2025 INTERIM REPORT

Yum China Holdings, Inc. 百勝中國控股有限公司

NYSE: YUMC HKEX: 9987

YumChina

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FORWARD-LOOKING STATEMENTS

This interim report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 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," "expectation," "project," "anticipate," "believe," "belief," "project," "plan," "could," "target," "aim," "commit," "predict," "likely," "should," "forecast," "outlook," "model," "continue," "ongoing" or other similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions or projections concerning future results or events. Our plan of capital returns to shareholders is based on current expectations, which may change based on market conditions, capital needs or otherwise. 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 and events to differ materially from those indicated by those forward-looking statements. We cannot assure you that any of our expectations, estimates, assumptions or projections will be achieved. Factors that could cause actual results and events to differ materially from our expectations, estimates, assumptions or projections include (i) the risks and uncertainties described in the Risk Factors section included in the Company's 2024 annual report and quarterly report on Form 10-Q for the quarter ended June 30, 2025 filed with the Securities and Exchange Commission and (ii) the factors described in Management's Discussion and Analysis included in this interim report. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law.

LANGUAGE

If there is any inconsistency between the English version and Chinese version of this report, the English version shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this report and their English translations, the Chinese names shall prevail.

EXPLANATORY NOTES

"U.S. dollars," "$" or "US$" refers to the legal currency of the United States, and "RMB" or "Renminbi" refers to the legal currency of the People's Republic of China (the "PRC" or "China").

The KFC, Pizza Hut, Lavazza, Huang Ji Huang, Little Sheep and Taco Bell brands are collectively referred to as the "brands" or "concepts." Throughout this report, the terms "brands" and "concepts" are used interchangeably and "restaurants," "stores" and "units" are used interchangeably.

MANAGEMENT'S DISCUSSION AND ANALYSIS

References to "Yum China" mean Yum China Holdings, Inc. and references to the "Company," "we," "us," and "our" mean Yum China and its subsidiaries throughout this Management's Discussion and Analysis (this "MD&A"). This MD&A contains forward-looking statements, including statements with respect to the ongoing transfer pricing audit, the retail tax structure reform, our growth plans, future capital resources to fund our operations and anticipated capital expenditures, share repurchases and dividends, and the impact of new accounting pronouncements not yet adopted.

Introduction

Yum China Holdings, Inc. is the largest restaurant company in China in terms of 2024 system sales, with 16,978 restaurants covering over 2,400 cities primarily in China as of June 30, 2025. Our growing restaurant network consists of our flagship KFC and Pizza Hut brands, as well as emerging brands such as Lavazza, Huang Ji Huang, Little Sheep and Taco Bell. We have the exclusive right to operate and sublicense the KFC, Pizza Hut and, subject to achieving certain agreed-upon milestones, Taco Bell brands in China (excluding Hong Kong, Macau and Taiwan), and own the intellectual property of the Little Sheep and Huang Ji Huang concepts outright. We also established a joint venture with Lavazza Group, the world-renowned family-owned Italian coffee company, to explore and develop the Lavazza coffee concept in China. KFC was the first major global restaurant brand to enter China in 1987. With more than 35 years of operations, we have developed extensive operating experience in the China market. We believe that there are significant opportunities to further expand within China, and we intend to focus our efforts on increasing our geographic footprint in both existing and new cities.

KFC is the leading and the largest quick-service restaurant ("QSR") brand in China in terms of system sales. As of June 30, 2025, KFC operated 12,238 restaurants in over 2,400 cities across China.

Pizza Hut is the leading and the largest casual dining restaurant ("CDR") brand in China in terms of system sales and number of restaurants. As of June 30, 2025, Pizza Hut operated 3,864 restaurants in over 900 cities.

Overview

Our financial information was prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP "). We intend for this MD&A to provide the reader with information that will assist in understanding our results of operations, including metrics that management uses to assess the Company's performance. Throughout this MD&A, we discuss the following performance metrics:

- Certain performance metrics and non-GAAP measures are presented excluding the impact of foreign currency translation ("F/X"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the F/X impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

- System sales growth reflects the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants, except for sales from non-Company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise restaurants typically generate ongoing franchise fees for the Company at an average rate of approximately 6% of system sales. Franchise restaurant sales are not included in Company sales in the Condensed Consolidated 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.

- Effective January 1, 2018, the Company revised its definition of same-store sales growth to represent the estimated percentage change in sales of food of all restaurants in the Company system that have been open prior to the first day of our prior fiscal year, excluding the period during which stores are temporarily closed. We refer to these as our "base" stores. Previously, same-store sales growth represented the estimated percentage change in sales of all restaurants in the Company system that have been open for one year or more, including stores temporarily closed, and the base stores changed on a rolling basis from month to month. This revision was made to align with how management measures performance internally and focuses on trends of a more stable base of stores.

- Company sales represent revenues from Company-owned restaurants. Within the analysis of Company sales, Total revenue and Restaurant profit, store portfolio actions represent the net impact from new-unit openings, acquisitions, refranchising and store closures. Net new unit contribution represents net revenue growth primarily from store portfolio actions excluding temporary store closures. Other primarily represents the impact of same-store sales as well as the impact of changes in restaurant operating costs such as inflation/deflation.

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

Years to Date Ended June 30, 2025 and 2024

Results of Operations

Summary

The Company has two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, and our delivery operating segment, and for 2024, also including e-commerce segment, are combined and referred to as All Other Segments, as those operating segments are insignificant both individually and in the aggregate. Additional details on our reportable operating segments are included in Note 13.

	Year to Date Ended		%/ppts Change	
	6/30/2025	6/30/2024	Reported	Ex F/X
System Sales Growth[(a)] (%)	3	5	NM	NM
Same-Store Sales Growth (Decline)[(a)] (%)	Even	(3)	NM	NM
Operating Profit	703	640	+10	+11
Adjusted Operating Profit[(b)]	703	640	+10	+11
Core Operating Profit[(b)]	708	640	NM	+11
OP Margin[(c)] (%)	12.2	11.4	+0.8	+0.8
Core OP Margin[(b)] (%)	12.2	11.4	NM	+0.8
Net Income	507	499	+1	+2
Adjusted Net Income[(b)]	507	499	+1	+2
Diluted Earnings Per Common Share	1.35	1.26	+7	+8
Adjusted Diluted Earnings Per Common Share[(b)]	1.35	1.26	+7	+8

NM refers to not meaningful.

(a) System Sales and Same-Store Sales growth percentages as shown in the table exclude the impact of F/X. Effective January 1, 2018, temporary store closures are normalized in the same-store sales calculation by excluding the period during which stores are temporarily closed.

(b) See "Non-GAAP Measures" below for definitions and reconciliations of the most directly comparable GAAP financial measures to the non-GAAP measures.

(c) OP margin is defined as Operating Profit divided by Total revenues.

Total revenues for the year to date ended June 30, 2025 increased 2%, or 3% excluding the impact of F/X, which was primarily driven by 3% net new unit contribution.

Operating profit for the year to date ended June 30, 2025 increased 10%, or 11% excluding the impact of F/X. The increase was primarily driven by the increase in Total revenues, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, increased delivery cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

The Consolidated Results of Operations for the years to date ended June 30, 2025 and 2024 and other data are presented below:

	Year to Date Ended		% B/(W)[a]	
	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 5,414	$ 5,322	2	2
Franchise fees and income	51	47	9	9
Revenues from transactions with franchisees	236	203	16	17
Other revenues	67	65	3	3
Total revenues	$ 5,768	$ 5,637	2	3
Company restaurant expenses	$ 4,472	$ 4,438	(1)	(1)
Operating Profit	$ 703	$ 640	10	11
OP Margin (%)	12.2%	11.4%	0.8 ppts.	0.8 ppts.
Interest income, net	51	69	(26)	(26)
Investment (loss) gain	(15)	16	NM	NM
Income tax provision	(199)	(190)	(5)	(5)
Equity in net earnings (losses) from equity method investments	6	—	NM	NM
Net Income — including noncontrolling interests	546	535	2	2
Net Income — noncontrolling interests	39	36	(6)	(8)
Net Income — Yum China Holdings, Inc.	$ 507	$ 499	1	2
Diluted Earnings Per Common Share	$ 1.35	$ 1.26	7	8
Effective tax rate	26.9%	26.2%		
Supplementary information — Non-GAAP Measures[b]				
Restaurant profit	$ 942	$ 884	6	7
Restaurant margin (%)	17.4%	16.6%	0.8 ppts.	0.8 ppts.
Adjusted Operating Profit	$ 703	$ 640		
Core Operating Profit	$ 708	$ 640		
Core OP Margin (%)	12.2%	11.4%		
Adjusted Net Income — Yum China Holdings, Inc.	$ 507	$ 499		
Adjusted Diluted Earnings Per Common Share	$ 1.35	$ 1.26		
Adjusted Effective Tax Rate	26.9%	26.2%		
Adjusted EBITDA	$ 941	$ 894		

(a) Represents the period-over-period change in percentage.

(b) See "Non-GAAP Measures" below for definitions and reconciliations of the most directly comparable GAAP financial measures to the non-GAAP measures.

Performance Metrics	Year to Date Ended 6/30/2025 % Change
System Sales Growth	3%
System Sales Growth, excluding F/X	3%
Same-Store Sales Growth	Even

Unit Count	6/30/2025	6/30/2024	% Increase
Company-owned	14,319	13,278	8
Franchisees	2,659	2,145	24
	16,978	15,423	10

2025 Outlook

- The Company targets approximately 1,600 to 1,800 net new stores and capital expenditures in the range of approximately $600 million to $700 million for the 2025 fiscal year, revised down from the initial target of $700 million to $800 million, mainly due to lower capital expenditures per store.

- The Company anticipates the franchise mix of net new stores to reach 40–50% for KFC and 20–30% for Pizza Hut in 2025, ahead of schedule and to moderately increase the mix within the guided range over the next few years.

- The Company plans to return $3 billion to shareholders in 2025 through 2026, adding to the $1.5 billion it delivered to shareholders in 2024.

Non-GAAP Measures

In addition to the results provided in accordance with GAAP throughout this MD&A, the Company provides the following non-GAAP measures:

- Measures adjusted for Special Items, which include Adjusted Operating Profit, Adjusted Net Income, Adjusted Earnings Per Common Share ("EPS"), Adjusted Effective Tax Rate and Adjusted EBITDA;

- Company Restaurant Profit ("Restaurant profit") and Restaurant margin;

- Core Operating Profit and Core OP margin, which exclude Special Items, and further adjusted for Items Affecting Comparability and the impact of F/X;

These non-GAAP measures are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of these non-GAAP measures provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our core operations.

With respect to non-GAAP measures adjusted for Special Items, the Company excludes impact from Special Items for the purpose of evaluating performance internally and uses them as factors in determining compensation for certain employees. Special Items are not included in any of our segment results.

Adjusted EBITDA is defined as net income including noncontrolling interests adjusted for equity in net earnings (losses) from equity method investments, income tax, interest income, net, investment gain or loss, depreciation and amortization, store impairment charges, and Special Items. Store impairment charges included as an adjustment item in Adjusted EBITDA primarily resulted from our semi-annual impairment evaluation of long-lived assets of individual restaurants, and additional impairment evaluation whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If these restaurant-level assets were not impaired, depreciation of the assets would have been recorded and included in EBITDA. Therefore, store impairment charges were a non-cash item similar to depreciation and amortization of our long-lived assets of restaurants. The Company believes that investors and analysts may find it useful in measuring operating performance without regard to such non-cash items.

Restaurant profit is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales, including cost of food and paper, restaurant-level payroll and employee benefits, rent, depreciation and amortization of restaurant-level assets, advertising expenses, and other operating expenses. Company restaurant margin percentage is defined as Restaurant profit divided by Company sales. We also use Restaurant profit and Restaurant margin for the purpose of internally evaluating the performance of our Company-owned restaurants and we believe they provide useful information to investors as to the profitability of our Company-owned restaurants.

Core Operating Profit is defined as Operating Profit adjusted for Special Items, and further excluding Items Affecting Comparability and the impact of F/X. We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Items such as charges, gains and accounting changes, which are viewed by management as significantly impacting the current period or the comparable period, due to changes in policy or other external factors, or non-cash items pertaining to underlying activities that are different from or unrelated to our core operations, are generally considered "Items Affecting Comparability." Examples of Items Affecting Comparability include, but are not limited to: temporary relief from landlords and government agencies; VAT deductions due to tax policy changes; and amortization of reacquired franchise rights recognized upon acquisitions. We believe presenting Core Operating Profit provides additional information to further enhance comparability of our operating results and we use this measure for purposes of evaluating the performance of our core operations. Core OP margin is defined as Core Operating Profit divided by Total revenues, excluding the impact of F/X.

The following table sets forth the reconciliations of the most directly comparable GAAP financial measures to the non-GAAP financial measures:

	Year to Date Ended	
	6/30/2025	6/30/2024
Reconciliation of Operating Profit to Adjusted Operating Profit		
Operating Profit	$ 703	$ 640
Special Items, Operating Profit	—	—
Adjusted Operating Profit	$ 703	$ 640
Reconciliation of Net Income to Adjusted Net Income		
Net Income — Yum China Holdings, Inc.	$ 507	$ 499
Special Items, Net Income — Yum China Holdings, Inc.	—	—
Adjusted Net Income — Yum China Holdings, Inc.	$ 507	$ 499
Reconciliation of EPS to Adjusted EPS		
Basic Earnings Per Common Share	$ 1.36	$ 1.27
Special Items, Basic Earnings Per Common Share	—	—
Adjusted Basic Earnings Per Common Share	$ 1.36	$ 1.27
Diluted Earnings Per Common Share	$ 1.35	$ 1.26
Special Items, Diluted Earnings Per Common Share	—	—
Adjusted Diluted Earnings Per Common Share	$ 1.35	$ 1.26
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate		
Effective tax rate	26.9%	26.2%
Impact on effective tax rate as a result of Special Items	—	—
Adjusted effective tax rate	26.9%	26.2%

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

	Year to Date Ended	
	6/30/2025	6/30/2024
Net Income — Yum China Holdings, Inc.	$ 507	$ 499
Net income — noncontrolling interests	39	36
Equity in net (earnings) losses from equity method investments	(6)	—
Income tax provision	199	190
Interest income, net	(51)	(69)
Investment loss (gain)	15	(16)
Operating Profit	703	640
Special Items, Operating Profit	—	—
Adjusted Operating Profit	703	640
Depreciation and amortization	219	235
Store impairment charges	19	19
Adjusted EBITDA	$ 941	$ 894

Reconciliation of GAAP Operating Profit to Restaurant Profit is as follows:

	Year to Date Ended 6/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 678	$ 106	$ (3)	$ (78)	$ —	$ 703
Less:						
Franchise fees and income	40	4	7	—	—	51
Revenues from transactions with franchisees	33	3	36	164	—	236
Other revenues	2	13	342	34	(324)	67
Add:						
General and administrative expenses	120	52	16	81	—	269
Franchise expenses	19	2	—	—	—	21
Expenses for transactions with franchisees	29	3	33	162	—	227
Other operating costs and expenses	2	11	335	34	(323)	59
Closures and impairment expenses, net	13	3	2	—	—	18
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	$ 786	$ 157	$ (2)	$ —	$ 1	$ 942
Company sales	4,267	1,129	18	—	—	5,414
Restaurant margin (%)	18.4%	13.9%	(16.0)%	N/A	N/A	17.4%

	Year to Date Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640
Less:						
Franchise fees and income	34	4	9	—	—	47
Revenues from transactions with franchisees	26	2	36	139	—	203
Other revenues	8	12	308	31	(294)	65
Add:						
General and administrative expenses	121	54	20	78	—	273
Franchise expenses	17	2	—	—	—	19
Expenses for transactions with franchisees	23	2	33	138	—	196
Other operating costs and expenses	6	11	304	30	(293)	58
Closures and impairment expenses, net	7	5	2	—	—	14
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	$ 742	$ 143	$ (2)	$ —	$ 1	$ 884
Company sales	4,176	1,117	29	—	—	5,322
Restaurant margin (%)	17.8%	12.8%	(11.1)%	N/A	N/A	16.6%

Reconciliation of GAAP Operating Profit to Core Operating Profit is as follows:

	Year to Date Ended		
	6/30/2025	6/30/2024	% Change B/(W)
Operating profit	$ 703	$ 640	10
Special Items, Operating Profit	—	—	
Adjusted Operating Profit	$ 703	$ 640	10
Items Affecting Comparability	—	—	
F/X impact	5	—	
Core Operating Profit	$ 708	$ 640	11
Total revenues	5,768	5,637	2
F/X impact	31	—	
Total revenues, excluding the impact of F/X	$ 5,799	$ 5,637	3
Core OP margin (%)	12.2%	11.4%	0.8 ppts.

Reconciliation of GAAP Operating Profit to Core Operating Profit by segment is as follows:

	Year to Date Ended 6/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 678	$ 106	$ (3)	$ (78)	$ —	$ 703
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 678	$ 106	$ (3)	$ (78)	$ —	$ 703
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	4	1	—	—	—	5
Core Operating Profit (Loss)	$ 682	$ 107	$ (3)	$ (78)	$ —	$ 708

	Year to Date Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640

Segment Results

KFC

	Year to Date Ended			
			% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 4,267	$ 4,176	2	3
Franchise fees and income	40	34	14	14
Revenues from transactions with franchisees	33	26	26	27
Other revenues	2	8	(74)	(74)
Total revenues	$ 4,342	$ 4,244	2	3
Company restaurant expenses	$ 3,481	$ 3,434	(1)	(2)
G&A expenses	$ 120	$ 121	1	—
Franchise expenses	$ 19	$ 17	(9)	(9)
Expenses for transactions with franchisees	$ 29	$ 23	(29)	(30)
Other operating costs and expenses	$ 2	$ 6	72	72
Closures and impairment expenses, net	$ 13	$ 7	(65)	(65)
Operating Profit	$ 678	$ 636	6	7
OP Margin (%)	15.6%	15.0%	0.6 ppts.	0.6 ppts.
Restaurant profit	$ 786	$ 742	6	6
Restaurant margin (%)	18.4%	17.8%	0.6 ppts.	0.6 ppts.

	Year to Date Ended 6/30/2025 % Change
System Sales Growth	4%
System Sales Growth, excluding F/X	4%
Same-Store Sales Growth	Even

Unit Count	6/30/2025	6/30/2024	% Increase
Company-owned	10,536	9,740	8
Franchisees	1,702	1,191	43
	12,238	10,931	12

Company Sales and Restaurant Profit

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

	Year to Date Ended				
Income (Expense)	6/30/2024	Store Portfolio Actions	Other	F/X	6/30/2025
Company sales	$ 4,176	$ 118	$ (4)	$ (23)	$ 4,267
Cost of sales	(1,320)	(41)	37	8	(1,316)
Cost of labor	(1,055)	(32)	(29)	6	(1,110)
Occupancy and other operating expenses	(1,059)	(30)	29	5	(1,055)
Restaurant profit	$ 742	$ 15	$ 33	$ (4)	$ 786

The increase in Company sales for the year to date ended June 30, 2025, excluding the impact of F/X, was primarily driven by net unit growth. The year to date increase in Restaurant profit, excluding the impact of F/X, was primarily driven by the increase in Company sales, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, increased rider cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

Franchise Fees and Income/Revenues from Transactions with Franchisees

The year to date increase in Franchise fees and income and Revenues from transactions with franchisees, excluding the impact of F/X, was primarily driven by acceleration of franchise store openings.

