



Home Inns & Hotels Management Inc.

A Leading Economy Hotel Chain in China

May 2013





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Executive Summary

Emerging Market Dynamics

- High unit growth past 5 years while maintaining high occupancy
- Economy hotels at ~15% of lodging market by room count 1st Half '12
- ~53% urbanization currently targeting 65-70% per government planning

Undisputed Market Leader

- 21.8% market share by room count in economy hotel sector
- 1,859 hotels in 266 cities under three brands as of Mar 31, 2013
- 13.2 million individual frequent guests and 104K corporate accounts

Asset-Light Models

- LO: 10- to 20-yr leases, sub-inflationary escalations, ~¥65K/room cost
- FM: no capital requirements and high-margin fee revenue
- Early mover with LO and further penetration with FM

Sustainable Profitable Growth

- Disciplined project investment with hurdle rate of return requirements
- Mid to low single-digit annual price increase protects margin
- SG&A leverage and mix shift towards FM enables margin expansion

Elite Professional Managers

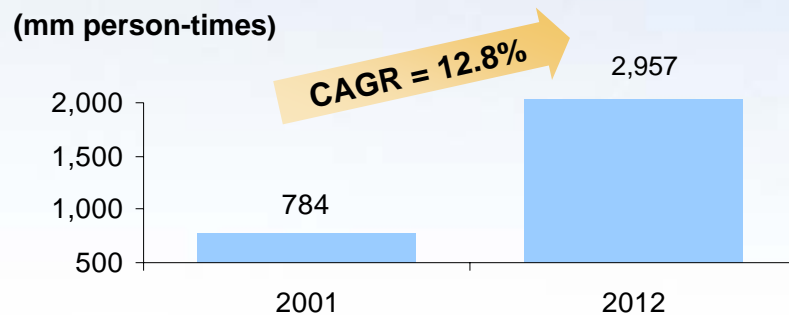
- Unsurpassed breadth and depth of experience in hospitality and consumer industries and chain operations
- Multinational experience with proven strategies and execution



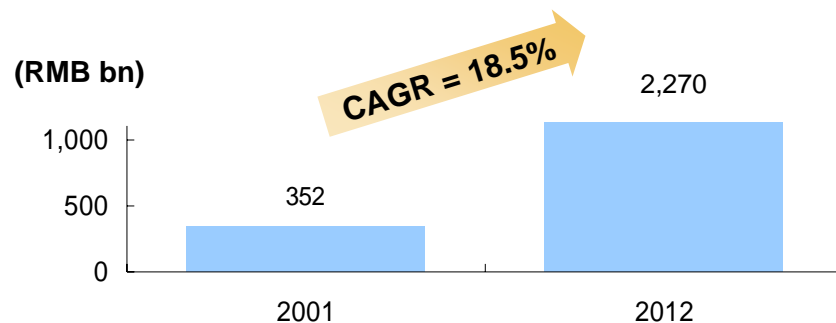
Long Term Market Potential

Increasing Domestic Business and Leisure Travel Driving Long-Term Growth

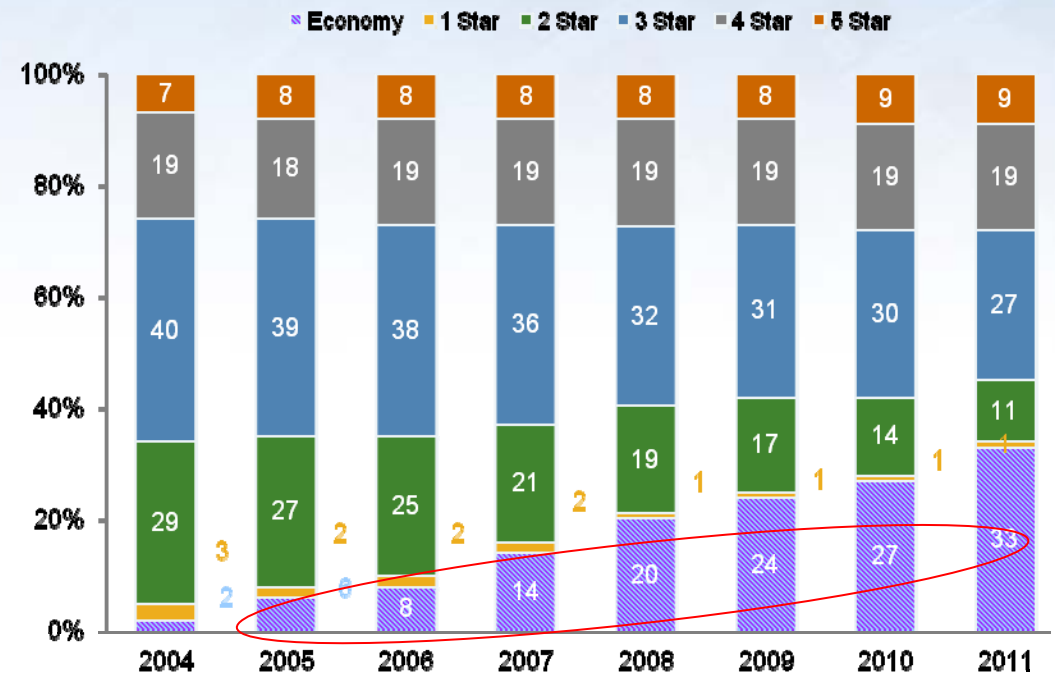
Number of Domestic Trips⁽¹⁾



Total Spending on Domestic Travel⁽¹⁾



Ongoing Demand Shift to Economy Hotels ⁽²⁾



- Capturing previous 1-3 star hotels market
- Rapid growth in Chinese travel market drives new demand

