Share of common stock is issued pursuant to the 2016 Plan, the Warrant 1 or the Warrant 2) <sup>(1)(5)</sup>:



- (1) The shareholding percentage is calculated by dividing the number of Shares of common stock held by such Shareholder and its subsidiaries or affiliates by the total outstanding Shares of common stock of our Company immediately upon the completion of the Global Offering.
- (2) Please see “Major Shareholders” of this prospectus for further details.
- (3) In addition to our Shares of common stock, Primavera also held warrants to purchase additional Shares of common stock. Please refer to “Appendix IV — Statutory and General Information — E. Further Information about Our Warrants Granted to Primavera and Ant Financial” for further details.
- (4) The shareholding percentage of our Directors and senior management refers to the percentage of our Shares of common stock held in aggregate by our Directors and senior management as disclosed in “Directors, Senior Management and Employees” of this prospectus. For clarification purpose, the outstanding stock options and SARs, and the unvested RSUs and PSUs held by our Directors and senior management are not included for calculation.
- (5) For details of the beneficial ownership in our Shares of common stock, which is determined in accordance with the rules and regulations of the SEC and includes the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities, please see “Major Shareholders” of this prospectus for further details.