Operating Profit

The year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

Pizza Hut

	Year to Date Ended			
			% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 1,129	$ 1,117	1	2
Franchise fees and income	4	4	21	22
Revenues from transactions with franchisees	3	2	56	57
Other revenues	13	12	9	9
Total revenues	$ 1,149	$ 1,135	1	2
Company restaurant expenses	$ 972	$ 974	—	—
G&A expenses	$ 52	$ 54	4	4
Franchise expenses	$ 2	$ 2	(15)	(15)
Expenses for transactions with franchisees	$ 3	$ 2	(41)	(42)
Other operating costs and expenses	$ 11	$ 11	(3)	(3)
Closures and impairment expenses, net	$ 3	$ 5	38	38
Operating Profit	$ 106	$ 87	22	23
OP Margin (%)	9.2%	7.7%	1.5 ppts.	1.5 ppts.
Restaurant profit	$ 157	$ 143	9	10
Restaurant margin (%)	13.9%	12.8%	1.1 ppts.	1.1 ppts.

	Year to Date Ended 6/30/2025
	% Change
System Sales Growth	2%
System Sales Growth, excluding F/X	3%
Same-Store Sales Growth	1%

Unit Count	6/30/2025	6/30/2024	% Increase
Company-owned	3,629	3,341	9
Franchisees	235	163	44
	3,864	3,504	10

Company Sales and Restaurant Profit

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

	Year to Date Ended				
Income (Expense)	6/30/2024	Store Portfolio Actions	Other	F/X	6/30/2025
Company sales	$ 1,117	$ 15	$ 3	$ (6)	$ 1,129
Cost of sales	(365)	(4)	4	2	(363)
Cost of labor	(312)	(3)	(4)	2	(317)
Occupancy and other operating expenses	(297)	(6)	10	1	(292)
Restaurant profit	$ 143	$ 2	$ 13	$ (1)	$ 157

The increase in Company sales for the year to date ended June 30, 2025, excluding the impact of F/X, was primarily driven by net unit growth and same-store sales growth, partially offset by more temporary closures mainly during the Chinese New Year holiday compared with the prior year. The year to date increase in Restaurant profit, excluding the impact of F/X, was primarily driven by the increase in Company sales, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, increased delivery cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

Operating Profit

The year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

All Other Segments

All Other Segments reflects the results of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, our delivery operating segment, and for 2024, also the e-commerce segment.

	Year to Date Ended			
			% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 18	$ 29	(38)	(37)
Franchise fees and income	7	9	(16)	(15)
Revenues from transactions with franchisees	36	36	(1)	(1)
Other revenues	342	308	11	12
Total revenues	$ 403	$ 382	6	6
Company restaurant expenses	$ 20	$ 31	35	34
G&A expenses	$ 16	$ 20	20	20
Expenses for transactions with franchisees	$ 33	$ 33	1	—
Other operating costs and expenses	$ 335	$ 304	(11)	(11)
Closures and impairment expenses, net	$ 2	$ 2	(18)	(17)
Operating Loss	$ (3)	$ (8)	63	63
OP Margin (%)	(0.8)%	(2.2)%	1.4 ppts.	1.4 ppts.
Restaurant loss	$ (2)	$ (2)	10	9
Restaurant margin (%)	(16.0)%	(11.1)%	(4.9) ppts.	(4.9) ppts.

Total Revenues

The year to date increase in Total revenues of All other segments, excluding the impact of F/X, was primarily driven by inter-segment revenue generated by our delivery team for services provided to Company-owned restaurants as a result of increased delivery sales, partially offset by decline in Company sales.

Operating Loss

The year to date decrease in Operating loss, excluding the impact of F/X, was primarily driven by the decrease in Operating loss from certain emerging brands.

Corporate and Unallocated

	Year to Date Ended						
					% B/(W)	
	6/30/2025		6/30/2024		Reported	Ex F/X
Revenues from transactions with franchisees	$	164	$	139	18	19
Other revenues	$	34	$	31	9	10
Expenses for transactions with franchisees	$	162	$	138	(18)	(19)
Other operating costs and expenses	$	34	$	30	(13)	(14)
Corporate G&A expenses	$	81	$	78	(3)	(3)
Other unallocated income, net	$	(1)	$	(1)	(29)	(29)
Interest income, net	$	51	$	69	(26)	(26)
Investment (loss) gain	$	(15)	$	16	NM	NM
Income tax provision (See Note 12)	$	(199)	$	(190)	(5)	(5)
Equity in net earnings (losses) from equity method investments	$	6	$	—	NM	NM
Effective tax rate (See Note 12)		26.9%		26.2%	(0.7) ppts.	(0.7) ppts.

Revenues from Transactions with Franchisees

Revenues from transactions with franchisees primarily include revenues derived from the Company's central procurement model, whereby food and paper products are centrally purchased and then mainly sold to KFC and Pizza Hut franchisees. The year to date increase in revenues from transactions with franchisees, excluding the impact of F/X, was mainly due to the increase in system sales for franchisees primarily driven by acceleration of franchise store openings.

Interest Income, Net

The year to date decrease in interest income, net, excluding the impact of F/X, was primarily driven by lower interest rates and lower investment balance with cash used in return to shareholders.

Investment (Loss) Gain

The investment (loss) gain mainly relates to the change in fair value of our investment in Meituan. See Note 3 for additional information.

Income Tax Provision

Our income tax provision primarily includes tax on our earnings generally at the Chinese statutory tax rate of 25% with certain Chinese subsidiaries qualified for preferential tax rates, withholding tax on planned or actual repatriation of earnings outside of China, Hong Kong profits tax, and U.S. corporate income tax, if any. The higher effective tax rate for the year to date ended June 30, 2025 was primarily due to higher withholding tax associated with higher planned repatriation of earnings outside of China, less interest income subject to lower income tax rates and the impact from fair value change of our investment in Meituan.

Discussion of Changes of Certain Key Balance Sheet Items

Cash and Cash Equivalents

As of June 30, 2025 and December 31, 2024, the Company's cash and cash equivalents were denominated in the following currencies:

	6/30/2025	12/31/2024
RMB	$ 221	$ 199
USD	365	519
Hong Kong dollar ("HK$")	5	4
Euros	1	1
Total	$ 592	$ 723

For discussion of changes in Cash and Cash Equivalent, see Condensed Consolidated Cash Flows section below.

Short-term Investments and Long-term Bank Deposits and Notes

As of June 30, 2025, the decrease of short-term investments and long-term bank deposits and notes were primarily due to less purchase of these investments to fund return to shareholders. See Note 11 for details.

Operating Lease Right-of-use ("ROU") Assets and Liabilities

As of June 30, 2025, excluding the F/X impact, ROU assets decreased, primarily due to the amortization of assets relating to existing leases with fixed lease payments and a higher portion of our leases with variable lease payments. The decrease of lease liabilities was consistent with the decrease of ROU assets.

Short-term Borrowings

As of June 30, 2025, the decrease of short-term borrowings was due to the repayments of borrowings upon maturity during the period. There was no outstanding short-term borrowings as of June 30, 2025.

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

Tax Examination on Transfer Pricing

We are subject to reviews, examinations and audits by Chinese tax authorities, the Internal Revenue Service and other tax authorities with respect to income and non-income based taxes. Since 2016, we have been under a national audit on transfer pricing by the Chinese State Taxation Administration (the "STA") in China regarding our related party transactions for the period from 2006 to 2015. The information and views currently exchanged with the tax authorities focus on our franchise arrangement with Yum! Brands, Inc. ("YUM"). We continue to provide information requested by the tax authorities to the extent it is available to the Company. It is reasonably possible that there could be significant developments, including expert review and assessment by the STA, within the next 12 months. The ultimate assessment and decision of the STA will depend upon further review of the information provided, as well as ongoing technical and other discussions with the STA and in-charge local tax authorities, and therefore it is not possible to reasonably estimate the potential impact at this time. We will continue to defend our transfer pricing position. However, if the STA prevails in the assessment of additional tax due based on its ruling, the assessed tax, interest and penalties, if any, could have a material adverse impact on our financial position, results of operations and cash flows.

PRC Value-Added Tax ("VAT")

Effective May 1, 2016, a 6% output VAT replaced the 5% business tax ("BT") previously applied to certain restaurant sales. Input VAT would be creditable to the aforementioned 6% output VAT. Our new retail business is generally subject to VAT rates at 9% or 13%. The latest VAT rates imposed on our purchase of materials and services included 13%, 9% and 6%, which were gradually changed from 17%, 13%, 11% and 6% since 2017. These rate changes impact our input VAT on all materials and certain services, mainly including construction, transportation and leasing. However, the impact on our operating results was insignificant.

Entities that are general VAT taxpayers are permitted to offset qualified input VAT paid to suppliers against their output VAT upon receipt of appropriate supplier VAT invoices on an entity-by-entity basis. When the output VAT exceeds the input VAT, the difference is remitted to tax authorities, usually on a monthly basis; whereas when the input VAT exceeds the output VAT, the difference is treated as a VAT asset which can be carried forward indefinitely to offset future net VAT payables. VAT related to purchases and sales which have not been settled at the balance sheet date is disclosed separately as an asset and liability, respectively, in the Condensed Consolidated Balance Sheets. At each balance sheet date, the Company reviews the outstanding balance of any VAT asset for recoverability, giving consideration to the indefinite life of VAT assets as well as its forecasted operating results and capital spending, which inherently includes significant assumptions that are subject to change. As of June 30, 2025 and December 31, 2024, the Company has not made an allowance for the recoverability of VAT assets, as the balance is expected to be utilized to offset against VAT payables or be refunded in the future.

On June 7, 2022, the Chinese Ministry of Finance ("MOF") and the STA jointly issued Circular [2022] No. 21, to extend full VAT credit refunds to more sectors and increase the frequency for accepting taxpayers' applications. Beginning on July 1, 2022, entities engaged in providing catering services in China are allowed to apply for a lump sum refund of VAT assets accumulated prior to March 31, 2019. In addition, VAT assets accumulated after March 31, 2019 can be refunded on a monthly basis.

As of June 30, 2025, current VAT assets of $120 million, non-current VAT assets of $8 million and net VAT payable of $9 million were recorded in Prepaid expenses and other current assets, Other assets and Accounts payable and other current liabilities, respectively, in the Condensed Consolidated Balance Sheets.

The Company will continue to review the classification of VAT assets at each balance sheet date, giving consideration to different local implementation practices of refunding VAT assets and the outcome of potential administrative reviews.

We have been benefiting from the retail tax structure reform since it was implemented on May 1, 2016. However, the amount of our expected benefit from this VAT regime depends on a number of factors, some of which are outside of our control. The interpretation and application of the new VAT regime are not settled at some local governmental levels. On December 25, 2024, China enacted the prevailing VAT regulations into the VAT Law, which will come into effect on January 1, 2026. In terms of tax rates, the VAT Law maintains the existing rates of 13%, 9% and 6%. We will monitor the regulatory developments and evaluate the impact, if any, once the detailed implementation rules are released.

Foreign Currency Exchange Rate

The reporting currency of the Company is the US$. Most of the revenues, costs, assets and liabilities of the Company are denominated in Chinese Renminbi ("RMB"). Any significant change in the exchange rate between US$ and RMB may materially affect the Company's business, results of operations, cash flows and financial condition, depending on the weakening or strengthening of RMB against the US$. See "Quantitative and Qualitative Disclosures About Market Risk" for further discussion.

Condensed Consolidated Cash Flows

Our cash flows for the years to date ended June 30, 2025 and 2024 were as follows:

Net cash provided by operating activities was $864 million in 2025 as compared to $843 million in 2024. The increase was primarily driven by the increase in Operating profit along with working capital changes.

Net cash used in investing activities was $290 million in 2025 as compared to $132 million in 2024. The increase was mainly due to the net impact on cash flows resulting from purchases and maturities of short-term investments, and long-term bank deposits and notes, partially offset by the decrease in capital spending.

Net cash used in financing activities was $709 million in 2025 as compared to $785 million in 2024. The decrease was primarily driven by the decrease in share repurchases, partially offset by the lapping impact from the proceeds from short-term bank borrowings received in prior year and repaid in current year and increase of cash dividends paid on common stock.

Liquidity and Capital Resources

Historically we have funded our operations through cash generated from the operation of our Company-owned stores and our franchise operations. Our global offering in September 2020 provided us with $2.2 billion in net proceeds.

Our ability to fund our future operations and capital needs will primarily 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 and capital expenditures for accelerating store network expansion and store remodeling, to step up investments in digitalization, automation and logistics infrastructure, to provide returns to our stockholders, as well as to explore opportunities for investments that build and support our ecosystem or strategic acquisitions. We believe that our future cash from operations, together with our funds on hand and access to the capital markets, will provide adequate resources to fund these uses of cash, and that our existing cash, net cash from operations and credit facilities will be sufficient to fund our operations and anticipated capital expenditures for the next 12 months. We currently expect our fiscal year 2025 capital expenditures to be in the range of approximately $600 million to $700 million.

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;
- the liquidity of the overall capital markets and our access to capital markets; and
- the state of the Chinese, U.S. and global economies, as well as relations between the Chinese and U.S. governments.

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

Generally, our income is subject to the Chinese 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 additional 10% withholding tax levied by the Chinese tax authority, subject to any reduction or exemption set forth in relevant tax treaties or tax arrangements.

Share Repurchases and Dividends

The Company's Board of Directors has authorized an aggregate of $4.4 billion for our share repurchase program, including its most recent increase in authorization on November 4, 2024. Yum China may repurchase shares under this program from time to time in the open market or, subject to applicable regulatory requirements, through privately negotiated transactions, block trades, accelerated share repurchase transactions and the use of Rule 10b5-1 trading plans. During the years to date ended June 30, 2025 and 2024, the Company repurchased 7.7 million shares of common stock for $356 million and 21.7 million shares of common stock for $868 million, respectively, under the repurchase program, excluding transaction costs and excise tax.

For the years to date ended June 30, 2025 and 2024, the Company paid aggregate cash dividends of approximately $180 million and $126 million, respectively, to stockholders through a quarterly dividend payment of $0.24 and $0.16 per share, respectively.

The Company plans to return $3 billion to shareholders in 2025 through 2026, adding to the $1.5 billion it delivered to shareholders in 2024.

On August 5, 2025, the Board of Directors declared a cash dividend of $0.24 per share, payable on September 23, 2025, to stockholders of record as of the close of business on September 2, 2025. The total estimated cash dividend payable is approximately $88 million.

Our plan of capital returns to shareholders is based on current expectations, which may change based on market conditions, capital needs or otherwise. In addition, our ability to declare and pay any dividends on our stock may be restricted by our earnings available for distribution under applicable Chinese laws. 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. Under Chinese laws, 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.

Borrowing Capacity

As of June 30, 2025, the Company had credit facilities of RMB9,666 million (approximately $1,349 million), comprised of onshore credit facilities in the aggregate amount of RMB6,800 million (approximately $949 million), offshore credit facilities in the aggregate amount of $200 million and a credit facility of $200 million that can be used for either onshore or offshore.

The credit facilities had remaining terms ranging from less than one year to three years as of June 30, 2025. Our credit facilities mainly include term loans, overdrafts, letters of credit, banker's acceptance notes and bank guarantees. The credit facilities in general bear interest based on the Loan Prime Rate ("LPR") published by the National Interbank Funding Centre of the PRC, or Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. Each credit facility contains a cross-default provision whereby our failure to make any payment on a principal amount from any credit facility will constitute a default on other credit facilities. Some of the credit facilities contain covenants limiting, among other things, certain additional indebtedness and liens, and certain other transactions specified in the respective agreements. As of June 30, 2025, we had outstanding bank guarantees of RMB268 million (approximately $37 million) mainly to secure our lease payments to landlords for certain Company-owned restaurants. The credit facilities were therefore reduced by the same amount, while there were no bank borrowings outstanding as of June 30, 2025. As of June 30, 2025, the Company had unused credit facilities of approximately $1,312 million.

Material Cash Requirements

Operating and Finance Leases Obligations

As of June 30, 2025, undiscounted future lease payments amounted to $2,588 million, including $272 million in the remainder of 2025. These obligations relate primarily to over 14,000 properties in China for our Company-owned restaurants. See Note 10 for additional information.

Purchase Obligations

As of June 30, 2025, future purchase obligations amounted to $350 million, which relate primarily to capital expenditure commitment for infrastructure, as well as supply and service agreements. We have excluded agreements that are cancelable without penalty or have a remaining term not in excess of one year. Such commitments are generally near term in nature, will be funded from operating cash flows, and are not significant to the Company's overall financial position.

Contingent Liabilities

We had no material contingent obligations as of June 30, 2025. Please see Note 14 for further discussion.

Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing borrowings by total equity as of the end of the period, was nil and 2.0% as of June 30, 2025 and December 31, 2024, respectively.

Pledge of Assets

The Company is required to place bank deposits or purchase insurance in order to secure the balance of prepaid stored-value cards issued by the Company pursuant to regulatory requirements. $28 million of time deposits in Short-term investments and $34 million of time deposits in Long-term bank deposits and notes were restricted for use as of June 30, 2025, and $60 million of time deposits in Long-term bank deposits and notes were restricted for use as of December 31, 2024. Please see Note 11 for further discussion.

Significant Investments Held

None of our investments held constituted significant investments required to be disclosed pursuant to Appendix D2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"). Refer to Note 3 for our business acquisitions and equity investments.

Future Plans for Material Investments and Capital Assets

We currently expect our fiscal year 2025 capital expenditures to be in the range of approximately $600 million to $700 million. Please see Liquidity and Capital Resources section for further discussion.

Material Acquisitions and Disposal of Subsidiaries and Joint Venture

During the years to date ended June 30, 2025 and 2024, we did not have any material acquisitions and disposals of subsidiaries and joint venture.

Employee Remuneration Policy

The Company had more than 300,000 employees as of June 30, 2025, including approximately 130,000 full-time employees and approximately 178,000 part-time restaurant crew members. The Company has continued to improve its operational efficiency by streamlining and centralizing certain operational and kitchen tasks, and leveraging technology to automate key processes. Through continuous innovation, we are fostering a more supportive and efficient environment for our employees, providing them with opportunities to thrive. The Company is also dedicated to offering fair and competitive compensation and benefits, along with tailored programs to support employees at all levels. In addition to our employees, we engage outsourced delivery riders and restaurant workers. While they are not included in our headcount, they are an integral part of our operations and receive training and caring, enabling us to adapt to diverse business and customer needs.

For the year to date ended June 30, 2025, the Company has incurred total staff costs (including salaries, allowances, benefits in kind, performance related bonuses, share-based compensation expense and social benefit contributions) of approximately $1,265 million.

The Company is committed to equal pay for equal work. We provide employees with fair and competitive compensation and benefits, including through launching of equity incentive schemes, to recognize and reward their contributions, performance and efforts. In line with relevant labor laws and regulations, we provide full-time employees with pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing funds. Part-time employees are covered by employer liability insurance. Employees also enjoy paid leaves in accordance with labor laws. The Company values the growth of employees and continuously nurtures top talent through a systematic training system. We prepare employees not just for fulfilling current job requirements, but also for more challenging expanded job responsibilities in the future.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

See Note 2 for details of recently adopted accounting pronouncements.

New Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures* ("ASU 2023-09"), requiring public business entities to provide additional information in the rate reconciliation and additional disclosures about income taxes paid. ASU 2023-09 is effective for the Company's annual disclosure from 2025, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)* ("ASU 2024-03"), requiring public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory, employee compensation, depreciation, amortization and depletion expenses for each caption on the income statement where such expenses are included. ASU 2024-03 is effective for the Company for annual period from January 1, 2027, and for interim periods from January 1, 2028, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

Changes in foreign currency exchange rates impact the translation of our reported foreign currency-denominated earnings, cash flows and net investments in foreign operations, virtually all of which are denominated in RMB. While substantially all of our supply purchases are denominated in RMB, from time to time, we enter into agreements with third parties to purchase certain amount of goods and services sourced overseas and make payments in the corresponding local currencies at predetermined exchange rates when practical, to minimize the related foreign currency exposure with immaterial impact on our financial statements.