(1) Source: www.china-consulting.cn

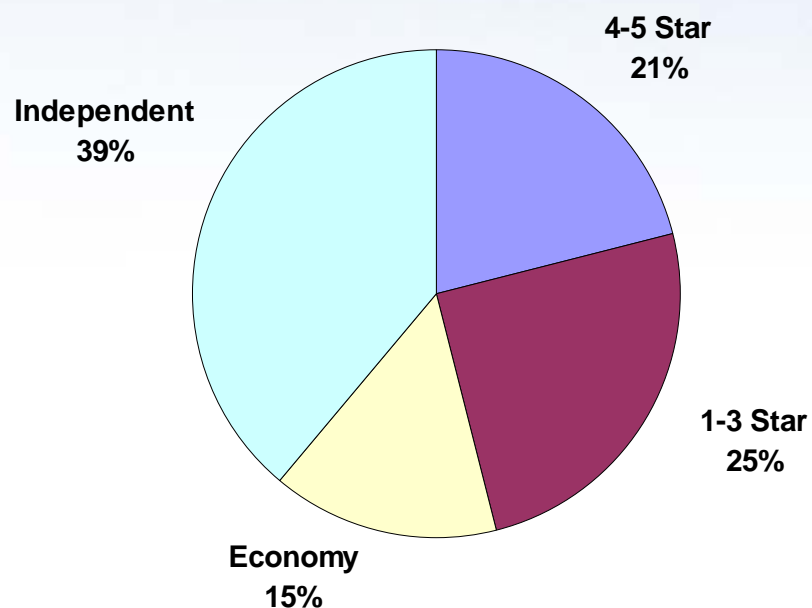
(2) Source: Goldman Sachs Equity Research & National Tourism Administration of China



Long Term Market Potential (continued)

Significant Upside Potential for Economy Hotel Chains in Fragmented Hotel Industry

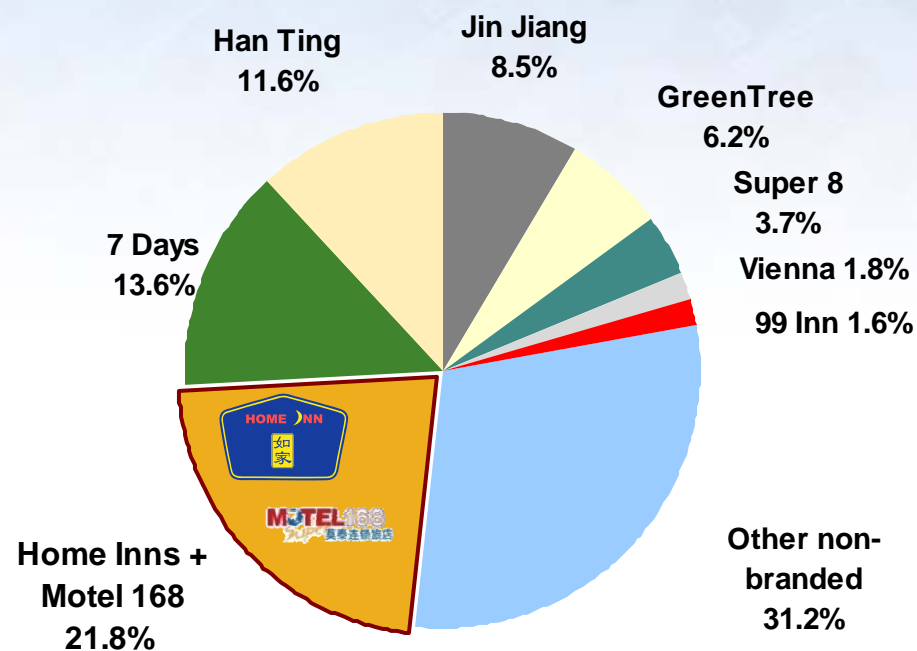
Chinese Lodging Market Share By Room⁽¹⁾



- As of 1H2012, economy hotels* represent 15% of Chinese lodging market

* Economy hotels do not participate in star-rating system in China

Economy Hotel Market Share By Room⁽²⁾



- As of December 31, 2012, there were 9,924 economy hotels in China with 981,712 rooms

(1) Source: Ministry of Commerce of China; China National Tourism Administration, www.inn.net.cn

