
LETTER FROM OUR CEO

Dear Yum China investors,

Over thirty years ago, we started our journey in China with the opening of the first KFC restaurant in Beijing. Four years ago, we spun off from Yum! Brands and became an independent company listed on the NYSE. Today, we embark on a new chapter — a secondary listing in Hong Kong, a place that embraces East and West and enables us to broaden our investor base. Welcome to our journey.

“吃了嗎？” (“Have you eaten?”) This is how neighbors and friends greet each other on the streets and alleys of China. More intimate than “how are you,” this simple phrase instantly brings people closer and crystalizes the importance of food and eating in the daily lives of people in China. We, at Yum China, are immensely honored to serve our discerning customers.

On November 12, 1987, KFC made its China debut near Qianmen in Beijing. The largest KFC outlet in the world at that time, it was the first-ever western chain restaurant in China. An instant hit. The widely loved KFC Original Recipe® chicken transcended cultures and brought people together at our dining tables. For over thirty years, our appeal has endured and grown. Our flagship brands, KFC and Pizza Hut, have become deeply ingrained in the lives and memories of generations in China. A first taste of western cuisine. A special birthday. A first date. Over 10,000 restaurants later, we have now grown to become the largest restaurant company in China. We have also added emerging brands to our restaurant family, such as Taco Bell, East Dawning, Little Sheep, Huang Ji Huang, COFFi & JOY and Lavazza.

We are deeply committed to China. Our success comes from focusing on developing a strong connection with our customers in China. While staying true to our original recipes, we refine our food and menu to suit local tastes and adjust our services and dining experiences for the dynamic Chinese market. With over 400,000 employees, and thousands of franchisees, suppliers and business partners, we are proud to create jobs and opportunities for so many in China. Our employees, our customers, and our communities are the backbone of our business, and we strive to give back and make a positive impact on society.

In 2008, we commenced the “One Yuan Donation” program together with the China Foundation for Poverty Alleviation, encouraging our restaurant guests and employees to donate one yuan to enrich the diets of children in China’s impoverished regions. Over the past 12 years, the “One Yuan Donation” program helped build modern kitchens in over 1,000 schools and provided over 48 million nutritious meals to 712,000 school children across China. Our KFC Angel Restaurants program provides employment opportunities for people with special needs. In the past eight years, we provided employment to over 400 special-need youths in 25 of our restaurants in 24 cities across China. Each of these restaurants is specially equipped and staffed to facilitate the work of employees with special needs, making them feel included and comfortable in an environment of peers. The Angel Restaurant program helps people with special needs realize their full potential in a rewarding working environment. We are proud of our contributions to society.

Since 2018, our vision has been to become the world’s most innovative pioneer in the restaurant industry. Our innovations underlie our agile and resilient business model, which enables us to adapt not only to new technologies, but also to economic and social evolution in China. Innovation is manifested in every aspect of our business — from “always something new” menu items to digital marketing, from a tech-enabled dining experience to optimization for operational efficiency. With more than 1,900 new menu item prototypes developed, and around 400 new and improved products launched in 2019 alone, we offer an ever-evolving selection of appealing, tasty and convenient food at great prices. Our innovations have earned

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us many firsts in China's restaurant industry: one of the earliest adopters of mobile ordering among restaurant chains, one of the first to offer digital payment options, and the first to commercially implement facial recognition payment technologies.

Good times build confidence; bad times build character. The COVID-19 pandemic has presented unprecedented challenges and exerted extreme stress on our operations and on our employees. We rose to the occasion. We prioritized the safety and health of our employees and customers. A majority of our stores remained open, and our employees and delivery riders continued to show up and provide a critical food service to essential service workers, in a time of crisis. We provided over 170,000 free meals to many hospitals and community health centers across China. We supported our employees and their families by extending their holiday pay and strengthening their medical insurance coverage. Our senior executives forwent a portion of their salaries to support our frontline employees and their families. Our operations also proved resilient. Thanks to our courageous RGMs and employees and our innovative technology-enabled platform, our operations withstood the severe stress test and weathered the storm. We continued to run our operations efficiently and continued to innovate and pioneered contactless delivery and takeaway during the pandemic. We went above and beyond and did what was right for our employees, our customers, our shareholders and our communities.

Looking to the future, we are excited by our long-term prospects in China, ranging from substantial offline white space opportunities to promising online and digital footprint expansion potential. We will continue to invest for growth — to build an ever stronger, nimbler and more innovative company that positively impacts our employees, customers, shareholders, suppliers, communities and the environment. Thirty years into our journey, our secondary listing in Hong Kong will provide an additional access point for our stakeholders to invest in our company, closer to where we operate, where our customers and communities thrive.

I believe that great companies have souls. Ours is rooted in our connection to the communities we serve — to our guests and to our people. At Yum China, we fervently believe all of us are members of the same extended family. We provided free meals to healthcare workers during the COVID-19 crisis: not because we were asked; not to gain publicity; but because that's how good neighbors treat one another. We have a longstanding tradition of welcoming everyone into our stores as honored guests — from the urban mom buying three buckets for a family get-together to the homeless laborer just seeking a clean bathroom or a place to sit for a while. The stories we tell onboarding staff members tend to feature the latter, as most of us, myself included, have been in less fortunate straits sometime in our lives. We want our people to work hard, to have pride in their jobs and their company, and to adopt our bedrock Yum China values. Foremost among these is both feeling and acting with empathy — this I see as the true soul of Yum China.

On behalf of everyone at Yum China, thank you for your passion and support.

Joey Wat

Chief Executive Officer