As substantially all of the Company's operations are located in China, the Company is exposed to movements in the RMB foreign currency exchange rate. For the year to date ended June 30, 2025, the Company's Operating profit would have decreased by approximately $67 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.

Investment Risk

In September 2018, we invested $74 million in 8.4 million of Meituan's ordinary shares. The Company sold 4.2 million of its ordinary shares of Meituan in the second quarter of 2020 for proceeds of approximately $54 million. Equity investment in Meituan is recorded at fair value, which is measured on a recurring basis and is subject to market price volatility. See Note 3 for further discussion on our investment in Meituan.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As of June 30, 2025, the interests and short positions of the directors and chief executive of the Company in the common stock or ordinary shares, shares underlying other securities, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions as set out in Appendix C3 to the Hong Kong Listing Rules (the "Model Code") were as follows:

(i) Interests in the Shares of the Company

Name of Director	Nature of Interests	Number of Shares[1]	Approximate Percentage of Holding[2]
Joey Wat	Beneficial owner	1,223,456[3]	0.33%
	Interest of controlled corporation[4]	45,144	0.01%
	Founder of a discretionary trust[5]	227,800	0.06%
Robert B. Aiken	Trustee[6]	15,925	*
Mikel A. Durham	Beneficial owner	9,125	*
Edouard Ettedgui	Beneficial owner	59,226	0.02%
Grace Xin Ge	Beneficial owner	4,524	*
David Hoffmann	Beneficial owner	22,734	*
Fred Hu	Beneficial owner	82,405	0.02%
	Interest of controlled corporation[7]	12,035,635	3.24%
Ruby Lu	Beneficial owner	66,070	0.02%
Zili Shao	Beneficial owner	52,007	0.01%
William Wang	Beneficial owner	57,220	0.02%
Min (Jenny) Zhang	Interest of controlled corporation[8]	14,450	*
Christina Xiaojing Zhu	Beneficial owner	17,642	*

Notes:

* Representing less than 0.01%.

(1) Representing long position.

(2) The calculation is based on the total number of 371,070,118 shares of common stock of the Company, or the shares, in issue as of June 30, 2025.

(3) Includes (i) 382,657 shares owned by Ms. Joey Wat, (ii) 840,799 shares issuable (a) upon the exercise of outstanding stock appreciation rights, based on the closing price of the shares traded on the New York Stock Exchange on June 30, 2025; (b) upon the vesting of restricted stock units and corresponding dividend equivalent units; and (c) upon the vesting of performance stock units and corresponding dividend equivalent units, assuming maximum payouts pursuant to their award agreements.

(4) The shares were held by Best Ease International Limited, a company incorporated in British Virgin Islands which is wholly owned by Ms. Joey Wat.

(5) The shares were held by Darby Settlement Trust, a discretionary trust established by Ms. Joey Wat as the founder.

(6) The shares were held by Robert B. Aiken Trust, of which Mr. Robert B. Aiken is the trustee.

(7) The shares were held directly by Pollos Investment L.P. ("Pollos Investment"). The limited partnership interests of Pollos Investment are ultimately owned by a private fund for which an affiliate of Dr. Fred Hu is special limited partner ("Special Limited Partner"). Dr. Fred Hu is a shareholder of the parent company of the general partner of the Special Limited Partner and is therefore deemed to be interested in the shares.

(8) The shares were held by WMJ Investing Limited, a company incorporated in British Virgin Islands which is controlled by Ms. Min (Jenny) Zhang.

Mr. Peter A. Bassi stepped down as a director of the Company and Ms. Grace Xin Ge was approved to serve as a director of the Company at the Company's annual meeting of stockholders held on May 23, 2025 (Hong Kong time). The Board appointed Mr. Zhe (David) Wei as a director in August 2025. In connection with the appointment, the Board increased its size from 12 directors to 13 directors.

(ii) Interests in the Shares of Associated Corporations

Name of Director	Name of Associated Corporation	Nature of Interests	Number of Shares[(1)]	Approximate Percentage of Holding[(2)]
Joey Wat	Y&L Coffee Limited ("Y&L")	Beneficial owner	1,000,000[(3)]	0.37%

Notes:

(1) Representing long position.

(2) The calculation is based on the total number of 267,052,046 shares in issue as of June 30, 2025.

(3) Representing the number of ordinary shares of Y&L issuable under the performance share awards of Y&L granted to Ms. Joey Wat in February 2022. As previously disclosed, the Company and Lavazza Group established the Lavazza joint venture, Y&L, to explore and develop the Lavazza coffee concept in China. In order to support a founder's mentality and to incentivize the efforts of employees of the Company, Lavazza Group and the Lavazza joint venture to execute on the Lavazza joint venture's business plan, the Lavazza joint venture established equity plans in February 2022 allowing for the grant of equity awards with respect to the Lavazza joint venture to key employees of the Lavazza joint venture, Lavazza Group and the Company. The vesting of the performance share awards are subject to both performance-based vesting conditions and the occurrence of a liquidity event, including an initial public offering of Y&L, which must occur within seven years of the grant date.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of June 30, 2025, so far as was known to the directors or chief executive of the Company, the following persons (other than the directors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of Interests	Number of Shares[(1)]	Approximate Percentage of Holding[(2)]
JPMorgan Chase & Co.[(3)]	Interest in controlled corporations	1,631,540	0.44%
		1,212,753 (S)	0.33% (S)
	Investment manager	26,961,220	7.27%
		2 (S)	* (S)
	Person having a security interest in shares	81,713	0.02%
	Trustee	13,540	*
	Approved lending agent	10,085,623	2.72%
BlackRock, Inc.[(4)]	Interest in controlled corporations	18,650,187	5.03%
		595,544 (S)	0.16% (S)

Notes:

* Representing less than 0.01%.

(1) Unless otherwise specified, the shares are long position. (S) denotes short position.

(2) The calculation is based on the total number of 371,070,118 shares in issue as of June 30, 2025.

(3) According to the shareholding disclosures notice regarding the relevant event dated May 30, 2025 submitted by JPMorgan Chase & Co. to the Hong Kong Stock Exchange, an aggregated 38,773,636 shares (long position), 1,212,755 shares (short position) and 10,085,623 shares (lending pool) of the Company are held by JPMorgan Chase & Co. indirectly through its certain subsidiaries. Among them, 6,740 shares (long position) and 183,895 shares (short position) are physically settled unlisted derivatives, and 649,240 shares (long position) and 373,810 shares (short position) are cash settled unlisted derivatives.

(4) According to the shareholding disclosures notice regarding the relevant event dated June 6, 2025 submitted by BlackRock, Inc. to the Hong Kong Stock Exchange, an aggregated 18,650,187 shares (long position) and 595,544 shares (short position) of the Company are held by BlackRock, Inc. indirectly through its certain subsidiaries. Among them, 101,594 shares (long position) and 566,081 shares (short position) are cash settled unlisted derivatives.

Long Term Incentive Plans and Directors' Rights to Acquire Shares

In connection with the Company's voluntary conversion of its secondary listing status to a primary listing status on The Stock Exchange of Hong Kong Limited (the "Primary Conversion"), the Company's stockholders approved the Yum China Holdings, Inc. 2022 Long Term Incentive Plan (the "2022 Plan"). The 2022 Plan replaced the Yum China Holdings, Inc. Long Term Incentive Plan (the "2016 Plan") and became effective on October 24, 2022. The 2016 Plan, which was adopted at the time of the Company's spin-off from Yum! Brands, Inc. ("YUM"), continued to govern awards granted prior to the effectiveness of the 2022 Plan. The following paragraphs provide a summary of certain terms of, and details of awards granted, under the 2022 Plan and the 2016 Plan.

(i) 2022 Plan

a. Purpose of the 2022 Plan

The purposes of our 2022 Plan are (i) to attract and retain persons eligible to participate in the 2022 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; and (iv) to align the interests of participants with those of our stockholders.

b. Types of Awards

Under the 2022 Plan, the Company may grant (i) non-qualified stock options; (ii) incentive stock options ("ISOs") (within the meaning of Section 422 of the Internal Revenue Code); (iii) stock appreciation rights ("SARs"); (iv) "Full Value Awards" (including common stock, restricted stock, restricted stock units ("RSUs"), performance shares and performance units ("PSUs")); and (v) cash incentive awards.

c. Available Shares under the 2022 Plan

Subject to the capitalization adjustment provisions included in the 2022 Plan, the maximum number of shares of Company common stock authorized for grants under the 2022 Plan is 31,000,000 shares.

The number of shares that may be delivered to participants and their beneficiaries under the 2022 Plan may be increased by our stockholders in a general meeting after three years from the date of their approval of the previous increase (or the date of the adoption of the 2022 Plan). Additional increases within any three-year period must be approved by our independent stockholders in a manner compliant with Chapter 17 of the Hong Kong Listing Rules in force from time to time. Any increase to the share limit under the 2022 Plan may not result in the number of shares of Company common stock that may be delivered to participants and their beneficiaries under the 2022 Plan exceeding 10% of the total number of shares outstanding as of the date our stockholders approve such increase (the "10% Limit").

To the extent shares subject to an award granted under the 2022 Plan were not issued or delivered by reason of (i) lapse of awards due to termination, expiration or forfeiture of such award, (ii) the settlement of such award in cash, or (iii) the withholding of such shares by the Company to satisfy the applicable tax withholding obligation or exercise price (by way of net settlement or net exercise), in each case, then such shares will not reduce the number of shares remaining available for issuance under the 2022 Plan. Only the shares subject to a stock-settled SAR that are issued to a participant upon exercise of such stock-settled SAR will reduce the number of shares remaining available for issuance under the 2022 Plan. In addition, subject to the 10% Limit, (x) shares withheld by the Company after August 24, 2022 to pay the withholding taxes related to an outstanding award granted under the 2016 Plan and (y) shares subject to awards granted under the 2016 Plan between August 24, 2022 and the effectiveness of the 2022 Plan which are not delivered to a participant or beneficiary because they have lapsed in accordance with the terms of the 2016 Plan, including due to forfeiture, termination, or expiration of the award, in each case, are also available for grants under the 2022 Plan.

The 2022 Plan uses a fungible share counting method, such that Full Value Awards reduce the 2022 Plan's share reserve at a ratio of two shares for every share subject to the Full Value Awards and stock options and SARs will reduce the share reserve on a one-for-one basis.

d. Eligibility

Participants in the 2022 Plan consist of officers, directors or other employees of the Company, its subsidiaries or its associated companies in which the Company has an equity interest and persons who are expected to become officers, employees or directors of the Company or a subsidiary or an associated company in which the Company has an equity interest, as may be selected by the compensation committee of the Board (the "Compensation Committee").

e. Other Share Limits

Under the terms of the 2022 Plan, (i) the number of shares initially available for grants of ISOs under the 2022 Plan equals 31,000,000; (ii) 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 will be 9,000,000; (iii) for Full Value Awards, no more than 3,000,000 shares may be subject to Full Value Awards granted to any one individual during any five-calendar-year period; and (iv) a non-employee director may not be granted during any calendar year an award or awards having a value determined on the grant date in excess of $1,500,000.

In addition, to the extent any grant of an award to any one individual would result in the shares issued or to be issued in respect of all awards granted to such individual (excluding any awards that have been forfeited or lapsed in accordance with the terms of the 2022 Plan) in the 12-month period up to and including the date of such grant representing in the aggregate more than the limit set out in the Hong Kong Listing Rules (currently 1% of the shares of the Company issued and outstanding as of such date), then such grant must be separately approved by our stockholders in accordance with the Hong Kong Listing Rules. Pursuant to the Hong Kong Listing Rules, if (i) a grant of an award (excluding options and SARs) (the "Other Equity Awards") to any one of our directors whose role is executive in nature or our Chief Executive Officer or any of their associates would result in the shares issued and to be issued in respect of all Other Equity Awards granted (excluding the awards lapsed in accordance with the 2022 Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total issued and outstanding shares on the date of such grant, or (ii) a grant of an award (including options, SARs and any other types of share awards) to any one of our independent directors or substantial shareholder of the Company or any of their associates would result in the shares issued and to be issued in respect of all awards (excluding the awards lapsed in accordance with the 2022 Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total issued and outstanding shares on the date of such grant, such further grant exceeding 0.1% limit must be approved by our stockholders.

f. No Payment for Applying or Accepting an Award

Except as required by applicable law, participants are not required to pay any amount in order to apply for or accept an award.

g. Vesting Period

Notwithstanding any other provision of the 2022 Plan to the contrary, awards granted under the 2022 Plan (other than cash-based awards) will vest no earlier than the first anniversary of the date on which the award is granted; provided, that the following awards granted to directors, officers or other employees of the Company or any of its subsidiaries and persons who are expected to become directors, officers or other employees of the Company or any of its subsidiaries ("Employee Participants") will not be subject to the foregoing minimum vesting requirement: any (i) substitute awards granted in connection with awards that are assumed, converted or substituted pursuant to a merger, acquisition or similar transaction entered into by the Company or any of its subsidiaries, (ii) awards to non-employee directors that vest on the earlier of the one-year anniversary of the date of grant and the next annual meeting of stockholders which is at least 50 weeks after the immediately preceding year's annual meeting, and (iii) additional awards the Compensation Committee may grant, up to a maximum of five percent (5%) of the available share reserve authorized for issuance under the 2022 Plan (subject to adjustment under the corporate capitalization provisions under the 2022 Plan) in respect of (A) sign-on or make-whole grants to new Employee Participants, (B) grants of awards with performance-based vesting conditions, (C) grants of awards that are made in batches for administrative or compliance reasons, (D) grants of awards that vest evenly over a period of 12 months or more, (E) grants of awards with a total vesting and holding period of more than 12 months and (F) shares subject to a minimum holding period of 12 months which are delivered to an Employee Participant under his or her compensation arrangements with the Company (including shares of Company common stock delivered to non-employee directors in respect of their annual retainers).

The Board and the Compensation Committee believe that the types of awards described in clauses (i) to (iii) in the previous paragraph are appropriate and align with the purposes of the 2022 Plan (i.e., to attract and retain individuals to the Company, motivate performance, provide competitive incentive opportunities and align the interests of participants with those of our stockholders). In clause (i), in the context of an acquisition of a target, the transaction may involve the assumption of equity awards granted to the target's employees. Because the equity awards with respect to the target would represent a contractual arrangement between the target and the participant, the Company would not be able to unilaterally change the terms in a way that would be adverse to the interests of the participant. As such, the Company needs flexibility to grant equity awards with vesting schedules of less than one year to the extent the corresponding award of the target had a vesting schedule of less than one year. In the case of awards described in clause (ii), the Compensation Committee believes that such awards are appropriate and align with the purposes of the 2022 Plan as such grants would coincide with the directors' term in office generally. The exception in clause (ii) would allow the award to vest if the next annual meeting at which directors are elected falls short of the 12-month anniversary of the date of grant, which happens on occasion. In such instance, any director that does not stand for re-election would still vest in his/her award since they served the full term, provided that the annual meeting occurs at least 50 weeks following the prior annual meeting. Clauses (iii)(A)–(iii)(F) provide the Board and the Compensation Committee with the flexibility to grant awards from a limited pool of shares. Sign-on and make-whole grants assist the Company in attracting key talent; awards with performance-based vesting conditions align the interests of participants with those of our stockholders and provide competitive incentive compensation opportunities; and in the event of equity granted to settle compensation that had already been earned by the participant, to require the Company to include an additional vesting condition of at least 12 months would impair the Company's ability to stock-settle fully earned awards when the circumstances warranted it and would be unfair to the participants who had already earned such retainer or payment. The 12-month minimum vesting requirement does not apply to the Compensation Committee's discretion to provide for accelerated exercisability or vesting of any award in cases of retirement, separation, retention arrangements, death, disability or a change in control, to the extent set forth in the terms of the award agreement or otherwise. The Compensation Committee believes that its ability to provide for the accelerated exercisability or vesting of an award in such cases allows it to attract and retain individuals to provide services to the Company and its subsidiaries, and to provide for succession planning and the effective transition of employee responsibilities.

h. Exercise Period and Exercise Price of Stock Options and SARs

The Compensation Committee will determine the conditions to the exercisability of each option and SAR. Each option and SAR will be exercisable for no more than ten (10) years after its date of grant. Except in the case of substitute awards granted in connection with a corporate transaction (subject to approval, waiver, confirmation or otherwise as applicable from the Hong Kong Stock Exchange), the exercise price of an option or SAR will not be less than the higher of (i) the fair market value of a share of Company common stock on the date of grant (which must be a New York Stock Exchange trading day) and (ii) the average fair market value of a share of Company common stock for the five New York Stock Exchange trading days immediately preceding the date of grant (or, if greater, the par value of a share of Company common stock on such date(s)).

The exercise price of each option or SAR will be established or determined by a method established by the Compensation Committee at the time of grant, subject to the restrictions described above.

i. Expiration Date of the 2022 Plan

The 2022 Plan will expire on October 11, 2032 (i.e., the tenth anniversary of its approval by the stockholders of Yum China), unless the Plan is earlier terminated by the Board. If the Plan is terminated, it will remain in effect as long as any awards under the Plan are outstanding.

The 2022 Plan became effective on October 24, 2022. At the beginning of the six months ended June 30, 2025 (the "Reporting Period"), 26,927,771 shares remained available for future issuances under the 2022 Plan in accordance with its terms. At the end of the Reporting Period, 25,427,174 shares remained available for future issuances under the 2022 Plan in accordance with its terms, which represented 7% of the total issued and outstanding shares as of the end of the Reporting Period.

During the Reporting Period, details of the movements of the awards granted under the 2022 Plan required to be reported on an individual basis were as follows. Numbers of PSUs and RSUs reported exclude dividend equivalent units.

PSUs[1]

Name of Grantee	Date of Grant (Month/Date/Year)	Closing price on the day prior to grant date for awards granted during the Reporting Period[2]	Grant date fair value for awards granted during the Reporting Period[3]	Unvested as at the beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/Lapsed during the Reporting Period	Unvested as at the end of the Reporting Period	Closing price on the day prior to vesting date during the Reporting Period
Joey Wat (Director and Chief Executive Officer)	2/9/2023[4]	N/A	N/A	64,338	—	—	—	64,338	—
	2/8/2024[5]	N/A	N/A	112,300	—	—	—	112,300	—
	2/10/2025[5]	$ 48.44	$ 5,654,831	—	104,015	—	—	104,015	—
Total				176,638	104,015	—	—	280,653	

(1) No purchase price is required for accepting the awards granted.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the PSUs were granted.

(3) This amount represents aggregate fair value of the PSUs on the date of the grant. The grant date fair value of the PSU awards with performance conditions has been determined based on the closing price of the shares traded on the New York Stock Exchange on the date of the grant and the number of PSUs granted. The grant date fair value of the PSU awards with market conditions has been determined based on the outcome of a Monte-Carlo simulation model with the following assumptions: risk-free interest rate of 4.2% and expected volatility of 39.6%, and the number of PSUs granted.

(4) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to relative total shareholder return ("rTSR") against the constituents of the MSCI China Index and select strategic imperatives (i.e. goals relating to commodity cost inflation management, food waste and energy indirect greenhouse gas emission reductions) are achieved during the performance period from January 1, 2023 to December 31, 2025. Based on performance, payout may range from 0% to 200% of the target number of shares subject to the PSUs.