(2) Source: www.inn.net.cn



Company Overview

Mission

To become the leader within the Chinese hotel industry providing lodging services to the general public

Company

- A leading economy hotel chain in China by number of hotels and geographic coverage
- A consistent product and high-quality services catering to value-conscious business and leisure travel individuals

Growth

- Founded in 2002; 10 hotels in 4 cities at the end of 2003
- 1,859 hotels in 266 cities under three brands as of Mar 31, 2013
- RMB 5.77 billion (US\$ 926.1 million) gross revenue in year 2012

Recognitions



The Chinese Brand of the Year 2012 by CCTV

2010 International Franchisor of the Year by FLA

2010 China's Most Popular Brand in Green Economy Hotels

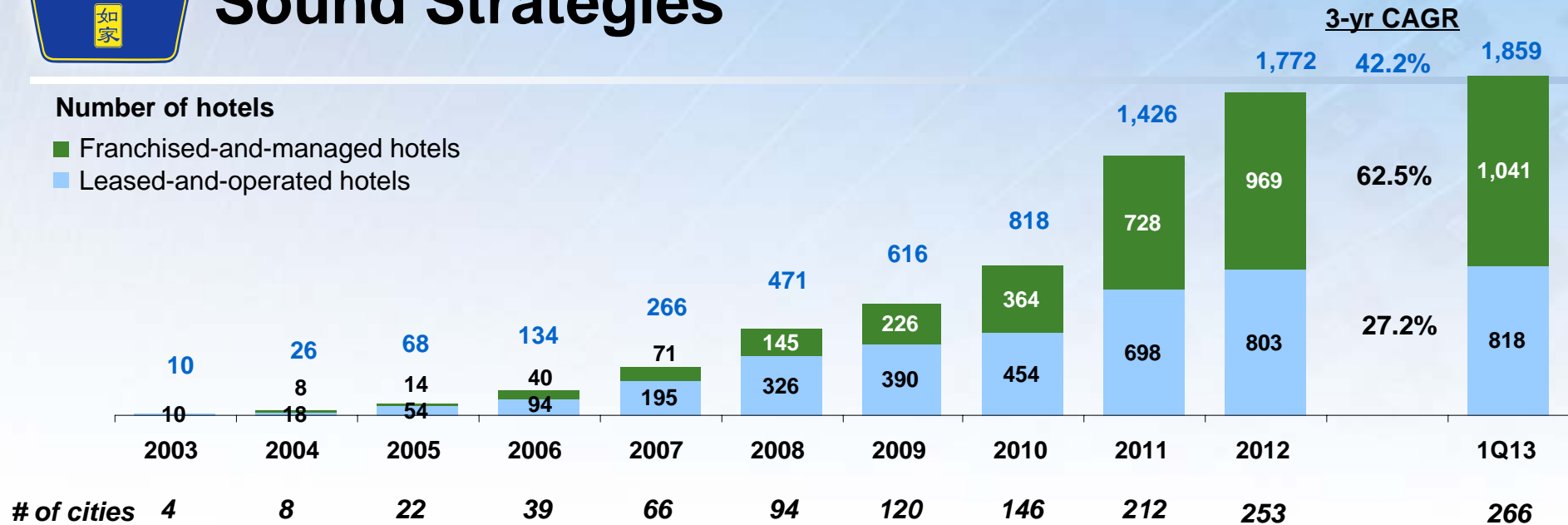
Consecutive Golden Pillow Award for Best Brand in Economy Hotels in China since 2005



Sound Strategies

Number of hotels

- Franchised-and-managed hotels
- Leased-and-operated hotels



Expand foot print and deepen penetration and capitalize on early-mover advantage



Implement multi-brand strategy and strengthen customer loyalty and brand value



Attract, train, retain and continuously develop all levels of people in the organization



Enhance information infrastructure to enable operational excellence



Balance growth and profitability with investment discipline and productivity focus



Dedicated People

Seasoned Management Team with Breadth and Depth of Experience in Hospitality, Consumer and Other Service Industries

David Sun
CEO, 2004

- 10 years of prior experience in consumer industry
- Former vice president of operations for B&Q China, a subsidiary of Kingfisher

Huiping Yan
CFO, 2009

- 20 years of prior experience in accounting and corporate financial management
- 11 years at GE in US and Asia, 9 years in public accounting and tax consulting

Jason Zong
COO, 2006

- 10 years of prior experience in consumer industry
- Former Operation Vice President and General Manager of the east region of B&Q China

May Wu
CSO⁽¹⁾, 2006

- 11 years of prior experience in consulting and investment in lodging and consumer sectors
- Former First Vice President at Schroeder Investment Management, North America

Motivated and Well-Trained Employees

Career-oriented Training at Home Inns Academy and On-the-Job

Internal Promotion and Career Development Opportunities

Performance-based Bonus and Share-based Compensation

(1) Chief Strategy Officer



Operational Excellence

Well-integrated, Centrally Managed and Locally Executed



Training and Advancement

- Home Inns Academy
- Multi-channel pipeline for qualified hotel Managers
- e-Learning platform open to all employees