(5) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to rTSR against the constituents of the MSCI China Consumer Discretionary Index and S&P 500 Consumer Discretionary Index, system sales, return on invested capital, and ESG goals relating to reducing salt and sugar in our products are achieved during the performance period. For the PSUs granted in February 2024, the performance period is from January 1, 2024 to December 31, 2026, and for the PSUs granted in February 2025, the performance period is from January 1, 2025 to December 31, 2027. Based on performance, payout may range from 0% to 200% of the target number of shares subject to the PSUs.

		RSUs(1)							
Name of Grantee	Date of Grant (Month/Date/Year)	Closing price on the day prior to grant date for awards granted during the Reporting Period(2)	Grant date fair value for awards granted during the Reporting Period(3)	Unvested as at the beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Unvested as at the end of the Reporting Period	Closing price on the day prior to vesting date during the Reporting Period(4)
Joey Wat (Director and Chief Executive Officer)	2/9/2023(5)	N/A	N/A	53,911	—	26,553	—	27,358	$ 48.44
	2/8/2024(5)	N/A	N/A	126,104	—	41,614	—	84,490	$ 48.44
	2/10/2025(5)	$ 48.44	$ 5,000,001	—	104,015	—	—	104,015	—
Total				180,015	104,015	68,167	—	215,863	

(1) No purchase price is required for accepting the awards granted.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the RSUs were granted.

(3) This amount represents aggregate fair value of the RSUs on the date of the grant. The grant date fair value of the RSUs has been determined based on the closing price of the shares traded on the New York Stock Exchange on the date of grant and the number of RSUs granted.

(4) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the RSUs vested.

(5) Contingent on continuing service, the RSUs are scheduled to vest in equal installments on each of the first three anniversaries of the date of grant.

Director Retainer

During the Reporting Period, we also granted shares of common stock to non-employee directors under the 2022 Plan as part of their annual retainers.

The Company primarily uses stock-based compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Board considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill level required as members of the Board. The nominating and governance committee of the Board (the "Nominating and Governance Committee") considers advice from the independent compensation consultant and reviews and makes recommendations to the Board with respect to the compensation and benefits of directors. The Company's current director compensation structure was approved by the Board in May 2023 and became effective in June 2023.

Employee Directors. Employee directors do not receive additional compensation for serving on the Board.

Non-Employee Directors Retainer. Our non-employee directors were each compensated with an annual retainer equal to $315,000, payable in Company common stock or, if requested by a director, up to one-half in cash. The annual retainers were paid in June 2025 to compensate the directors for their services from June 1, 2025 to May 31, 2026, unless otherwise noted.

Chairman Retainer. In addition to the annual retainer paid to all non-employee directors, the Chairman of the Board (Dr. Hu) received an additional annual stock retainer of $225,000.

Committee Chair and Member Retainer. The Chairperson of the Audit Committee (Ms. Durham) received an additional annual stock retainer of $35,000, the Chairperson of the Compensation Committee (Ms. Zhang) received an additional annual stock retainer of $25,000, the Chairperson of the Nominating and Governance Committee (Dr. Hu) received an additional annual stock retainer of $20,000, and the Chairperson of the Food Safety and Sustainability Committee (Mr. Shao) received an additional annual stock retainer of $20,000. In addition, each member of the Audit Committee (Ms. Ge, Mr. Hoffmann and Mr. Shao) received an additional annual stock retainer of $17,500, each member of the Compensation Committee (Ms. Durham, Mr. Ettedgui, Ms. Ge, Ms. Lu and Mr. Wang) received an additional annual stock retainer of $12,500, each member of the Nominating and Governance Committee (Mr. Ettedgui, Ms. Ge, Ms. Lu and Ms. Zhang) received an additional annual stock retainer of $10,000, and each member of the Food Safety and Sustainability Committee (Mr. Aiken, Mr. Ettedgui, Mr. Hoffmann and Ms. Zhu) received an additional annual stock retainer of $10,000.

The table below summarizes stock retainers granted to each non-employee director under the 2022 Plan during the Reporting Period.

Name	Date of Grant (Month/Date/Year)	Closing price on the day prior to grant date for awards granted during the Reporting Period(1)	Stock awards ($)(2)	Number of shares issued(3)
Robert B. Aiken	6/1/2025	$ 43.65	$ 167,500	3,837
Mikel A. Durham			205,000	4,696
Edouard Ettedgui			347,500	7,961
Grace Xin Ge			197,500	4,524
David Hoffmann			342,500	7,846
Fred Hu			560,000	12,829
Ruby Lu			337,500	7,731
Zili Shao			195,000	4,467
William Wang			327,500	7,502
Min (Jenny) Zhang(4)			192,500	3,011
Christina Xiaojing Zhu			325,000	7,445
Total			$ 3,197,500	71,849

(1) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the shares of common stock were granted. No purchase price is required for such shares of common stock granted.

(2) Representing the grant date fair value for annual stock retainer awards granted.

(3) Each director received shares determined by dividing the applicable annual retainer by the closing price of the shares traded on the New York Stock Exchange either on the grant date or, if the grant date is not a trading day, on the trading day immediately prior to the grant date, with any fractional shares paid in cash rather than equity.

(4) Number of shares issued net of tax liabilities associated with stock retainer.

In addition to the director retainers granted during the Reporting Period, Mr. Zhe (David) Wei received his pro-rated annual retainer for serving as a non-employee director in August 2025.

During the Reporting Period, details of the movements of the awards granted under the 2022 Plan not required to be reported on an individual basis were as follows, with grant date fair value for awards granted during the Reporting Period and number of awards reported in thousands. Numbers of PSUs and RSUs reported exclude dividend equivalent units.

SARs[1]

Grantees by category	Date of Grant (Month/Date/Year)	Closing price on the day prior to grant date for awards granted during the Reporting Period[2]	Grant date fair value for awards granted during the Reporting Period ($ in thousands)[3]	Exercise price	Outstanding as at the beginning of the Reporting Period	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at the end of the Reporting Period	Closing price on the day prior to exercise date[4]
					(Shares in thousands)					
Other employees of the Company	2/9/2023[5]	N/A	N/A	$ 62.14	289	—	—	15	274	—
	2/8/2024[5]	N/A	N/A	$ 39.65	391	—	13	23	355	$ 49.02
	2/10/2025[5]	$ 48.44	$ 3,936	$ 48.07	—	223	—	11	212	—
Total					680	223	13	49	841	

(1) Exercise period is 10 years from the date of grant. No purchase price is required for accepting the awards granted.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the SARs were granted.

(3) The amounts reported in this column represent the aggregate grant date fair value of the SAR awards, determined in accordance with ASC 718 and the number of SARs granted. The Company estimated the fair value of each SAR award granted to the Company's employees as of the date of grant, using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 4.3%, expected term of 6.75 years, expected volatility of 37.2%, and expected dividend yield of 2.0%.

(4) The stated price was the weighted average closing price of the shares traded on the New York Stock Exchange on the trading days immediately prior to the dates on which the SARs were exercised.

(5) Vesting in equal installments of 25%, beginning on the first anniversary of the grant date.

PSUs[1]

Grantees by category	Date of Grant (Month/Date/Year)	Closing price on the day prior to grant date for awards granted during the Reporting Period[2]	Grant date fair value for awards granted during the Reporting Period ($ in thousands)[3]	Unvested as at the beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Unvested as at the end of the Reporting Period	Closing price on the day prior to vesting date during the Reporting Period
				(Shares in thousands)					
Other employees of the Company	11/3/2022[4]	N/A	N/A	13	—	—	1	12	—
	2/9/2023[5]	N/A	N/A	60	—	—	17	43	—
	9/1/2023[6]	N/A	N/A	45	—	—	12	33	—
	11/1/2023[7]	N/A	N/A	2	—	—	—	2	—
	2/8/2024[8]	N/A	N/A	103	—	—	31	72	—
	2/10/2025[8]	$ 48.44	$ 4,439	—	82	—	—	82	—
Total				223	82	—	61	244	

(1) No purchase price is required for accepting the awards granted.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the PSUs were granted.

(3) This amount represents aggregate fair value of the PSUs on the date of the grant. The grant date fair value of the PSU awards with performance conditions has been determined based on the closing price of the shares traded on the New York Stock Exchange on the date of the grant and the number of PSUs granted. The grant date fair value of the PSU awards with market conditions has been determined based on the outcome of a Monte-Carlo simulation model with the following assumptions: risk-free interest rate of 4.2% and expected volatility of 39.6%, and the number of PSUs granted.

(4) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to store count, revenue and operating profit are achieved during the performance period from January 1, 2022 to December 31, 2023, and the performance period from January 1, 2024 to December 31, 2025. Based on performance, payout may range from 0% to 200% of the target number of shares subject to the PSUs.

(5) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to rTSR against the constituents of the MSCI China Index and select strategic imperatives (i.e. goals relating to commodity cost inflation management, food waste and energy indirect greenhouse gas emission reductions) are achieved during the performance period from January 1, 2023 to December 31, 2025. Based on performance, payout may range from 0% to 200% of the target number of shares subject to the PSUs.

(6) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to store count, revenue and operating profit are achieved during the performance period from January 1, 2023 to December 31, 2025. Based on performance, vesting may range from 0% to 200% of the target number of shares subject to the PSUs.

(7) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to select strategic imperative (i.e. a goal relating to commodity cost inflation management) are achieved during the performance period from January 1, 2023 to December 31, 2025. Based on performance, payout may range from 0% to 200% of the target number of shares subject to the PSUs.

(8) Contingent on continuing service, the PSUs are scheduled to vest if performance goals relating to rTSR against the constituents of the MSCI China Consumer Discretionary Index and S&P 500 Consumer Discretionary Index, system sales, return on invested capital, and ESG goals relating to reducing salt and sugar in our products are achieved during the performance period. For the PSUs granted in February 2024, the performance period is from January 1, 2024 to December 31, 2026, and for the PSUs granted in February 2025, the performance period is from January 1, 2025 to December 31, 2027. Based on performance, payout may range from 0% to 200% of the target number of shares subject to the PSUs.

RSUs[(1)]

Grantees by category	Date of Grant (Month/Date/Year)	Closing price on the day prior to grant for awards granted during the Reporting Period[(2)]	Grant date fair value for awards granted during the Reporting Period ($ in thousands)[(3)]	Unvested as at the beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Unvested as at the end of the Reporting Period	Closing price on the day prior to vesting date during the Reporting Period[(4)]
				(Shares in thousands)					
Other employees of the Company	11/3/2022[(5)]	N/A	N/A	1	—	—	—	1	—
	2/9/2023[(6)]	N/A	N/A	224	—	95	15	114	$ 48.46
	2/28/2023[(7)]	N/A	N/A	43	—	—	2	41	—
	8/31/2023[(7)]	N/A	N/A	27	—	—	1	26	—
	9/1/2023[(5)]	N/A	N/A	3	—	—	1	2	—
	2/8/2024[(8)]	N/A	N/A	414	—	84	38	292	$ 48.45
	5/1/2024[(5)]	N/A	N/A	3	—	1	—	2	$ 43.31
	8/7/2024[(9)]	N/A	N/A	69	—	—	3	66	—
	11/6/2024[(10)]	N/A	N/A	100	—	—	4	96	—
	2/10/2025[(8)]	$ 48.44	$ 18,371	—	382	—	12	370	$ 50.43
	5/2/2025[(10)]	$ 43.33	$ 631	—	14	—	—	14	—
Total*			$ 19,002	883	396	180	76	1,023	

* Shares may not add due to rounding.

(1) No purchase price is required for accepting the awards granted.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the RSUs were granted.

(3) This amount represents aggregate fair value of the RSUs on the date of the grant. The grant date fair value of the RSUs was determined based on the closing price of the shares traded on the New York Stock Exchange on the date of grant and the number of RSUs granted.

(4) The stated price was the weighted average closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the RSUs vested, including pro-rata vesting pursuant to the terms of applicable award agreements.

(5) Contingent on continuing service, the RSUs are scheduled to vest in equal installments on each of the first three anniversaries of the grant date.

(6) Contingent on continuing service, the RSUs are scheduled to vest in equal installments on each of the first three or four anniversaries of the grant date, or 50% on each of the second and third anniversaries of the grant date.

(7) Contingent on continuing service, the RSUs are scheduled to vest on the third anniversary of the grant date.

(8) Contingent on continuing service, the RSUs are scheduled to vest in equal installments on each of the first three or four anniversaries of the grant date, or 50% on each of the second and third anniversaries of the grant date, or vest on the third anniversary of the grant date.

(9) Contingent on continuing service, the RSUs are scheduled to vest in equal installments on each of the first three anniversaries of the grant date, or vest on the third anniversary of the grant date.

(10) Contingent on continuing service, the RSUs are scheduled to vest (1) in equal installments on each of the first three anniversaries of the grant date, or (2) if performance goals relating to store count, sales and profit are achieved during the measurement period from July 1, 2024 to December 31, 2025, provided that no RSUs shall vest less than 12 months from the grant date, and the measurement period from January 1, 2026 to December 31, 2027, the vesting of which may range from 0% to 100% of the target number of shares subject to the RSUs.

The number of shares that may be issued in respect of awards granted under the 2022 Plan during the Reporting Period, including SARs, RSUs, PSUs and dividend equivalent units associated with unvested RSUs and PSUs, representing 0.2% of the weighted average number of shares outstanding in the Reporting Period. For this calculation, (1) the number of shares which may be issued pursuant to the SARs granted during the Reporting Period were based on the New York Stock Exchange closing price as of June 30, 2025; and (2) the number of shares which may be issued pursuant to the PSUs and RSUs with performance conditions granted during the Reporting Period assuming maximum payouts pursuant to the relevant award agreements.

(ii) 2016 Plan

a. Purpose of the 2016 Plan

Effective October 31, 2016, the Company adopted the 2016 Plan. The purposes of the 2016 Plan were similar to the 2022 Plan. In addition, the 2016 Plan was also used to issue awards pursuant to and in accordance with the employee matters agreement the Company entered into with YUM in connection with the Company's spin-off.

b. Types of Awards

Similar to the 2022 Plan, awards under the 2016 Plan included stock options, incentive options, SARs, common stock, restricted stock, RSUs, performance shares, PSUs, and cash incentive awards.

c. Shares Available Under the 2016 Plan

The Company reserved for issuance under the 2016 Plan 45,000,000 shares of our common stock.

d. Eligibility

After the Company's spin-off from YUM, eligible participants in the 2016 Plan consisted of any officer, director or other employee of the Company or one of our subsidiaries, consultants, independent contractors or agents of us or one of our subsidiaries.

e. Other Share Limits

Under the 2016 Plan, the maximum number of shares that may be covered by stock options, SARs or Full Value Awards granted to any one individual was similar to the 2022 Plan, but without the application of the additional limits set out in the Hong Kong Listing Rules.

f. No Payment for Applying or Accepting an Award

Except as required by applicable law, the participant was not required to pay any amount in order to apply for or accept an award.

g. Vesting Period and Conditions

Subject to the terms of the 2016 Plan, the Compensation Committee determined the vesting provisions of stock options, SARs and Full Value Awards at the time of grant.

h. Exercise Period and Exercise Price of Stock Options and SARs

The vesting period and exercise price of each stock option or SAR granted was established by the Compensation Committee or determined by a method established by the Compensation 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 on the date of grant.

While awards under the 2016 Plan have varying vesting provisions and exercise periods, outstanding awards vest in periods ranging from three to five years. Stock options and SARs would expire 10 years after their grant dates.

i. Termination of the 2016 Plan

Upon the 2022 Plan becoming effective on October 24, 2022, no new awards would be further granted under the 2016 Plan, but the 2016 Plan continues to govern awards previously granted under the 2016 Plan.

During the Reporting Period, details of the movements of the awards granted under the 2016 Plan required to be reported on an individual basis were as follows. Numbers of PSUs and RSUs reported exclude dividend equivalent units.

SARs[1]

Name of Grantee	Date of Grant (Month/Date/Year)	Exercise price	Outstanding as at the beginning of the Reporting period	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/Lapsed during the Reporting Period	Outstanding as at the end of the Reporting Period	Closing price on the day prior to exercise date[2]
Joey Wat (Director	2/10/2017	$ 26.56	80,197	—	80,197	—	—	$ 48.80
and Chief	2/9/2018	$ 40.29	186,151	—	—	—	186,151	—
Executive Officer)	2/7/2019	$ 41.66	186,100	—	—	—	186,100	—
	2/7/2020	$ 42.71	187,063	—	—	—	187,063	—
	2/5/2021	$ 57.39	171,989	—	—	—	171,989	—
	2/10/2022	$ 50.16	208,969	—	—	—	208,969	—
Total			1,020,469	—	80,197	—	940,272	

(1) Exercise period is 10 years from the date of grant. No purchase price is required for accepting the awards granted. Vesting in equal installments of 25%, beginning on the first anniversary of the grant date.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the dates on which the SARs were exercised.

RSUs[1]

Name of Grantee	Date of Grant (Month/Date/Year)	Unvested as at the beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/Lapsed during the Reporting Period	Unvested as at the end of the Reporting Period	Closing price on the day prior to vesting date during the Reporting Period[2]
Joey Wat (Director and Chief Executive Officer)	2/10/2022[3]	12,959	—	6,479	—	6,480	$ 48.44

(1) No purchase price is required for accepting the awards granted.

(2) The stated price was the closing price of the shares traded on the New York Stock Exchange on the trading day immediately prior to the date on which the RSUs vested.

(3) Vesting in equal installments of 25%, beginning on the first anniversary of the grant date.

During the Reporting Period, details of the movements of the awards granted under the 2016 Plan not required to be reported on an individual basis were as follows, with grant date fair value for awards granted during the Reporting Period and number of awards reported in thousands. Numbers of PSUs and RSUs reported exclude dividend equivalent units.

SARs[1]

Grantees by category	Date of Grant (Month/Date/Year)	Exercise price for awards outstanding as at the Reporting Period[2]	Outstanding as at the beginning of the Reporting period	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/Lapsed during the Reporting Period	Outstanding as at the end of the Reporting period	Closing price on the day prior to exercise date[3]
			(Shares in thousands)					
Other employees of the Company	From 2/6/2015 to 2/10/2022	$21.06 to $57.39	4,887	—	487	124	4,276	$ 47.77
Employees of YUM	From 2/6/2015 to 10/1/2016	$21.06 to $27.41	502	—	182	2	318	$ 44.87
Total			5,389	—	669	126	4,594	

(1) SAR awards granted to employees of the Company typically have a graded vesting schedule of 25% per year over four years and expire 10 years after grant. Outstanding SARs held by employees of YUM were fully vested. No purchase price is required for accepting the awards granted.

(2) The weighted average exercise price of SARs held by other employees of the Company as at the end of the Reporting Period was $39.08. The weighted average exercise price of SARs held by employees of YUM as at the end of the Reporting Period was $21.43.

(3) The stated price was the weighted average closing price of the shares traded on the New York Stock Exchange on the trading days immediately prior to the dates on which the SARs were exercised.

		RSUs[1]					
Grantees by category	Date of Grant (Month/Date/Year)	Unvested as at the beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Unvested as at the end of the Reporting Period	Closing price on the day prior to vesting date during the Reporting Period[2]
		(Shares in thousands)					
Other employees of the Company	From 2/10/2022 to 9/1/2022	189	—	97	7	85	$ 48.94

(1) RSU awards generally vest over three to four years, with either cliff vesting at 100% on the third anniversary of the grant date or graded vesting on anniversary dates. No purchase price is required for accepting the awards granted.

(2) The stated price was the weighted average closing price of the shares traded on the New York Stock Exchange on the trading days immediately prior to the dates on which the RSUs vested.

Compliance with the Corporate Governance Code

The Board believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities to stockholders. The Board has adopted Corporate Governance Principles which are intended to embody the governance principles and procedures by which the Board functions. These principles are available on the Company's website. Our Corporate Governance Principles and practices are in line with the principles in the corporate governance code as set out in Part 2 of Appendix C1 to the Hong Kong Listing Rules (the "Corporate Governance Code").

During the Reporting Period, we have complied with all the code provisions of the Corporate Governance Code, save for the following.

Code Provisions A.2.1, B.3.1, D.3.3, D.3.7 and E.1.2 of the Corporate Governance Code require the charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee (collectively, the "Board Committees") to include at least the terms as set out in such paragraphs. Currently, the charters of the Board Committees do not include certain of such terms. The Company has adopted the charters of the Board Committees in accordance with the New York Stock Exchange listing rules and the rules of the U.S. Securities and Exchange Commission (to the extent applicable), which in all material ways are similar to the terms of reference as required under the Corporate Governance Code despite different language being used. The relevant Board Committees have in practice carried out the relevant responsibilities as required under the Corporate Governance Code.

Code Provisions E.1.2(a), (c) and (d) of the Corporate Governance Code require the remuneration committee to be responsible for directors' remuneration. Currently, the Nominating and Governance Committee is responsible for reviewing and making recommendations to the Board with respect to the compensation and benefits of the directors. Given (i) it is customary for U.S. public companies to delegate this responsibility to either the Nominating and Governance Committee or the Compensation Committee, it is common for U.S. listed companies to have the Nominating and Governance Committee to carry out such responsibility; (ii) the Nominating and Governance Committee has been carrying out such responsibility since the Company's listings on the New York Stock Exchange and the Hong Kong Stock Exchange; and (iii) the composition of the Nominating and Governance Committee also complies with the composition requirement of the remuneration committee as required under Rule 3.25 of the Hong Kong Listing Rules; the Board believes the current arrangement has achieved good corporate governance with respect to directors' remuneration.

Model Code for Securities Transactions

The Company has adopted its own insider dealing policies on terms no less exacting than those in the Model Code regarding the directors' dealings in the securities of the Company.

Having made specific enquiry of all the directors, all the directors confirmed that they have strictly complied with the required standards set out in the Company's own insider dealing policies during the Reporting Period.

Disclosure of Updated Director Information

Set out below is the summary of the changes to Director information disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules since the date of the Company's 2024 annual report:

- Dr. Fred Hu stepped down from the board of directors of Industrial and Commercial Bank of China Limited (HKEx: 1398; SHSE: 601398) in April 2025 and joined the board of directors of Chubb Limited (NYSE: CB) in May 2025;

- Ms. Mikel A. Durham stepped down from her interim CEO role of Atlantic Sea Farms in May 2025;

- Mr. David Hoffmann stepped down from his roles as the chairman and chief executive officer of Mammoth Holdings in May 2025 and has served as the chief executive officer of Sky Zone since June 2025;

- Ms. Ruby Lu joined the board of directors of Kuaishou Technology (HKEx: 1024) in April 2025 and stepped down from the board of directors of Uxin Limited (NASDAQ: UXIN) in May 2025; and

- Mr. William Wang stepped down from the board of directors of Geely Automobile Holdings Limited (HKEx: 0175) in May 2025.

Set out below is the updated Director biographies disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules since the date of the Company's 2024 annual report:

Dr. Fred Hu has served as the chairman and founder of Primavera, a China-based global investment firm, since its inception in 2011. Prior to Primavera, Dr. Hu served in various roles at Goldman Sachs from 1997 to 2010, including as partner and chairman of Greater China at Goldman Sachs Group, Inc. From 1991 to 1996, he served as an economist at the International Monetary Fund (IMF) in Washington D.C. Dr. Hu currently is a member of the board of directors of Chubb Limited, a company listed on the New York Stock Exchange (NYSE: CB), and UBS Group AG, a company listed on both the SIX Swiss Stock Exchange (SIX: UBSG) and the New York Stock Exchange (NYSE: UBS). From April 2019 to April 2025, Dr. Hu served as an independent non-executive director of Industrial and Commercial Bank of China Limited, a company listed on both the Hong Kong Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (SHA: 601398). From May 2011 to May 2018, Dr. Hu served as an independent non-executive director of Hang Seng Bank Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0011). From November 2014 to April 2021, he served as an independent non-executive director of Hong Kong Exchanges and Clearing Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0388). From August 2020 to March 2022, he served as an independent non-executive director for Ant Group. Dr. Hu served as a co-director of the National Center for Economic Research and a professor at Tsinghua University. Dr. Hu obtained his doctoral degree in economics from Harvard University. Dr. Hu brings 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.

Ms. Mikel A. Durham previously served as CEO of American Seafoods Group, a world's leading at-sea processor of seafood, from January 2017 to February 2022. She also chaired the trade association for Wild Alaska Pollock, the largest global fishery for human consumption. Ms. Durham served as the global chief commercial officer of the private equity backed CSM Bakery Solutions, a global bakery supply manufacturer, from 2014 to 2016. Prior to joining CSM Bakery Solutions, Ms. Durham held various positions in PepsiCo, Inc. from 1994 to 1998 and from 2009 to 2013, with her last position being global growth officer for PepsiCo Foodservice. She also held executive roles at CEB Global Inc. in operations research from 2006 to 2008, Cadbury Schweppes in supply chain from 2002 to 2006, and Diageo in general management of both packaged goods and foodservice from 1998 to 2001 (including serving as president of Burger King North America from 2000 to 2001). From 1985 to 1994, Ms. Durham worked at Bain & Company, where she served in several roles working in the United States, United Kingdom and Australia, and from 1992 to 1994, co-leading the Russian office. Since 2023, she has served on the board of the Marine Stewardship Council. From July 2015 to August 2024, Ms. Durham served as an independent director of Tyson Foods, Inc. (NYSE: TSN). Ms. Durham obtained a master's degree of business administration (MBA) from the Harvard University in 1990. Ms. Durham brings to our Board deep knowledge of the food industry, significant public company board experience, and global business expertise.

Mr. David Hoffmann is currently the chief executive officer of Sky Zone, a Utah-based company that operates and franchises indoor trampoline parks in the United States. Mr. Hoffmann served as the chairman and chief executive officer of Mammoth Holdings, a Dallas-based conveyor car wash operator, from October 2021 to May 2025. Prior to joining Mammoth Holdings, Mr. Hoffmann held a variety of top leadership positions in the global quick service restaurant industry. Mr. Hoffmann served as Director and CEO of Dunkin' Brands from 2018 to 2020 and as President, Dunkin' U.S. from 2016 to 2018. Prior to joining Dunkin' Brands, Mr. Hoffmann served as an executive for McDonald's Corporation for 20 years in increasing areas of international responsibility, including as President of High Growth Markets, President of Asia Pacific, Middle East & Africa (APMEA), Senior Vice President and Restaurant Support Officer for APMEA, Vice President of Strategy, Insights and Development for APMEA, and Executive Vice President of McDonald's Japan. Mr. Hoffmann received his master's degree of business administration (MBA) from the University of Chicago in 1996. Mr. Hoffmann brings to our Board leadership experience in the global restaurant industry, strong operational expertise, and deep knowledge about doing business in China and Asia Pacific.

Ms. Ruby Lu is a venture capitalist investing in technology start-ups in the U.S. and China. Ms. Lu founded Atypical Ventures, an early-stage technology venture investment firm, in 2019. In 2006, she co-founded DCM China, a venture capital firm. Prior to DCM, Ms. Lu was a vice president in the investment banking group of technology, media and telecommunications at Goldman Sachs & Co. in Menlo Park, California. She is currently an independent director on the boards of Unilever (NYSE: UL), Volvo Car AB (STO: VOLCAR-B) and Kuaishou Technology (HKEx: 1024). Ms. Lu served as an independent director of Uxin Limited (NASDAQ: UXIN) from October 2017 to May 2025. She also served as an independent director of iKang Healthcare Group Inc. from 2020 to 2021, before it was taken private. Ms. Lu obtained her master of arts from Johns Hopkins University in 1996. Ms. Lu brings to our Board public company board experience as well as extensive financial and global market experience.

Mr. William Wang is one of the founding partners of Primavera. Prior to Primavera, Mr. Wang served as a managing director of Goldman Sachs Merchant Banking/Principal Investment Area, where he led significant successful investments in China for the group. Prior to that, Mr. Wang worked in the investment banking division and private equity group of China International Capital Corporation Limited. Mr. Wang currently serves as a director on the board of Sunlands Technology Group, a company listed on the New York Stock Exchange (NYSE: STG), in addition to directorships at Primavera's portfolio companies. From September 2010 to May 2025, Mr. Wang served as a director of the board of Geely Automobile Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0175). Mr. Wang obtained a master of management degree in management science and engineering from Shanghai Jiao Tong University in 2000. He brings to our Board deep knowledge and investment insights of the Chinese market.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased 7.7 million shares of common stock on the NYSE and the HKEX for an aggregate consideration of $356 million, excluding transaction costs and excise tax. Of the shares repurchased for the year to date ended June 30, 2025, 7.4 million shares were retired and resumed the status of authorized and unissued shares of common stock, and 0.3 million shares repurchased on the HKEX are expected to be retired subsequent to June 30, 2025 and included in Treasury stock in the Condensed Consolidated Financial Statements. We have used share repurchases as a means of returning cash to stockholders.

Details of the shares repurchased on the NYSE are as follows:

Month of Repurchase	No. of Shares Repurchased* (thousands)	Price paid per share Highest US$	Price paid per share Lowest US$	Aggregate Consideration (US$ millions)
January	968	$ 47.56	$ 41.78	$ 43
February	954	50.61	44.06	46
March	988	53.97	48.24	50
April	1,092	53.30	41.02	50
May	1,144	46.99	41.96	50
June	1,093	45.43	42.68	49
Total	6,239			$ 288

Details of the shares repurchased on the HKEX are as follows:

Month of Repurchase	No. of Shares Repurchased* (thousands)	Price paid per share Highest HK$	Price paid per share Lowest HK$	Aggregate Consideration[(a)] (HK$ millions)	Aggregate Consideration[(a)] (US$ millions)
January	231	HK$ 360.40	HK$ 325.80	HK$ 80	$ 10
February	240	388.40	345.60	89	11
March	230	420.20	374.20	90	12
April	236	418.40	325.20	86	11
May	270	366.00	329.80	93	12
June	284	359.20	330.60	98	12
Total	1,491			HK$ 536	$ 68

*: Shares may not add due to rounding.

(a) Starting January 2024, the Company also repurchased shares of common stock through open market transactions on the HKEX. Aggregate consideration for shares repurchased on the HKEX have been converted into U.S. dollars at the exchange rate on the date of repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Audit Committee Review of Financial Statements

The Audit Committee has reviewed the Condensed Consolidated Financial Statements and interim results of the Company for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, KPMG.

Scope of Work of the Company's Auditor

The Condensed Consolidated Financial Statements of the Company and its subsidiary companies for the Reporting Period have been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 — "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants for the Hong Kong filing.

Important Events after the Reporting Period

Save as disclosed in Note 15 to the Condensed Consolidated Financial Statements, no important events affecting the Company occurred since June 30, 2025 and up to the date of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

KPMG

Review report to the Board of Directors of Yum China Holdings, Inc.

(Incorporated in Delaware, United States of America)

Introduction

We have reviewed the interim financial information of Yum China Holdings, Inc. and its subsidiaries ("the Company") set out on pages 44 to 76, which comprises the condensed consolidated balance sheet as at June 30, 2025, the condensed consolidated statement of income, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and condensed consolidated statement of equity for the six-month period then ended and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and U.S. generally accepted accounting principles. The directors are responsible for the preparation and presentation of this interim financial information in accordance with U.S. generally accepted accounting principles.

Our responsibility is to express a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at June 30, 2025 is not prepared, in all material respects, in accordance with U.S. generally accepted accounting principles.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

August 11, 2025

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statements of Income (Unaudited)

Yum China Holdings, Inc.
(in US$ millions, except per share data)

	Year to Date Ended	
	6/30/2025	6/30/2024
Revenues		
Company sales	$ 5,414	$ 5,322
Franchise fees and income	51	47
Revenues from transactions with franchisees	236	203
Other revenues	67	65
Total revenues	5,768	5,637
Costs and Expenses, Net		
Company restaurants		
Food and paper	1,684	1,693
Payroll and employee benefits	1,431	1,374
Occupancy and other operating expenses	1,357	1,371
Company restaurant expenses	4,472	4,438
General and administrative expenses	269	273
Franchise expenses	21	19
Expenses for transactions with franchisees	227	196
Other operating costs and expenses	59	58
Closures and impairment expenses, net	18	14
Other income, net	(1)	(1)
Total costs and expenses, net	5,065	4,997
Operating Profit	703	640
Interest income, net	51	69
Investment (loss) gain	(15)	16
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments	739	725
Income tax provision	(199)	(190)
Equity in net earnings (losses) from equity method investments	6	—
Net income — including noncontrolling interests	546	535
Net income — noncontrolling interests	39	36
Net Income — Yum China Holdings, Inc.	$ 507	$ 499
Weighted-average common shares outstanding (in millions):		
Basic	374	395
Diluted	376	397
Basic Earnings Per Common Share	$ 1.36	$ 1.27
Diluted Earnings Per Common Share	$ 1.35	$ 1.26

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

Yum China Holdings, Inc.
(in US$ millions)

	Year to Date Ended	
	6/30/2025	6/30/2024
Net income — including noncontrolling interests	$ 546	$ 535
Other comprehensive income (loss), net of tax of nil:		
Foreign currency translation adjustments	87	(111)
Comprehensive income — including noncontrolling interests	633	424
Comprehensive income — noncontrolling interests	50	22
Comprehensive Income — Yum China Holdings, Inc.	$ 583	$ 402

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

Yum China Holdings, Inc.
(in US$ millions)

	Year to Date Ended	
	6/30/2025	6/30/2024
Cash Flows — Operating Activities		
Net income — including noncontrolling interests	$ 546	$ 535
Depreciation and amortization	219	235
Non-cash operating lease cost	199	203
Closures and impairment expenses	18	14
Investment loss (gain)	15	(16)
Equity in net (earnings) losses from equity method investments	(6)	—
Distributions of income received from equity method investments	9	7
Deferred income taxes	(3)	(2)
Share-based compensation expense	22	23
Changes in accounts receivable	(13)	(5)
Changes in inventories	52	52
Changes in prepaid expenses, other current assets and value-added tax assets	(8)	(28)
Changes in accounts payable and other current liabilities	(53)	27
Changes in income taxes payable	24	25
Changes in non-current operating lease liabilities	(200)	(206)
Other, net	43	(21)
Net Cash Provided by Operating Activities	864	843
Cash Flows — Investing Activities		
Capital spending	(259)	(358)
Purchases of short-term investments, long-term bank deposits and notes	(3,924)	(1,479)
Maturities of short-term investments, long-term bank deposits and notes	3,905	1,702
Acquisition of equity investment	(14)	—
Other, net	2	3
Net Cash Used in Investing Activities	(290)	(132)
Cash Flows — Financing Activities		
Proceeds from short-term borrowings	—	307
Repayment of short-term borrowings	(129)	(52)
Repurchase of shares of common stock	(368)	(869)
Cash dividends paid on common stock	(180)	(126)
Dividends paid to noncontrolling interests	(25)	(28)
Other, net	(7)	(17)
Net Cash Used in Financing Activities	(709)	(785)
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	4	(11)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(131)	(85)
Cash, Cash Equivalents, and Restricted Cash — Beginning of Period	723	1,128
Cash, Cash Equivalents, and Restricted Cash — End of Period	$ 592	$ 1,043
Supplemental Cash Flow Data		
Cash paid for income tax	183	187
Cash paid for interest	—	4
Non-cash Investing and Financing Activities		
Capital expenditures included in accounts payable and other current liabilities	132	167

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheets

Yum China Holdings, Inc.
(in US$ millions)

	6/30/2025 (Unaudited)	12/31/2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 592	$ 723
Short-term investments	1,563	1,121
Accounts receivable, net	94	79
Inventories, net	360	405
Prepaid expenses and other current assets	383	366
Total Current Assets	2,992	2,694
Property, plant and equipment, net	2,415	2,407
Operating lease right-of-use assets	2,103	2,146
Goodwill	1,915	1,880
Intangible assets, net	145	144
Long-term bank deposits and notes	626	1,088
Equity investments	382	368
Deferred income tax assets	142	138
Other assets	263	256
Total Assets	10,983	11,121
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	2,056	2,080
Short-term borrowings	—	127
Income taxes payable	101	76
Total Current Liabilities	2,157	2,283
Non-current operating lease liabilities	1,760	1,816
Non-current finance lease liabilities	48	49
Deferred income tax liabilities	395	389
Other liabilities	154	157
Total Liabilities	4,514	4,694
Redeemable Noncontrolling Interest	13	13
Equity		
Common stock, $0.01 par value; 1,000 million shares authorized; 371 million shares and 379 million shares issued at June 30, 2025 and December 31, 2024, respectively; 371 million shares and 378 million shares outstanding at June 30, 2025 and December 31, 2024, respectively.	4	4
Treasury stock	(12)	(52)
Additional paid-in capital	3,952	4,028
Retained earnings	2,110	2,089
Accumulated other comprehensive loss	(265)	(341)
Total Yum China Holdings, Inc. Stockholders' Equity	5,789	5,728
Noncontrolling interests	667	686
Total Equity	6,456	6,414
Total Liabilities, Redeemable Noncontrolling Interest and Equity	$ 10,983	$ 11,121

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Equity (Unaudited)

Yum China Holdings, Inc.
(in US$ millions)

	Yum China Holdings, Inc.									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interest
	Shares*	Amount				Shares	Amount			
Balance at December 31, 2024	379	$ 4	$ 4,028	$ 2,089	$ (341)	(1)	$ (52)	$ 686	$ 6,414	$ 13
Net Income				507				39	546	—
Foreign currency translation adjustments					76			11	87	—
Comprehensive income									633	—
Cash dividends declared ($0.48 per common share)				(180)					(180)	
Distributions to noncontrolling interests								(69)	(69)	
Repurchase and retirement of shares	(9)	—	(93)	(306)		1	40		(359)	
Exercise and vesting of share-based awards	1	—	(5)						(5)	
Share-based compensation			22					—	22	
Balance at June 30, 2025	371	$ 4	$ 3,952	$ 2,110	$ (265)	—	$ (12)	$ 667	$ 6,456	$ 13
Balance at December 31, 2023	407	$ 4	$ 4,320	$ 2,310	$ (229)	—	$ —	$ 701	$ 7,106	$ 13
Net Income				499				36	535	—
Foreign currency translation adjustments					(97)			(14)	(111)	—
Comprehensive income									424	—
Cash dividends declared ($0.32 per common share)				(126)					(126)	
Distributions to/contributions from noncontrolling interests								(66)	(66)	
Repurchase and retirement of shares	(21)	—	(225)	(635)		(1)	(17)		(877)	
Exercise and vesting of share-based awards	1	—	(15)						(15)	
Share-based compensation			23					—	23	
Balance at June 30, 2024	387	$ 4	$ 4,103	$ 2,048	$ (326)	(1)	$ (17)	$ 657	$ 6,469	$ 13

*: Shares may not add due to rounding.

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts in US$ millions, except as otherwise noted)

Note 1 — Description of Business

Yum China Holdings, Inc. ("Yum China" and, together with its subsidiaries, the "Company," "we," "us," and "our") was incorporated in Delaware on April 1, 2016.