Quality Assurance Programs

- Consistent measures for “hardware” and “software”
- Scheduled inspections and “secret customers” programs
- Quality score cards tied to KPI

Performance-based Incentives

- Comprehensive and result-driven KPIs
- Integrated with planning and measurement cycle
- Dynamically aligned with corporate directives

Budgeting and Monitoring

- Detailed hotel-level budget and operating plan
- Real-time online monitoring and analyses
- Weekly status reviews with city/regional managers



Controls Framework

**Proprietary, Integrated, Efficient and Scalable
Hotel Management Platform**

Central Reservation System (CRS)

Call centers and internet orders processing

**Customer Relationship
Management System (CRM)**

Member information database and analytics

Property Management System (PMS)

**Room rates and inventory control
synchronized with CRS and CRM**

Management Reporting System

Real-time central repository and reporting of operating data



Brand Portfolio

1,859 hotel locations in 266 cities across China as of March 31, 2013 ⁽¹⁾



⁽¹⁾216 additional hotels contracted (64 leased-and-operated hotels and 152 franchised-and-managed hotels) as of March 31, 2013



Home Inns

A Value Proposition

Standardized Yet Differentiated Product

In-Room Facilities

- Comfortable bed, free broadband, cold and hot drinking water supply, 24x7 in-room hot water

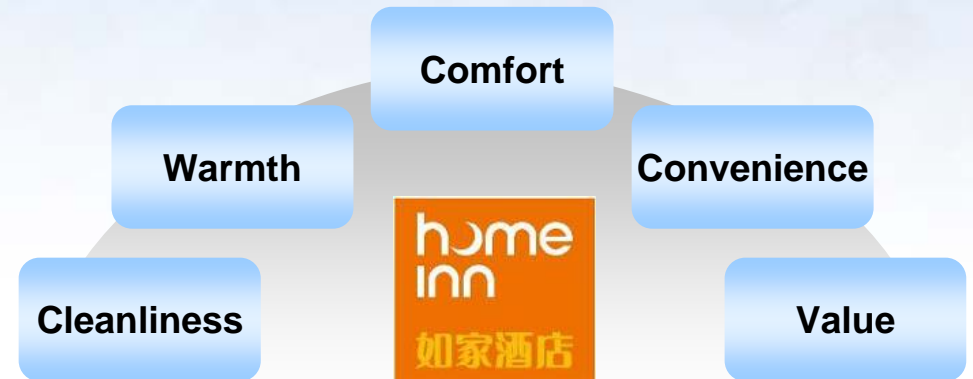
Other Amenities

- Basic meals, business center, vending machine, etc.

Look & Feel

- Consistent design, appearance, color scheme, decoration, lighting

Significant Brand Recognition as a Leader in the Economy Hotel Chain Sector





Motel 168

The 5th Largest Economy Hotel Brand in China Poised for Growth

An Economy Hotel Product with Unique Personality

A Widely Recognized Brand in Key Gateway Cities

In-Room Facilities

- Comfortable bed, free broadband, cold and hot drinking water supply, 24x7 in-room hot water

Other Amenities

- Basic meals, business center, vending machine, etc.

Look & Feel

- Bold and contemporary design with emphasis on facade and lobby guest impression

High geographic concentration in the more developed markets of Shanghai and surrounding gate-way cities



Strong appeal to young travelers, leisure customers, and creative industry professionals





Yitel Hotels

Emerging Market Segment

**Mid-scale Pricing,
Upgraded Experience**

In-Room Facilities

- High quality bed and bedding, refrigerator, complete toiletries, multi-media, free WiFi