The Company owns, franchises or has ownership in entities that own and operate restaurants (also referred to as "stores" or "units") under the KFC, Pizza Hut, Lavazza, Huang Ji Huang, Little Sheep and Taco Bell concepts (collectively, the "concepts"). In connection with the separation of the Company in 2016 from its former parent company, Yum! Brands, Inc. ("YUM"), a master license agreement was entered into between Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of the Company and YUM, through YRI China Franchising LLC, a subsidiary of YUM, effective from January 1, 2020 and previously through Yum! Restaurants Asia Pte. Ltd., another subsidiary of YUM, from October 31, 2016 to December 31, 2019, 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 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 People's Republic of China (the "PRC" or "China"), excluding Hong Kong, Macau and Taiwan. The term of the license is 50 years from October 31, 2016 for the KFC and Pizza Hut brands and, subject to achieving certain agreed-upon milestones, 50 years from April 15, 2022 for the Taco Bell brand, with automatic renewals for additional consecutive renewal terms of 50 years each, subject only to us being in "good standing" and unless we give notice of our intent not to renew. In exchange, we pay a license fee to YUM equal to 3% of net system sales from both our Company and franchise restaurants. We own the intellectual property of Huang Ji Huang and Little Sheep and pay no license fee related to these concepts.

In 1987, KFC was the first major global restaurant brand to enter China. As of June 30, 2025, there were 12,238 KFC stores in China. We maintain a controlling interest of 58%, 70%, 83%, 92% and approximately 60% in the entities that own and operate the KFCs in and around Shanghai, Beijing, Wuxi, Suzhou and Hangzhou, respectively.

The first Pizza Hut in China opened in 1990. As of June 30, 2025, there were 3,864 Pizza Hut restaurants in China.

In the second quarter of 2020, the Company partnered with Luigi Lavazza S.p.A. ("Lavazza Group"), the world-renowned family-owned Italian coffee company, and established a joint venture ("Lavazza joint venture"), to explore and develop the Lavazza coffee concept in China. Lavazza joint venture operates both the coffee shop business and the retail business. We maintain a controlling interest of 65% equity interest in the Lavazza joint venture.

In 2017, the Company acquired a controlling interest in the holding company of DAOJIA.com.cn ("Daojia"), an online food delivery service provider in China. This business was extended to also include a team managing the delivery services for restaurants, including restaurants in our system, with their results reported under our delivery operating segment.

The Company has two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, and our delivery operating segment, are combined and referred to as All Other Segments, as these operating segments are insignificant both individually and in the aggregate. For 2024, All Other Segments also consisted of e-commerce segment, which included the operating results of Shaofaner, a retail brand selling packaged foods through online and offline channels until August 2024. Additional details on our segment reporting are included in Note 13.

The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "YUMC." On September 10, 2020, the Company completed a secondary listing of its common stock on the Main Board of the Hong Kong Stock Exchange ("HKEX") under the stock code "9987," in connection with a global offering of 41,910,700 shares of its common stock. Net proceeds raised by the Company from the global offering after deducting underwriting fees and the offering expenses amounted to $2.2 billion. On October 24, 2022, the Company's voluntary conversion of its secondary listing status to a primary listing status on the HKEX became effective ("Primary Conversion") and the Company became a dual primary listed company on the NYSE and HKEX. On the same day, the Company's shares of common stock traded on the HKEX were included in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The Company's common stock listed on the NYSE and HKEX continue to be fully fungible.

Note 2 — Basis of Presentation

Our preparation of the accompanying Condensed Consolidated 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.

We have prepared the Condensed Consolidated Financial Statements in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Condensed Consolidated Financial Statements include all normal and recurring adjustments considered necessary to present fairly our financial position as of June 30, 2025, and our results of operations, comprehensive income, cash flows and statements of equity for the years to date ended June 30, 2025 and 2024. 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. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2024 Annual Report on Form 10-K as filed with the SEC and the Company's 2024 Hong Kong Annual Report as filed with the HKEX.

Through the acquisition of Daojia, the Company also acquired a variable interest entity ("VIE") and subsidiaries of the VIE effectively controlled by Daojia. There exists a parent-subsidiary relationship between Daojia and its VIE as a result of certain exclusive agreements that require Daojia to consolidate its VIE and subsidiaries of the VIE because Daojia is the primary beneficiary that possesses the power to direct the activities of the VIE that most significantly impact its economic performance, and is entitled to substantially all of the profits and has the obligation to absorb all of the expected losses of the VIE. The acquired VIE and its subsidiaries were considered immaterial, both individually and in the aggregate. The results of Daojia's operations have been included in the Company's Condensed Consolidated Financial Statements since the acquisition date.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), requiring public business entities to provide disclosures of significant expenses and other segment items. The guidance also requires public entities to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. ASU 2023-07 is effective for the Company for annual periods from January 1, 2024, and for interim periods from January 1, 2025, with early adoption permitted. We adopted this standard for annual disclosure in 2024 and for interim disclosure in 2025, and such adoption did not have a material impact on our financial statements. See Note 13 for further information.

Note 3 — Business Acquisitions and Equity Investments

Consolidation of Hangzhou KFC and Equity Investment in Hangzhou Catering

In the fourth quarter of 2021, the Company completed its investment in a 28% equity interest in Hangzhou Catering, an entity holding a 45% equity interest in Hangzhou KFC, of which the Company previously held a 47% equity interest. Upon completion of the transaction, the Company directly and indirectly holds an approximately 60% equity interest in Hangzhou KFC and has majority representation on the board, and thus obtained control over Hangzhou KFC and started to consolidate its results from the acquisition date.

In addition to its equity interest in Hangzhou KFC, Hangzhou Catering operates Chinese dining restaurants under four time-honored brands and a food processing business. The Company applies the equity method of accounting to the 28% equity interest in Hangzhou Catering excluding the Hangzhou KFC business and recorded this investment in Equity investments based on its then fair value. The Company elected to report its share of Hangzhou Catering's financial results with a one-quarter lag because its results are not available in time for the Company to record them in the concurrent period. The Company's equity earnings (losses) from Hangzhou Catering, net of taxes, were immaterial for both years to date ended June 30, 2025 and 2024, and included in Equity in net earnings (losses) from equity method investments in our Condensed Consolidated Statement of Income. As of June 30, 2025 and December 31, 2024, the carrying amount of the Company's equity method investment in Hangzhou Catering was $51 million and $45 million, respectively, exceeding the Company's interest in Hangzhou Catering's underlying net assets by $22 million and $22 million, respectively. Substantially all of this difference was attributable to its self-owned properties and impact of related deferred tax liabilities determined upon acquisition, which is being depreciated over a weighted-average remaining useful life of 20 years.

The purchase amount from Hangzhou Catering was immaterial for both years to date ended June 30, 2025 and 2024. The Company's accounts payable and other current liabilities due to Hangzhou Catering were immaterial as of both June 30, 2025 and December 31, 2024.

Fujian Sunner Development Co., Ltd. ("Sunner") Investment

In the first quarter of 2021, the Company acquired a 5% equity interest in Sunner, a Shenzhen Stock Exchange-listed company. Sunner is China's largest white-feathered chicken producer and the Company's largest poultry supplier. In May 2021, the Company obtained one seat on Sunner's board of directors upon Sunner's shareholder approval.

The representation on the board, along with the Company being one of Sunner's significant shareholders, provides the Company with the ability to exercise significant influence over the operating and financial policies of Sunner. As a result, the Company started to apply the equity method of accounting to the investment in May 2021 based on its then fair value. The Company elected to report its share of Sunner's financial results with a one-quarter lag because Sunner's results are not available in time for the Company to record them in the concurrent period. The Company's equity earnings (losses) from Sunner, net of taxes, was $3 million and immaterial for the years to date ended June 30, 2025 and 2024, respectively, which were included in Equity in net earnings (losses) from equity method investments in our Condensed Consolidated Statement of Income.

The Company purchased inventories of $175 million and $247 million for the years to date ended June 30, 2025 and 2024, respectively. The Company's accounts payable and other current liabilities due to Sunner were $34 million and $46 million as of June 30, 2025 and December 31, 2024, respectively.

As of June 30, 2025 and December 31, 2024, the carrying amount of the Company's investment in Sunner was $222 million and $216 million, respectively, exceeding the Company's interest in Sunner's underlying net assets by $150 million and $147 million, respectively. As of June 30, 2025 and December 31, 2024, $15 million and $15 million of these basis differences were related to finite-lived intangible assets determined upon acquisition, respectively, which are being amortized over the estimated useful life of 20 years. The remaining differences were related to goodwill and indefinite-lived intangible assets, which are not subject to amortization, as well as deferred tax liabilities impact. As of June 30, 2025 and December 31, 2024, the market value of the Company's investment in Sunner was $124 million and $123 million based on its quoted closing price, respectively.

Meituan Dianping ("Meituan") Investment

In the third quarter of 2018, the Company subscribed for 8.4 million, or less than 1%, of the ordinary shares of Meituan, a delivery aggregator in China, for a total consideration of approximately $74 million, when it launched its initial public offering on the HKEX in September 2018. In the second quarter of 2020, the Company sold 4.2 million of the ordinary shares of Meituan.

The Company accounts for the equity securities at fair value with subsequent fair value changes recorded in our Condensed Consolidated Statements of Income. The fair value of the investment in Meituan is determined based on the closing market price for the shares at the end of each reporting period. The fair value change, to the extent the closing market price of shares of Meituan as of the end of reporting period is higher than our cost, is subject to U.S. tax.

A summary of pre-tax gains or losses on investment in equity securities of Meituan recognized, which were included in Investment (loss) gain in our Condensed Consolidated Statements of Income, is as follows:

	Year to Date Ended	
	6/30/2025	6/30/2024
Unrealized (loss) gain recorded on equity securities still held as of the end of the period	$ (15)	$ 16

Other Equity Investments

In addition, the Company has strategic equity investments in its eco-system partners, including food and information technology service suppliers. For investments over which the Company has significant influence but does not control, the Company applies equity method to account for such investments. These investments were immaterial both individually and in aggregate, totaling $27 million and $25 million as of June 30, 2025 and December 31, 2024, respectively. The Company purchased inventories or services from these investees and the purchase amounts were immaterial for both years to date ended June 30, 2025 and 2024.

In the first quarter of 2025, the Company completed a strategic investment in SnowValley Agricultural Group, one of the Company's key suppliers for potato and a private company, for total consideration of $14 million. The investment contains certain preferential rights, including the right to redeem shares at the Company's option upon contingent events, and is therefore accounted for as available-for-sale debt securities measured at the estimated fair value. The unrealized gains or losses, arising from the change in fair value, net of tax, is recognized in Other comprehensive income (loss) in the Condensed Consolidated Statement of Comprehensive Income. As of June 30, 2025, the carrying amount of the investment was $14 million and fair value change was nil for the year to date ended June 30, 2025.

Note 4 — Revenue Recognition

The Company's revenues include Company sales, Franchise fees and income, Revenues from transactions with franchisees, and Other revenues.

Company Sales

Revenues from Company-owned restaurants are recognized when a customer takes possession of the food and tenders payment, which is when our obligation to perform is satisfied. The Company presents sales net of sales-related taxes. We also offer our customers delivery through both our own mobile applications and third-party aggregators' platforms. We use both our dedicated riders and platform riders to deliver orders. When orders are fulfilled by our dedicated riders or platform riders, we control and determine the price for the delivery service and generally recognize revenue, including delivery fees, when a customer takes possession of the food. When orders are fulfilled by the delivery staff of third-party aggregators, who control and determine the price for the delivery service, we recognize revenue, excluding delivery fees, when control of the food is transferred to the third-party aggregators' delivery staff. The payment terms with respect to these sales are short-term in nature.

We recognize revenues from prepaid stored-value products, including gift cards and product vouchers, when they are redeemed by the customer. Prepaid gift cards sold at any given point generally expire over the next 36 months, and product vouchers generally expire over a period of up to 12 months. We recognize breakage revenue, which is the amount of prepaid stored-value products that is not expected to be redeemed, either (1) proportionally in earnings as redemptions occur, in situations where the Company expects to be entitled to a breakage amount, or (2) when the likelihood of redemption is remote, in situations where the Company does not expect to be entitled to breakage, provided that there is no requirement for remitting balances to government agencies under unclaimed property laws. The Company reviews its breakage estimates at least annually based upon the latest available information regarding redemption and expiration patterns.

Our privilege membership programs offer privilege members rights to multiple benefits, such as free delivery and discounts on certain products. For certain privilege membership programs offering a pre-defined amount of benefits that can be redeemed ratably over the membership period, revenue is ratably recognized over the period based on the elapse of time. With respect to privilege membership programs offering members a mix of distinct benefits, including a welcome gift and assorted discount coupons with pre-defined quantities, consideration collected is allocated to the benefits provided based on their relative standalone selling price and revenue is recognized when food or services are delivered or the benefits expire. In determining the relative standalone selling price of the benefits, the Company considers likelihood of future redemption based on historical redemption pattern and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Franchise Fees and Income

Franchise fees and income primarily include a combination of upfront franchise fees and continuing fees. We have determined that the services we provide in exchange for upfront franchise fees and continuing fees are highly interrelated with the franchise right. We recognize upfront franchise fees received from a franchisee as revenue over the term of the franchise agreement or the renewal agreement because the franchise rights are accounted for as rights to access our symbolic intellectual property. The franchise agreement term is generally 10 years for KFC and Pizza Hut, generally five years for Little Sheep and three to 10 years for Huang Ji Huang. We recognize continuing fees, which are based upon a percentage of franchisee sales, as those sales occur.

Revenues from Transactions with Franchisees

Revenues from transactions with franchisees consist primarily of sales of food and paper products, advertising services, delivery services and other services provided to franchisees.

The Company centrally purchases substantially all food and paper products from suppliers for substantially all of our restaurants, including franchisees, and then sells and delivers them to the restaurants. In addition, the Company owns seasoning facilities for its Chinese dining business unit, which primarily manufacture and sell seasoning products to Huang Ji Huang and Little Sheep franchisees. The Company also provides delivery services to franchisees. The performance obligation arising from such transactions is considered distinct from the franchise agreement as it is not highly dependent on the franchise agreement and the customer can benefit from such services on its own. We consider ourselves the principal in this arrangement as we have the ability to control a promised good or service before transferring that good or service to the franchisees. Revenue is recognized upon transfer of control over ordered items or services, generally upon delivery to the franchisees.

For advertising services, the Company often engages third parties to provide services and acts as a principal in the transaction based on our responsibilities of defining the nature of the services and administering and directing all marketing and advertising programs in accordance with the provisions of our franchise agreements. The Company collects advertising contributions, which are generally based on certain percentage of sales from substantially all of our restaurants, including franchisees. Other services provided to franchisees consist primarily of customer and technology support services. Advertising services and other services provided are highly interrelated to franchise right, and are not considered individually distinct. We recognize revenue when the related sales occur.

Other Revenues

Other revenues primarily include i) sales of products to customers through e-commerce channels, sales of Lavazza coffee retail products beyond Lavazza coffee shops, and sales of our seasoning products to distributors, and ii) revenues from logistics and warehousing services provided to third parties through our supply chain network. Our segment disclosures also include revenues relating to delivery services that were provided to our Company-owned restaurants and, therefore, were eliminated for consolidation purposes.

Other revenues are recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Loyalty Programs

Each of the Company's KFC and Pizza Hut reportable segments operates a loyalty program that allows registered members to earn points for each qualifying purchase. Points, which generally expire 18 months after being earned, may be redeemed for future purchases of KFC or Pizza Hut branded products or other products for free or at a discounted price. Points cannot be redeemed or exchanged for cash. The estimated value of points earned by the loyalty program members is recorded as a reduction of revenue at the time the points are earned, based on the percentage of points that are projected to be redeemed, with a corresponding deferred revenue liability included in Accounts payable and other current liabilities in the Condensed Consolidated Balance Sheets and subsequently recognized into revenue when the points are redeemed or expire. The Company estimates the value of the future redemption obligations based on the estimated value of the product for which points are expected to be redeemed and historical redemption patterns and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Disaggregation of Revenue

The following tables present revenue disaggregated by types of arrangements and segments:

	Year to Date Ended 6/30/2025						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 4,267	$ 1,129	$ 18	$ —	$ 5,414	$ —	$ 5,414
Franchise fees and income	40	4	7	—	51	—	51
Revenues from transactions with franchisees	33	3	36	164	236	—	236
Other revenues	2	13	342	34	391	(324)	67
Total revenues	$ 4,342	$ 1,149	$ 403	$ 198	$ 6,092	$ (324)	$ 5,768

	Year to Date Ended 6/30/2024						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 4,176	$ 1,117	$ 29	$ —	$ 5,322	$ —	$ 5,322
Franchise fees and income	34	4	9	—	47	—	47
Revenues from transactions with franchisees	26	2	36	139	203	—	203
Other revenues	8	12	308	31	359	(294)	65
Total revenues	$ 4,244	$ 1,135	$ 382	$ 170	$ 5,931	$ (294)	$ 5,637

Accounts Receivable

Accounts receivable primarily consist of trade receivables and royalties from franchisees, and are generally due within 30 days of the period in which the corresponding sales occur. Our provision of credit losses for accounts receivable is based upon the current expected credit losses ("CECL") model. The CECL model requires an estimate of the credit losses expected over the life of accounts receivable since initial recognition, and accounts receivable with similar risk characteristics are grouped together when estimating CECL. In assessing the CECL, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experience, adjusted for relevant factors impacting collectability and forward-looking information indicative of external market conditions. 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. Accounts receivable that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. As of June 30, 2025 and December 31, 2024, the ending balances of provision for accounts receivable were $2 million and $1 million, respectively, and amounts of accounts receivable past due were immaterial.

Costs to Obtain Contracts

Costs to obtain contracts consist of license fees that are payable to YUM in relation to our deferred revenue of prepaid stored-value products, privilege membership programs and customer loyalty programs, as well as upfront franchise fees that we paid to YUM prior to the separation in relation to initial fees or renewal fees we received from franchisees. They meet the requirements to be capitalized as they are incremental costs of obtaining contracts with customers and the Company expects to generate future economic benefits from such costs incurred. Such costs to obtain contracts are included in Other assets in the Condensed Consolidated Balance Sheets and are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. Subsequent to the separation, we are no longer required to pay YUM initial or renewal fees that we receive from franchisees. The Company did not incur any impairment losses related to costs to obtain contracts during any of the periods presented. Costs to obtain contracts were $5 million and $6 million as of June 30, 2025 and December 31, 2024, respectively.

Contract Liabilities

Contract liabilities at June 30, 2025 and December 31, 2024 were as follows:

Contract liabilities	**6/30/2025**	**12/31/2024**
— Deferred revenue related to prepaid stored-value products	$ 135	$ 144
— Deferred revenue related to upfront franchise fees	44	43
— Deferred revenue related to customer loyalty programs	18	15
— Deferred revenue related to privilege membership programs	37	30
Total	$ 234	$ 232

Contract liabilities primarily consist of deferred revenue related to prepaid stored-value products, privilege membership programs, customer loyalty programs and upfront franchise fees. Deferred revenue related to prepaid stored-value products, privilege membership programs and customer loyalty programs is included in Accounts payable and other current liabilities in the Condensed Consolidated Balance Sheets. Deferred revenue related to upfront franchise fees that we expect to recognize as revenue in the next 12 months is included in Accounts payable and other current liabilities, and the remaining balance is included in Other liabilities in the Condensed Consolidated Balance Sheets. Revenue recognized that was included in the contract liability balance at the beginning of each period amounted to $80 million and $78 million for the years to date ended June 30, 2025 and 2024, respectively. Changes in contract liability balances were not materially impacted by business acquisition, change in estimate of transaction price or any other factors during any of the periods presented.

The Company has elected, as a practical expedient, not to disclose the value of remaining performance obligations associated with sales-based royalty promised to franchisees in exchange for franchise right and other related services. The remaining duration of the performance obligation is the remaining contractual term of each franchise agreement. We recognize continuing franchisee fees and revenues from advertising services and other services provided to franchisees based on a certain percentage of sales, as those sales occur.