Other Amenities

- Dining room, business center, and wellness facilities

Signature Services

- Guest relations manager and member welcome amenities

**Deliver High Customer Satisfaction
from Multiple Dimensions**

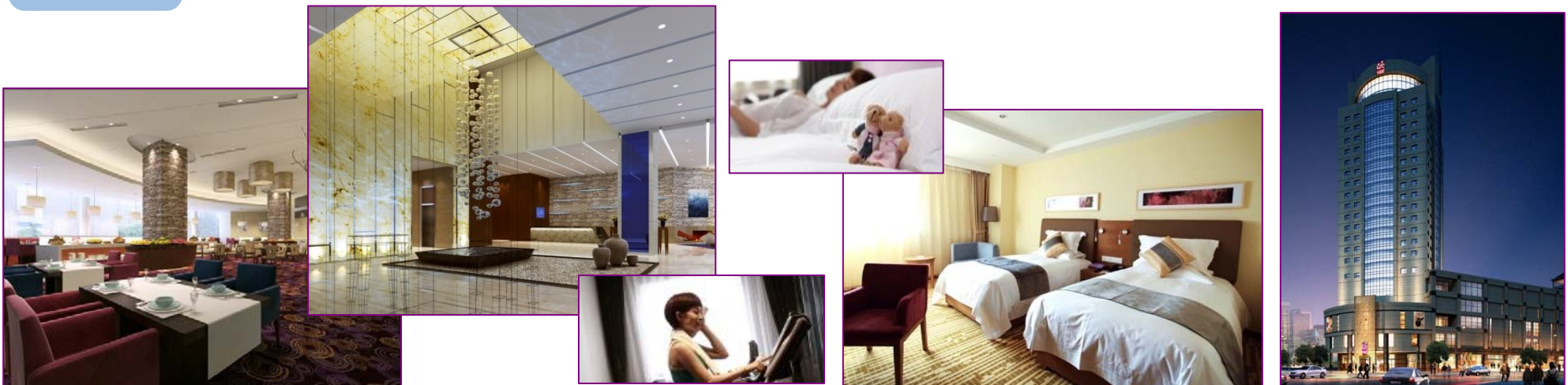
Achieving balance

**Design and
functionality**

**Feels like home,
works like business**



Modern design incorporating natural elements





Business Models

Balance and timing in continued expansion and penetration

Business Models

Leased-and-Operated

- Home Inns leases property from a 3rd party, invests in hotel conversion CapEx and ongoing R&M
- Typical 10 to 20-year lease term with sub-inflationary escalations
- Home Inns retains revenues and profits from hotel operations after expenses
- Typical model used to open new markets

Franchised-and-Managed

- Franchisee owns or secures property and invests in conversion CapEx and ongoing R&M
- Home Inns franchises brand and send GMs to manages the hotels*
- Home Inns earns a one-time initiation fee and ongoing franchise and management fee
- Franchisee retains profits after fees and operating expenses

818	Number of Hotels ⁽¹⁾	1,041
88.3%	Revenue Contribution ⁽²⁾	11.7%

(1) As of March 31, 2013

(2) Per result of 1Q 2013 operations

* GM's personnel costs are reimbursed by franchisee

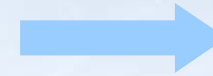


Development Process

Ample Opportunities Still Exist for Continued Expansion

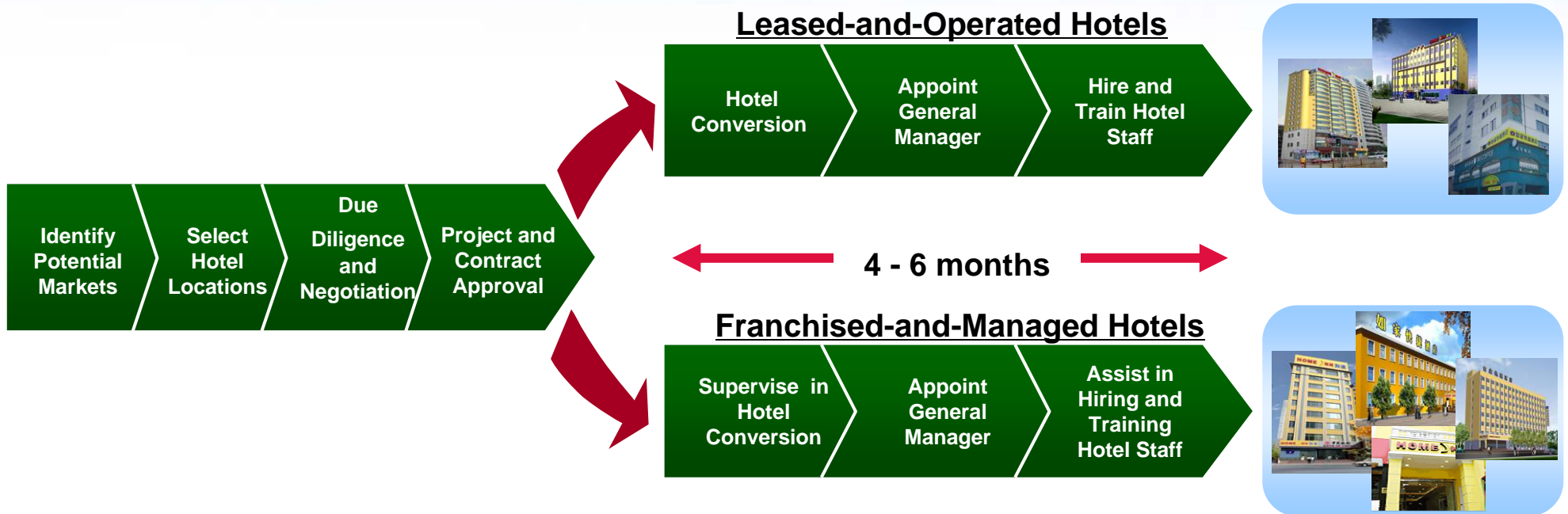
Basic Selection Criteria:

- Provincial capitals or equivalent cities
- Population of over 800,000
- Annual GDP Per Capita above 1,500 USD