Note 5 — Earnings Per Common Share ("EPS")

The following table summarizes the components of basic and diluted EPS (in millions, except per share data):

	Year to Date Ended	
	6/30/2025	6/30/2024
Net Income — Yum China Holdings, Inc.	$ 507	$ 499
Weighted-average common shares outstanding (for basic calculation)[a]	374	395
Effect of dilutive share-based awards[a]	2	2
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)[a]	376	397
Basic Earnings Per Common Share	$ 1.36	$ 1.27
Diluted Earnings Per Common Share	$ 1.35	$ 1.26
Share-based awards excluded from the diluted EPS computation[b]	3	6

(a) As a result of the separation, shares of Yum China common stock were distributed to YUM's shareholders of record as of October 19, 2016 and were included in the calculated weighted-average common shares outstanding. Holders of outstanding YUM equity awards generally received both adjusted YUM awards and Yum China awards, or adjusted awards of either YUM or Yum China in their entirety. Any subsequent exercise of these awards, whether held by the Company's employees or YUM's employees, would increase the number of common shares outstanding. The incremental shares arising from outstanding equity awards are included in the computation of diluted EPS, if there is dilutive effect.

(b) These outstanding stock appreciation rights ("SARs"), restricted stock units ("RSUs") and performance stock units ("PSUs") were excluded from the computation of diluted EPS because to do so would have been antidilutive for the periods presented, or because certain awards are contingently issuable based on the achievement of performance and market conditions, which have not been met as of June 30, 2025 and 2024.

Note 6 — Equity

Share Repurchase and Retirement

As of June 30, 2025, our Board of Directors authorized an aggregate of $4.4 billion for our share repurchase program, including its most recent increase in authorization on November 4, 2024. During the years to date ended June 30, 2025 and 2024, the Company repurchased 7.7 million shares of common stock for $356 million, and 21.7 million shares of common stock for $868 million, respectively, under the repurchase program, excluding transaction costs and excise tax. As of June 30, 2025, approximately $936 million remained available for future share repurchases under the authorization.

Of the shares repurchased for the year to date ended June 30, 2025, 7.4 million shares were retired and resumed the status of authorized and unissued shares of common stock, and 0.3 million shares repurchased on the HKEX are expected to be retired subsequent to June 30, 2025, and included in Treasury stock in the Condensed Consolidated Financial Statement.

The Inflation Reduction Act of 2022 ("IRA"), which is discussed further in Note 12, imposes an excise tax of 1% on net share repurchases that occur after December 31, 2022. Excise tax on net share repurchases, which was recognized as part of the cost of the shares repurchased, amounted to $3 million and $8 million for the years to date ended June 30, 2025 and 2024, respectively.

Note 7 — Supplemental Balance Sheet Information

Accounts Receivable, net	6/30/2025	12/31/2024
Accounts receivable, gross	$ 96	$ 80
Allowance for doubtful accounts	(2)	(1)
Accounts receivable, net	$ 94	$ 79

The Company generally allows its customers a credit period within 30 days of the period in which the corresponding sales occur or the invoices are issued. An aging analysis of accounts receivable as of June 30, 2025 and December 31, 2024, based on the date of delivering goods and services, is as follows:

	6/30/2025	12/31/2024
Within 30 days	$ 73	$ 64
31–90 days	20	13
Over 91 days	3	3
Total	$ 96	$ 80

Prepaid Expenses and Other Current Assets	6/30/2025	12/31/2024
Value-added tax ("VAT") assets	$ 120	$ 117
Interest receivables	94	48
Receivables from payment processors and aggregators	45	72
Deposits, primarily lease deposits	19	22
Other prepaid expenses and current assets	105	107
Prepaid expenses and other current assets	$ 383	$ 366

Property, Plant and Equipment ("PP&E")	6/30/2025	12/31/2024
Buildings and improvements, and construction in progress	$ 3,193	$ 3,156
Finance leases, primarily buildings	83	80
Machinery and equipment	1,925	1,855
PP&E, gross	5,201	5,091
Accumulated depreciation	(2,786)	(2,684)
PP&E, net	$ 2,415	$ 2,407

Equity Investments	6/30/2025	12/31/2024
Investment in equity method investees	$ 300	$ 285
Investment in equity securities	68	83
Investment in available-for-sale debt securities	14	—
Equity investments	$ 382	$ 368

Other Assets	6/30/2025	12/31/2024
Land use right	$ 107	$ 107
Long-term deposits, primarily lease deposits	100	97
Prepayment for acquisition of PP&E	26	27
VAT assets	8	8
Costs to obtain contracts	5	6
Others	17	11
Other assets	$ 263	$ 256

Accounts Payable and Other Current Liabilities	6/30/2025	12/31/2024
Accounts payable	$ 795	$ 801
Operating lease liabilities	422	417
Accrued compensation and benefits	204	235
Contract liabilities	197	196
Accrued capital expenditures	132	192
Dividends payable	99	40
Accrued marketing expenses	47	33
Other current liabilities	160	166
Accounts payable and other current liabilities	$ 2,056	$ 2,080

An aging analysis of the accounts payable as of June 30, 2025 and December 31, 2024 is as follows:

	6/30/2025	12/31/2024
Within 60 days	$ 793	$ 800
Over 60 days	2	1
Total	$ 795	$ 801

The accounts payable consist of invoiced and certain accrued balances, and are generally repaid within one to two months depending on payment term and the invoice date. Accrued accounts payable reflect payable of goods and services that have not yet been invoiced to the Company, and will be reclassified to invoiced accounts payable when invoices are received. Aging analysis of invoiced accounts payable has been presented based on invoice date and the amounts of accrued accounts payable were categorized as within 60 days.

Other Liabilities	6/30/2025	12/31/2024
Contract liabilities	$ 37	$ 36
Accrued income tax payable	20	23
Other non-current liabilities	97	98
Other liabilities	$ 154	$ 157

Note 8 — Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Total Company	KFC	Pizza Hut	All Other Segments
Balance as of 12/31/2024				
Goodwill, gross	$ 2,271	$ 1,790	$ 18	$ 463
Accumulated impairment losses[a]	(391)	—	—	(391)
Goodwill, net	1,880	1,790	18	72
Effect of currency translation adjustments	35	34	—	1
Balance as of 6/30/2025				
Goodwill, gross	2,306	1,824	18	464
Accumulated impairment losses[a]	(391)	—	—	(391)
Goodwill, net	$ 1,915	$ 1,824	$ 18	$ 73

(a) Accumulated impairment losses represent goodwill impairment attributable to the reporting units of Little Sheep and Daojia.

Intangible assets, net as of June 30, 2025 and December 31, 2024 are as follows:

	6/30/2025				12/31/2024			
	Gross Carrying Amount[a]	Accumulated Amortization[a]	Accumulated Impairment Losses[b]	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Losses[b]	Net Carrying Amount
Finite-lived intangible assets								
Reacquired franchise rights	$ 267	$ (264)	$ —	$ 3	$ 262	$ (259)	$ —	$ 3
Huang Ji Huang franchise related assets	21	(6)	—	15	20	(5)	—	15
Daojia platform	9	(2)	(7)	—	9	(2)	(7)	—
Customer-related assets	11	(10)	(1)	—	11	(10)	(1)	—
Others	8	(5)	—	3	8	(5)	—	3
	$ 316	$ (287)	$ (8)	$ 21	$ 310	$ (281)	$ (8)	$ 21
Indefinite-lived intangible assets								
Little Sheep trademark	$ 49	$ —	$ —	$ 49	$ 49	$ —	$ —	$ 49
Huang Ji Huang trademark	75	—	—	75	74	—	—	74
	$ 124	$ —	$ —	$ 124	$ 123	$ —	$ —	$ 123
Total intangible assets	$ 440	$ (287)	$ (8)	$ 145	$ 433	$ (281)	$ (8)	$ 144

(a) Changes in gross carrying amount and accumulated amortization include the effect of currency translation adjustments.

(b) Accumulated impairment losses represent impairment charges on intangible assets acquired from Daojia primarily attributable to the Daojia platform.

Amortization expense for finite-lived intangible assets was $1 million for both years to date ended June 30, 2025 and 2024. As of June 30, 2025, expected amortization expense for the unamortized finite-lived intangible assets was $1 million for the remainder of 2025 and $2 million in each of 2026, 2027, 2028 and 2029.

Note 9 — Short-term Borrowings

As of December 31, 2024, we had outstanding short-term bank borrowings of $127 million, mainly to manage working capital at our operating subsidiaries. The bank borrowings were RMB denominated, with a weighted-average interest rate of 1.7%, and were due within one year from their issuance dates. The short-term bank borrowings were fully repaid as of June 30, 2025.

Note 10 — Leases

As of June 30, 2025, we leased over 14,000 properties in China for our Company-owned restaurants. We generally enter into lease agreements for our restaurants with initial terms of 10 to 20 years. Most of our lease agreements contain termination options that permit us to terminate the lease agreement early if the restaurant profit is negative for a specified period of time. We generally do not have renewal options for our leases. Such options are accounted for only when it is reasonably certain that we will exercise the options. 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 sales; or (iii) a percentage of the restaurant's sales. Most leases require us to pay common area maintenance fees for the leased property. In addition to restaurants leases, we also lease office spaces, logistics centers and equipment. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In limited cases, we sub-lease certain restaurants to franchisees in connection with refranchising transactions or lease our properties to other third parties. The lease payments under these leases are generally based on the higher of a fixed base rent or a percentage of the restaurant's annual sales. Income from sub-lease agreements with franchisees or lease agreements with other third parties are included in Franchise fees and income and Other revenues, respectively, within our Condensed Consolidated Statements of Income.

Supplemental Balance Sheet	6/30/2025	12/31/2024	Account Classification
Assets			
Operating lease right-of-use assets	$ 2,103	$ 2,146	Operating lease right-of-use assets
Finance lease right-of-use assets	46	46	PP&E, net
Total leased assets[(a)]	$ 2,149	$ 2,192	
Liabilities			
Current			
Operating lease liabilities	$ 422	$ 417	Accounts payable and other current liabilities
Finance lease liabilities	5	5	Accounts payable and other current liabilities
Non-current			
Operating lease liabilities	1,760	1,816	Non-current operating lease liabilities
Finance lease liabilities	48	49	Non-current finance lease liabilities
Total lease liabilities[(a)]	$ 2,235	$ 2,287	

Summary of Lease Cost	Year to Date Ended 6/30/2025	6/30/2024	Account Classification
Operating lease cost	$ 246	$ 258	Occupancy and other operating expenses, G&A or Franchise expenses
Finance lease cost			
Amortization of leased assets	3	3	Occupancy and other operating expenses
Interest on lease liabilities	1	1	Interest income, net
Variable lease cost	218	212	Occupancy and other operating expenses or Franchise expenses
Short-term lease cost	7	6	Occupancy and other operating expenses or G&A
Sub-lease income	(9)	(10)	Franchise fees and income or Other revenues
Total lease cost	$ 466	$ 470	

(a) As of June 30, 2025, excluding the impact of foreign currency translation, right-of-use ("ROU") assets decreased, primarily due to the amortization of assets relating to existing leases with fixed lease payments and a higher portion of our leases with variable lease payments. The decrease of lease liabilities was consistent with the decrease of ROU assets.

Supplemental Cash Flow Information	Year to Date Ended 6/30/2025	6/30/2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 253	$ 259
Operating cash flows from finance leases	1	1
Financing cash flows from finance leases	3	2
Right-of-use assets obtained in exchange for lease liabilities[b]:		
Operating leases	$ 113	$ 177
Finance leases	1	5

(b) This supplemental non-cash disclosure for ROU assets obtained in exchange for lease liabilities includes an increase in lease liabilities associated with obtaining new ROU assets of $126 million and $180 million for the years to date ended June 30, 2025 and 2024, respectively, as well as adjustments to lease liabilities or ROU assets due to modification or other reassessment events, which resulted in a $12 million decrease and $2 million increase in lease liabilities for the years to date ended June 30, 2025 and 2024, respectively.

Lease Term and Discount Rate	6/30/2025	6/30/2024
Weighted-average remaining lease term (years)		
Operating leases	6.8	6.9
Finance leases	10.6	10.8
Weighted-average discount rate		
Operating leases	4.3%	4.8%
Finance leases	4.5%	4.9%

Summary of Future Lease Payments and Lease Liabilities

Maturities of lease liabilities as of June 30, 2025 were as follows:

	Amount of Operating Leases	Amount of Finance Leases	Total
Remainder of 2025	$ 268	$ 4	$ 272
2026	457	7	464
2027	403	7	410
2028	339	7	346
2029	270	7	277
Thereafter	784	35	819
Total undiscounted lease payment	2,521	67	2,588
Less: imputed interest[c]	339	14	353
Present value of lease liabilities	$ 2,182	$ 53	$ 2,235

(c) As the rate implicit in the lease cannot be readily determined, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the imputed interest and present value of lease payments. We used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date.

As of June 30, 2025, we have additional lease agreements that have been signed but not yet commenced, with total undiscounted minimum lease payments of $88 million. These leases will commence between the third quarter of 2025 and 2026 with lease terms of 1 year to 20 years.

Note 11 — Fair Value Measurements and Disclosures

The Company's financial assets and liabilities primarily consist of cash and cash equivalents, short-term investments, long-term bank deposits and notes, accounts receivable, accounts payable, short-term borrowings and lease liabilities, and the carrying values of these assets and liabilities approximate their fair value in general.

The Company's financial assets also include its investment in equity securities and available-for-sale debt securities as disclosed in Note 3. Investment in equity securities is measured at fair value based on the closing market price for the shares at the end of each reporting period, with subsequent fair value changes recorded in our Condensed Consolidated Statements of Income. Investment in available-for-sales debt securities is measured at estimated fair value with subsequent fair value changes recorded in Comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The following table is a summary of our financial assets measured on a recurring basis or disclosed at fair value and the level within the fair value hierarchy in which the measurement falls. The Company classifies its cash equivalents, short-term investments, long-term bank deposits and notes, and investment in equity securities within Level 1 or Level 2 in the fair value hierarchy because it uses quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value, respectively. The Company classifies its investment in available-for-sale debt securities as Level 3 in the fair value hierarchy because it is valued based on unobservable inputs. No transfers among the levels within the fair value hierarchy occurred during the years to date ended June 30, 2025 and 2024.

	Balance at June 30, 2025	Fair Value Measurement or Disclosure at June 30, 2025		
		Level 1	Level 2	Level 3
Cash equivalents:				
Fixed income debt securities[a]	$ 306		$ 306	
Money market funds	18	18		
Time deposits	2		2	
Total cash equivalents	326	18	308	—
Short-term investments:				
Time deposits	771		771	
Fixed income debt securities[a]	426		426	
Variable return investments	211	211		
Structured deposits	155		155	
Total short-term investments	1,563	211	1,352	—
Long-term bank deposits and notes:				
Time deposits	344		344	
Fixed income bank notes[a]	282		282	
Total long-term bank deposits and notes	626	—	626	—
Equity investments:				
Investment in equity securities	68	68		
Investment in available-for-sale debt securities	14			14
Total equity investments	82	68	—	14
Total	$ 2,597	$ 297	$ 2,286	$ 14

	Balance at December 31, 2024	Fair Value Measurement or Disclosure at December 31, 2024		
		Level 1	Level 2	Level 3
Cash equivalents:				
Fixed income debt securities[a]	$ 196		$ 196	
Time deposits	145		145	
Money market funds	30	30		
Total cash equivalents	371	30	341	—
Short-term investments:				
Time deposits	1,017		1,017	
Structured deposits	90		90	
Variable return investments	14	14		
Total short-term investments	1,121	14	1,107	—
Long-term bank deposits and notes:				
Time deposits	554		554	
Fixed income bank notes[a]	534		534	
Total long-term bank deposits and notes	1,088	—	1,088	—
Equity investments:				
Investment in equity securities	83	83		
Total	$ 2,663	$ 127	$ 2,536	$ —

(a) Classified as held-to-maturity investments and measured at amortized cost.

The Company is required to place bank deposits or purchase insurance to secure the balance of prepaid stored-value cards issued by the Company pursuant to regulatory requirements. $28 million of time deposits in Short-term investments and $34 million of time deposits in Long-term bank deposits and notes were restricted for use as of June 30, 2025, and $60 million of time deposits in Long-term bank deposits and notes were restricted for use as of December 31, 2024.

Non-Recurring Fair Value Measurements

In addition, certain of the Company's restaurant-level assets (including operating lease ROU assets and PP&E), goodwill and intangible assets are measured at fair value based on unobservable inputs (Level 3) on a non-recurring basis, if determined to be impaired.

In determining the fair value of restaurant-level assets, the Company considered the highest and best use of the assets from a market participants' perspective, which is represented by the higher of the forecasted discounted cash flows from operating restaurants and the price market participants would pay to sub-lease the ROU assets and acquire the remaining restaurants assets, even if that use differs from the current use by the Company. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make, such as sales growth, and include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The discount rate used in the fair value calculation is our estimate of the required rate-of-return that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. In situations where the highest and best use of restaurant-level assets are represented by sub-leasing the operating lease ROU assets and acquiring the remaining restaurant assets, the Company continues to use these assets in operating its restaurant business, which is consistent with its long-term strategy of growing revenue through operating restaurant concepts.

As of each relevant measurement date, the fair value of restaurant-level assets, if determined to be impaired, is primarily represented by a price market participant would pay to sub-lease the operating lease ROU assets and acquire the remaining restaurant assets, which reflects the highest and best use of the assets. Significant unobservable inputs used in the fair value measurement include market rental prices, which were determined with the assistance of an independent valuation specialist. The direct comparison approach is used as the valuation technique by assuming a sub-lease of each of the properties in its existing state with vacant possession. By making reference to lease transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for any difference in factors such as location and property size.

The following table presents amounts recognized from all non-recurring fair value measurements based on unobservable inputs (Level 3) during the years to date ended June 30, 2025 and 2024. These amounts exclude fair value measurements made for restaurants that were subsequently closed or refranchised prior to those respective period-end dates.

	Year to Date Ended		
	6/30/2025	6/30/2024	Account Classification
Restaurant-level impairment[a]	$ 8	$ 7	Closure and impairment expenses, net

(a) Restaurant-level impairment charges are recorded in Closures and impairment expenses, net and resulted mainly 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. After considering the impairment charges recorded during the corresponding periods, the fair value of such assets as of June 30, 2025 and 2024 was $23 million and $22 million, respectively.

Note 12 — Income Taxes

	Year to Date Ended	
	6/30/2025	6/30/2024
Income tax provision	$ 199	$ 190
Effective tax rate	26.9%	26.2%

The higher effective tax rate for the year to date ended June 30, 2025 was primarily due to higher withholding tax associated with higher planned repatriation of earnings outside of China, less interest income subject to lower income tax rates, and the impact from fair value change of our investment in Meituan.

In December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"), which included a broad range of tax reforms. The Tax Act requires a U.S. shareholder to be subject to tax on Global Intangible Low Taxed Income ("GILTI") earned by certain foreign subsidiaries. We have elected the option to account for current year GILTI tax as a period cost as incurred, and therefore included it in estimating the annual effective tax rate.

In August 2022, the IRA was signed into law in the U.S., which contains certain tax measures, including a Corporate Alternative Minimum Tax ("CAMT") of 15% on certain large corporations. On December 27, 2022, the U.S. Treasury Department and the Internal Revenue Services (the "IRS") released Notice 2023-7, announcing their intention to issue proposed regulations addressing the application of the new CAMT. In 2023 and 2024, additional notices or proposed regulations were released to continue to provide interim guidance regarding certain CAMT issues before proposed regulations are published. The Company will monitor the regulatory developments and continue to evaluate the impact on our financial statements, if any.

In December 2022, a refined Foreign Sourced Income Exemption ("FSIE") regime was published in Hong Kong and took effect from January 1, 2023. Under the new FSIE regime, certain foreign sourced income would be deemed as being sourced from Hong Kong and chargeable to Hong Kong Profits Tax, if the recipient entity fails to meet the prescribed exception requirements. Certain dividends, interests and disposal gains, if any, received by us and our Hong Kong subsidiaries may be subject to the new tax regime. Based on our analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the developments and continue to evaluate the impact, if any.

The Organization for Economic Cooperation and Development (the "OECD"), the European Union and other jurisdictions (including jurisdictions in which we have operations or presence) have committed to enacting substantial changes to numerous long-standing tax principles impacting how large multinational enterprises are taxed. In particular, the OECD's Pillar Two initiative introduced a 15% global minimum tax applied on a jurisdiction-by-jurisdiction basis and for which many jurisdictions have now committed to an effective enactment date starting January 1, 2024. Based on our preliminary analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the regulatory developments and continue to evaluate the impact, if any.

In July 2025, the One Big Beautiful Bill Act (the "OBBBA") was signed into law in the U.S.. The OBBBA includes a broad range of provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and others. We are in the process of evaluating the impact on our financial statements, if any.

We are subject to reviews, examinations and audits by Chinese tax authorities, the IRS and other tax authorities with respect to income and non-income based taxes. Since 2016, we have been under a national audit on transfer pricing by the Chinese State Taxation Administration (the "STA") in China regarding our related party transactions for the period from 2006 to 2015. The information and views currently exchanged with the tax authorities focus on our franchise arrangement with YUM. We continue to provide information requested by the tax authorities to the extent it is available to the Company. It is reasonably possible that there could be significant developments, including expert review and assessment by the STA, within the next 12 months. The ultimate assessment and decision of the STA will depend upon further review of the information provided, as well as ongoing technical and other discussions with the STA and in-charge local tax authorities, and therefore, it is not possible to reasonably estimate the potential impact at this time. We will continue to defend our transfer pricing position. However, if the STA prevails in the assessment of additional tax due based on its ruling, the assessed tax, interest and penalties, if any, could have a material adverse impact on our financial position, results of operations and cash flows.

Note 13 — Segment Reporting

We have two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, and our delivery operating segment, and for 2024, also including e-commerce segment, are combined and referred to as All Other Segments, as these operating segments are insignificant both individually and in the aggregate. The Company's chief operating decision maker ("CODM") is the chief executive officer, who reviews the financial information of each operating segment when making decisions about allocating resources and assessing the performance of the segment.

	Year to Date Ended 6/30/2025						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 4,342	$ 1,149	$ 79	$ 198[b]	$ 5,768	$ —	$ 5,768
Inter-segment revenue[c]	—	—	324	—	324	(324)	—
	4,342	1,149	403	198	6,092	(324)	5,768
Less:							
Food and paper	1,316	363	5	—	1,684	—	1,684
Payroll and employee benefits	1,110	317	5	—	1,432	(1)	1,431
Occupancy and other operating expenses	1,055	292	10	—	1,357	—	1,357
General and administrative expenses	120	52	16	81	269	—	269
Franchise expenses	19	2	—	—	21	—	21
Expenses for transactions with franchisees	29	3	33	162[b]	227	—	227
Other operating costs and expenses	2	11	335[c]	34	382	(323)	59
Closures and impairment expenses, net	13	3	2	—	18	—	18
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	678	106	(3)	(78)	703	—	703
Interest income, net[a]				51			51
Investment loss[a]				(15)			(15)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 739

	Year to Date Ended 6/30/2024						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 4,244	$ 1,135	$ 88	$ 170[b]	$ 5,637	$ —	$ 5,637
Inter-segment revenue[c]	—	—	294	—	294	(294)	—
	4,244	1,135	382	170	5,931	(294)	5,637
Less:							
Food and paper	1,320	365	8	—	1,693	—	1,693
Payroll and employee benefits	1,055	312	8	—	1,375	(1)	1,374
Occupancy and other operating expenses	1,059	297	15	—	1,371	—	1,371
General and administrative expenses	121	54	20	78	273	—	273
Franchise expenses	17	2	—	—	19	—	19
Expenses for transactions with franchisees	23	2	33	138[b]	196	—	196
Other operating costs and expenses	6	11	304[c]	30	351	(293)	58
Closures and impairment expenses, net	7	5	2	—	14	—	14
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	636	87	(8)	(75)	640	—	640
Interest income, net[a]				69			69
Investment gain[a]				16			16
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 725

Depreciation and Amortization

	Year to Date Ended	
	6/30/2025	6/30/2024
KFC	$ 150	$ 166
Pizza Hut	47	47
All Other Segments	3	4
Corporate and Unallocated	19	18
	$ 219	$ 235

Impairment Charges

	Year to Date Ended	
	6/30/2025	6/30/2024
KFC[d]	$ 14	$ 10
Pizza Hut[d]	4	6
All Other Segments[d]	1	3
	$ 19	$ 19

Capital Spending

	Year to Date Ended	
	6/30/2025	6/30/2024
KFC	$ 143	$ 185
Pizza Hut	44	59
All Other Segments	1	3
Corporate and Unallocated	71	111
	$ 259	$ 358

	Total Assets	
	6/30/2025	12/31/2024
KFC	$ 5,273	$ 5,334
Pizza Hut	905	914
All Other Segments	298	300
Corporate and Unallocated[(e)]	4,507	4,573
	$ 10,983	$ 11,121

(a) Amounts have not been allocated to any segment for performance reporting purposes.

(b) Amounts from corporate and unallocated primarily include revenues and associated expenses of transactions with franchisees derived from the Company's central procurement model whereby the Company centrally purchases substantially all food and paper products from suppliers then sells and delivers to KFC and Pizza Hut restaurants, including franchisees. Amounts have not been allocated to any segment for purposes of making operating decisions or assessing financial performance as the transactions are deemed corporate revenues and expenses in nature.

(c) Primarily includes revenues and associated costs generated from the delivery services that were provided to our Company-owned restaurants.

(d) Primarily includes store closure impairment charges and restaurant-level impairment charges resulting from our semi-annual impairment evaluation.

(e) Primarily includes cash and cash equivalents, short-term investments, long-term bank deposits and notes, equity investments, and inventories that are centrally managed and PP&E that are not specifically identifiable within each segment.

As substantially all of the Company's revenue is derived from the PRC and substantially all of the Company's long-lived assets are located in the PRC, no geographical information is presented. In addition, revenue derived from and long-lived assets located in the U.S., the Company's country of domicile, are immaterial.

Note 14 — Contingencies

Indemnification of China Tax on Indirect Transfers of Assets

In February 2015, the STA issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a Chinese resident enterprise, 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 concluded and we concurred 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 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 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 distribution is expected to be settled in accordance with the tax matters agreement between the Company and YUM. Pursuant to the tax matters agreement, to the extent any Chinese indirect transfer tax pursuant to Bulletin 7 is imposed, such tax and related losses will be allocated between YUM and the Company in proportion to their respective share of the combined market capitalization of YUM and the Company during the 30 trading days after the separation. Such a settlement could be significant and have a material adverse effect on our results of operations and our financial condition. At the inception of the tax indemnity being provided to YUM, the fair value of the non-contingent obligation to stand ready to perform was insignificant and the liability for the contingent obligation to make payment was not probable or estimable.

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 Condensed Consolidated 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 15 — Subsequent Events

Cash Dividend

On August 5, 2025, the Company announced that the Board of Directors declared a cash dividend of $0.24 per share on Yum China's common stock, payable on September 23, 2025, to stockholders of record as of the close of business on September 2, 2025. Total estimated cash dividend payable is approximately $88 million.

Note 16 — Reconciliation between U.S. GAAP and International Financial Reporting Standards

The Company's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The effects of material differences between U.S. GAAP and IFRS Accounting Standards are as follows:

(i) Reconciliation of Condensed Consolidated Statements of Income:

	For the year to date ended June 30, 2025						
		Adjustments					
	Amounts as Reported under U.S. GAAP	Lease[(a)]	Share-based Compensation[(b)]	Deferred Taxes on Share-based Compensation[(c)]	Long-lived Assets Impairment[(d)]	Direct Marketing Costs[(f)]	Amounts under IFRS Accounting Standards
Revenues							
Franchise fees and income	$ 51	$ (2)					$ 49
Revenues from transactions with franchisees	236					(1)	235
Other revenues	67	(1)					66
Total revenues	5,768	(3)	–	–	–	(1)	5,764
Costs and Expenses, Net							
Company restaurants							
Payroll and employee benefits	1,431		–				1,431
Occupancy and other operating expenses	1,357	(42)			(1)	(11)	1,303
Company restaurant expenses	4,472	(42)	–	–	(1)	(11)	4,418
General and administrative expenses	269	(1)	(2)				266
Franchise expenses	21	(3)					18
Expenses for transactions with franchisees	227					(1)	226
Other operating costs and expenses	59	(1)					58
Closures and impairment expenses, net	18	(3)			1		16
Total costs and expenses, net	5,065	(50)	(2)	–	–	(12)	5,001
Operating Profit	703	47	2	–	–	11	763
Interest income (expense), net	51	(48)					3
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments	739	(1)	2	–	–	11	751
Income tax provision	(199)	–		(2)	–	(3)	(204)
Net income — including noncontrolling interests	546	(1)	2	(2)	–	8	553
Net income — noncontrolling interests	39	–	–		–	–	39
Net Income — Yum China Holdings, Inc.	$ 507	$ (1)	$ 2	$ (2)	$ –	$ 8	$ 514

	For the year to date ended June 30, 2024						
		Adjustments					
	Amounts as Reported under U.S. GAAP	Lease[(a)]	Share-based Compensation[(b)]	Deferred Taxes on Share-based Compensation[(c)]	Long-lived Assets Impairment[(d)]	Direct Marketing Costs[(f)]	Amounts under IFRS Accounting Standards
Revenues							
Franchise fees and income	$ 47	$ (2)					$ 45
Revenues from transactions with franchisees	203					(1)	202
Other revenues	65	—					65
Total revenues	5,637	(2)	—	—	—	(1)	5,634
Costs and Expenses, Net							
Company restaurants							
Payroll and employee benefits	1,374		—				1,374
Occupancy and other operating expenses	1,371	(40)			(2)	(6)	1,323
Company restaurant expenses	4,438	(40)	—	—	(2)	(6)	4,390
General and administrative expenses	273	(2)	(1)				270
Franchise expenses	19	(2)					17
Expenses for transactions with franchisees	196					(1)	195
Other operating costs and expenses	58	(1)					57
Closures and impairment expenses, net	14	(1)			1		14
Total costs and expenses, net	4,997	(46)	(1)	—	(1)	(7)	4,942
Operating Profit	640	44	1	—	1	6	692
Interest income (expense), net	69	(55)					14
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments	725	(11)	1	—	1	6	722
Income tax provision	(190)	3		(3)	—	(2)	(192)
Net income — including noncontrolling interests	535	(8)	1	(3)	1	4	530
Net income — noncontrolling interests	36	(1)	—		—	—	35
Net Income — Yum China Holdings, Inc.	$ 499	$ (7)	$ 1	$ (3)	$ 1	$ 4	$ 495

(ii) Reconciliation of Condensed Consolidated Balance Sheets

	As of June 30, 2025							
		Adjustments						
	Amounts as Reported under U.S. GAAP	Lease[a]	Share-based Compensation[b]	Deferred Taxes on Share-based Compensation[c]	Long-lived Assets Impairment[d]	Redeemable Noncontrolling Interest[e]	Direct Marketing Costs[f]	Amounts under IFRS Accounting Standards
Current Assets								
Accounts receivable, net	$ 94	$ 3						$ 97
Total Current Assets	2,992	3	–	–	–	–	–	2,995
Property, plant and equipment, net	2,415	(10)			(8)			2,397
Operating lease right-of-use assets	2,103	(97)						2,006
Deferred income tax assets	142			(1)	2			143
Other assets	263	7						270
Total Assets	**10,983**	**(97)**	**–**	**(1)**	**(6)**	**–**	**–**	**10,879**
Current Liabilities								
Accounts payable and other current liabilities	2,056	1					(11)	2,046
Total Current Liabilities	2,157	1	–	–	–	–	(11)	2,147
Non-current operating and finance lease liabilities	1,808	–						1,808
Deferred income tax liabilities	395	(23)					3	375
Other liabilities	154					13		167
Total Liabilities	4,514	(22)	–	–	–	13	(8)	4,497
Redeemable Noncontrolling Interest	13					(13)		–
Equity								
Additional paid-in capital	3,952		2	17				3,971
Retained earnings	2,110	(60)	(2)	(18)	(5)		8	2,033
Accumulated other comprehensive loss	(265)	(2)			–			(267)
Total Yum China Holdings, Inc. Stockholders' Equity	5,789	(62)	–	(1)	(5)	–	8	5,729
Noncontrolling interests	667	(13)			(1)			653
Total Equity	6,456	(75)	–	(1)	(6)	–	8	6,382
Total Liabilities, Redeemable Noncontrolling Interest and Equity	**$ 10,983**	**$ (97)**	**$ –**	**$ (1)**	**$ (6)**	**$ –**	**$ –**	**$ 10,879**

	As of December 31, 2024						
		Adjustments					
	Amounts as Reported under U.S. GAAP	Lease[a]	Share-based Compensation[b]	Deferred Taxes on Share-based Compensation[c]	Long-lived Assets Impairment[d]	Redeemable Noncontrolling Interest[e]	Amounts under IFRS Accounting Standards
Current Assets							
Accounts receivable, net	$ 79	$ 3					$ 82
Total Current Assets	2,694	3	–	–	–	–	2,697
Property, plant and equipment, net	2,407	(10)			(8)		2,389
Operating lease right-of-use assets	2,146	(95)					2,051
Deferred income tax assets	138			(1)	2		139
Other assets	256	8					264
Total Assets	**11,121**	**(94)**	**–**	**(1)**	**(6)**	**–**	**11,020**
Current Liabilities							
Accounts payable and other current liabilities	2,080	1					2,081
Total Current Liabilities	2,283	1	–	–	–	–	2,284
Non-current operating and finance lease liabilities	1,865	–					1,865
Deferred income tax liabilities	389	(23)					366
Other liabilities	157					13	170
Total Liabilities	4,694	(22)	–	–	–	13	4,685
Redeemable Noncontrolling Interest	13					(13)	–
Equity							
Additional paid-in capital	4,028		4	15			4,047
Retained earnings	2,089	(59)	(4)	(16)	(5)		2,005
Accumulated other comprehensive loss	(341)	1			–		(340)
Total Yum China Holdings, Inc. Stockholders' Equity	5,728	(58)	–	(1)	(5)	–	5,664
Noncontrolling interests	686	(14)			(1)		671
Total Equity	6,414	(72)	–	(1)	(6)	–	6,335
Total Liabilities, Redeemable Noncontrolling Interest and Equity	**$ 11,121**	**$ (94)**	**$ –**	**$ (1)**	**$ (6)**	**$ –**	**$ 11,020**

Notes:

(a) Lease

Lease Amortization

Under U.S. GAAP, there is a dual-classification lease accounting model for lessees: finance leases and operating leases. For operating leases, unless the right-of-use asset has been impaired, the amortization of right-of-use assets and the interest expense of lease liabilities are recorded together as a single lease cost on a straight-line basis over the remaining lease term.

Under IFRS Accounting Standards, all leases are classified as finance leases, where right-of-use assets are amortized on a straight-line basis and recorded in Costs and Expenses, Net above Operating profit, while interest expense of lease liabilities are recorded in Interest income (expense), net, under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term.

Sublease classification

Under U.S. GAAP, an intermediate lessor classifies a sub-lease as a finance lease or as an operating lease by reference to the underlying asset. Under IFRS Accounting Standards sub-lease classification is determined by reference to the right-of-use asset arising from the head lease, which may more frequently result in finance lease classification under IFRS Accounting Standards.

An intermediate lessor in an operating lease continues to amortize the underlying right-of-use asset, and records lease income on a straight-line basis over the lease term. An intermediate lessor in a finance lease derecognizes the leased asset and records a net investment in the lease at lease commencement, in addition to any selling profit or loss. The lessor records lease income on its net investment in lease under the effective interest method.

(b) Share-based compensation

Share-based compensation with graded vesting feature

Under U.S. GAAP, the Company has elected to recognize compensation expense over the service period on a straight-line basis for all employee equity awards with a graded vesting schedule. Under IFRS Accounting Standards, share-based compensation with graded vesting feature is recognized based on each tranche, which results in an accelerated expense recognition.

Share-based compensation with IPO condition

The Company's Lavazza joint venture granted equity awards to key employees vested and exercisable upon the consummation of a qualified successful IPO. Under U.S. GAAP, a performance condition that may be met after the requisite service period is a vesting condition and compensation cost is recognized only if IPO becomes probable of being achieved. Under IFRS Accounting Standards, performance condition that may be met after the requisite service period is a non-vesting condition and reflected in the measurement of the grant date fair value of an award, which may result in earlier expense recognition.

(c) Deferred taxes on share-based compensation

Under U.S. GAAP, deferred taxes are calculated based on the cumulative share-based compensation expense recognized in the financial statements, and it required all excess tax benefits and tax deficiencies to be recorded in the Condensed Consolidated Statement of Income in the period in which tax deduction arises.

Under IFRS Accounting Standards, deferred tax asset is recorded based on estimate of the future tax deduction in accordance with the stock price at the end of each reporting period. If the estimated future tax deduction exceeds cumulative compensation cost for an individual award, deferred tax based on the excess is credited to shareholders' equity. If the estimated future tax deduction is less than or equal to cumulative compensation cost for an individual award, deferred taxes are recorded in Condensed Consolidated Statement of Income.

(d) Long-lived assets impairment

Under U.S. GAAP, two-step approach is used in the measurement and recognition of impairment loss of long-lived assets of our restaurants (primarily PP&E and ROU). During step one recoverability test, the carrying amount is first compared with the undiscounted cash flows, using entity specific assumptions. During step two measurement test, if the carrying amount is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying value and fair value.

Under IFRS Accounting Standards, only one-step approach is used in impairment testing. The carrying amount is compared with the recoverable amount, which is the higher of fair value less costs of disposal or the asset's value in use based on the net present value of future cash flows. Therefore, the difference in impairment assessment results in differences in impairment loss under IFRS Accounting Standards. In addition, the lease accounting difference leads to difference in ROU carrying amounts and thus results in difference in impairment loss, which is included in Note (a) together with all other lease related GAAP differences.

(e) Redeemable non-controlling interest

Under U.S. GAAP, when the noncontrolling interest is redeemable at the option of the noncontrolling shareholder, or contingently redeemable upon the occurrence of a conditional event that is not solely within the control of the Company, the noncontrolling interest is separately classified as mezzanine equity which is neither liability nor equity. The redeemable non-controlling interest is initially recorded at fair value and subsequently measured at the higher of initial fair value, increased or decreased for the non-controlling interest's share of net income or loss, or the redemption value of the non-controlling interest.

Under IFRS Accounting Standards, redeemable noncontrolling interest is presented as liability, as the Company does not have the unconditional right to avoid delivering cash or another financial asset. Redeemable non-controlling interest is measured at fair value subsequently.

(f) Direct Marketing Costs

Under U.S GAAP, for interim reporting purpose, the Company has elected to recognize direct marketing costs ratably in relation to revenue over the year in which incurred, such that a constant percentage of direct marketing costs to sales is recorded for each interim period. Direct marketing costs are adjusted to reflect expenses actually incurred at year end.

Under IFRS Accounting Standards, direct marketing costs are expensed when they are incurred for both interim period and year-end reporting.

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