280
~~~250~~ cities targeted

*Standardized and Replicable Process Run by Disciplined and Experienced Teams*



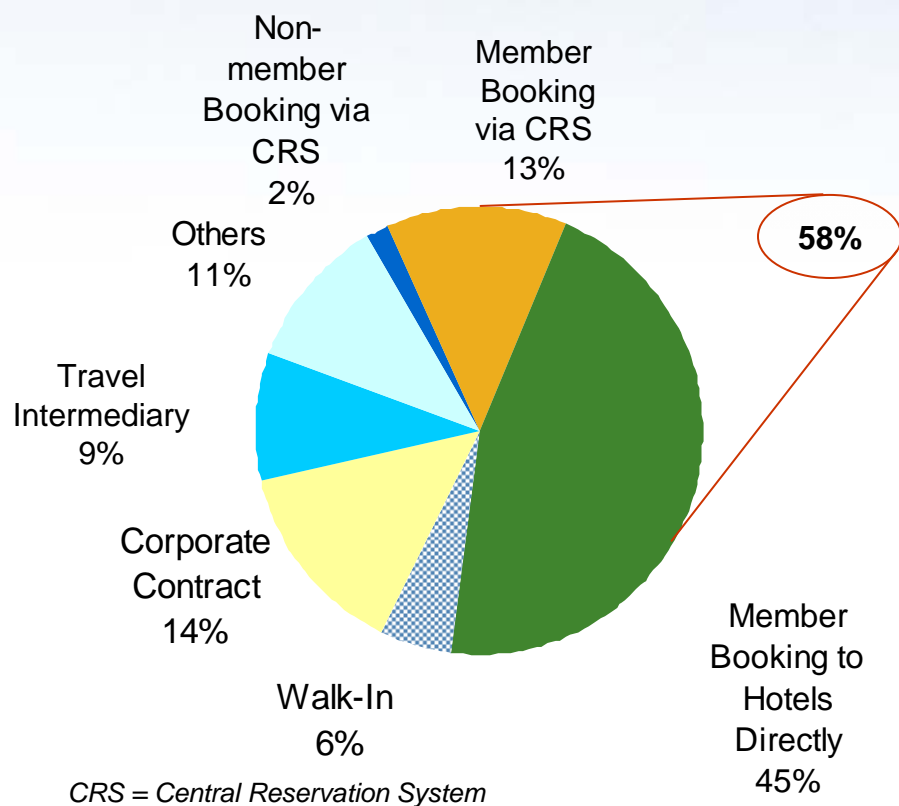


# Customers

## Stable Repeat Customer Base and Increasing Customer Loyalty

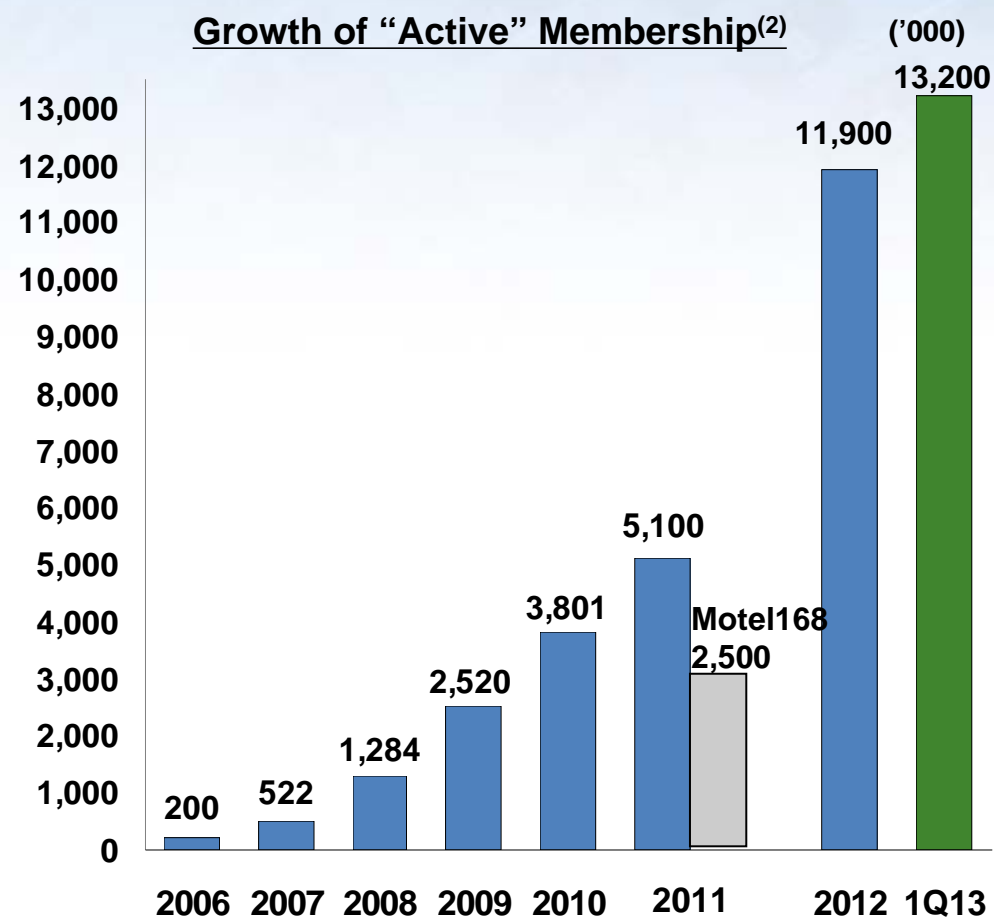
### Favorable Channel Mix

Room Nights Stayed by Customer Channel<sup>(1)</sup>



### Strong Brand Loyalty

Growth of "Active" Membership<sup>(2)</sup>

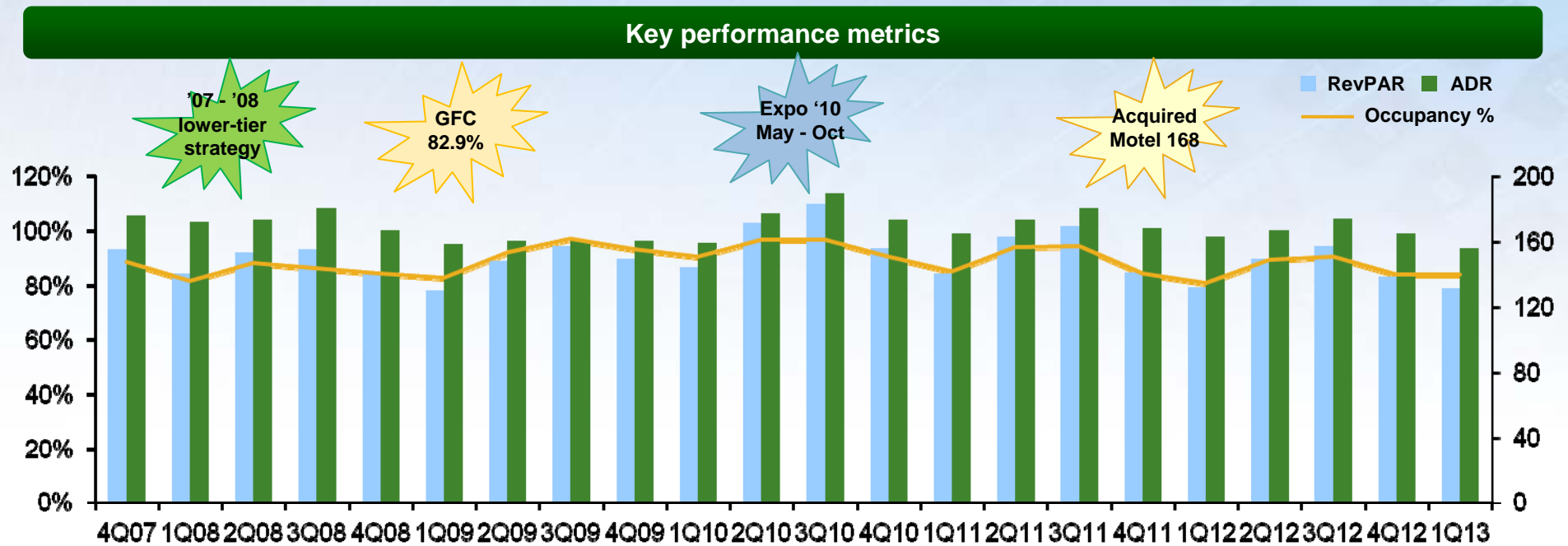


(1) For first quarter of 2013.

(2) "Active" members paid a one-time membership fee and stay at Home Inns at least once within two years to remain active



# Performance



- Consistently high occupancy rates supported by a demand-driven market
- Inflationary-like price increases designed to offset cost increases
- Resilient lodging product against recession or market slow-down
- Lower tier positioning secures long-term growth prospects
- A second economy brand allows greater access to customers



# Performance (Cont'd)

**High Occupancy Rate and Improving ADR, Expanding RevPAR**

## Like-for-Like Performance Comparison Hotels in Operation for At Least 18 Months During the Quarter

|                     | Core HMIN |     | Core HMIN |     | Core HMIN |     | Group                |     | Core HMIN |     | Motel 168 |     | Group |     | Core HMIN |     | Motel 168 |     |
|---------------------|-----------|-----|-----------|-----|-----------|-----|----------------------|-----|-----------|-----|-----------|-----|-------|-----|-----------|-----|-----------|-----|
| Number of Hotels    | 716       |     | 790       |     | 833       |     | 1,201 <sup>(1)</sup> |     | 919       |     | 282       |     | 1,278 |     | 989       |     | 289       |     |
| Quarter End         | 1Q        | 1Q  | 2Q        | 2Q  | 3Q        | 3Q  | 4Q                   | 4Q  | 4Q        | 4Q  | 4Q        | 4Q  | 1Q    | 1Q  | 1Q        | 1Q  | 1Q        | 1Q  |
|                     | 11        | 12  | 11        | 12  | 11        | 12  | 11                   | 12  | 11        | 12  | 11        | 12  | 12    | 13  | 12        | 13  | 12        | 13  |
| Occupancy           | 89%       | 89% | 97%       | 96% | 98%       | 97% | 86%                  | 87% | 92%       | 90% | 74%       | 78% | 83%   | 86% | 89%       | 90% | 71%       | 77% |
| ADR (RMB)           | 167       | 170 | 175       | 176 | 181       | 182 | 167                  | 169 | 172       | 172 | 154       | 161 | 165   | 160 | 166       | 162 | 157       | 153 |
| RevPAR (RMB)        | 149       | 151 | 168       | 168 | 177       | 177 | 144                  | 146 | 158       | 156 | 113       | 125 | 137   | 137 | 147       | 145 | 111       | 117 |
| RevPAR change (YoY) | 2         |     | 0         |     | 0         |     | 2                    |     | -2        |     | 12        |     | 0     |     | -2        |     | 6         |     |

(1) Consolidation of Motel 168 commenced Oct. 1, 2011. 4Q2012 comparative group results includes Motel 168 hotels



# Financial Highlights

## Increasing Scale and Stable Core Performance

| (RMB mm except Earnings per ADS in RMB yuan)                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2011           | 1Q12           | 2012           | 1Q13           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Revenues from Leased-and-Operated Hotels                                                                                                                                                                                                                                                                                                                                                                                                                                              | 3,559.7        | 1,127.8        | 5,164.8        | 1,238.1        |
| Revenues from Franchised-and-Managed Hotels                                                                                                                                                                                                                                                                                                                                                                                                                                           | 400.0          | 127.9          | 604.9          | 164.1          |
| <b>Total Revenue</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>3,959.7</b> | <b>1,255.7</b> | <b>5,769.7</b> | <b>1,402.2</b> |
| Revenue Growth %                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 25.0%          | 66.0%          | 45.7%          | 11.7%          |
| Adjusted Income from Operations <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                          | 457.3          | 9.7            | 464.1          | 39.2           |
| Operating Margin %                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 11.5%          | 0.8%           | 8.0%           | 2.8%           |
| Adjusted Net Income <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 326.1          | -24.6          | 300.3          | 10.3           |
| Adjusted EBITDA <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 900.2          | 165.9          | 1,133.4        | 216.1          |
| EBITDA Margin % <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 22.7%          | 13.2%          | 19.6%          | 15.4%          |
| Earnings per ADS <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6.92           | -0.54          | 6.62           | 0.22           |
| <sup>1</sup> Exclude share-based compensation expenses, foreign exchange gain/(loss), gain from repurchase of convertible bonds, issuance cost for convertible notes, gain/(loss) from fair value change of convertible notes, acquisition expenses and withholding tax for profit distribution of previous periods, Non-operating expenses -Loss on change in fair value of interest swap transaction, Integration cost, Interest expenses -- Upfront fee amortization of term loans | 25.4           | -78.6          | -327.1         | -29.7          |
| <b>Operating Cash Flow</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>726.1</b>   | <b>30.8</b>    | <b>716.9</b>   | <b>63.0</b>    |
| <b>Total Capital Expenditures</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>909.3</b>   | <b>170.3</b>   | <b>1,002.6</b> | <b>192.0</b>   |

Note: Started consolidation of Motel 168's results on Oct 1, 2011



## Financial Highlights (Cont'd)

### *Well-Capitalized Balance Sheet*

| (RMB mm)                                        | FY 2010        | FY 2011        | FY 2012        | 1Q2013         |
|-------------------------------------------------|----------------|----------------|----------------|----------------|
| Cash and Cash Equivalents                       | 2,382.6        | 1,786.0        | 663.2          | 481.8          |
| Other Current Assets                            | 216.4          | 560.7          | 605.2          | 602.0          |
| Non Current Assets                              | 2,687.1        | 7,203.1        | 7,685.6        | 7,739.1        |
| <b>Total Assets</b>                             | <b>5,286.1</b> | <b>9,549.8</b> | <b>8,954.0</b> | <b>8,822.9</b> |
| Short-term and Long-term Borrowings             | -              | 1,512.2        | 748.0          | 733.5          |
| Convertible Bonds(2007 CB)                      | 159.4          | 113.1          |                |                |
| Other Liabilities                               | 1,144.8        | 3,065.6        | 3,169.6        | 3,041.9        |
| Financial Liabilities                           | 1,227.6        | 979.0          | 1,066.8        | 1,068.3        |
| <b>Total Liabilities</b>                        | <b>2,531.8</b> | <b>5,669.9</b> | <b>4,984.4</b> | <b>4,843.6</b> |
| <b>Total Shareholders' Equity<sup>(1)</sup></b> | <b>2,754.3</b> | <b>3,879.9</b> | <b>3,969.6</b> | <b>3,979.2</b> |

<sup>(1)</sup> includes minority interests



# Profitable Growth

## *External Conditions and Internal Readiness*

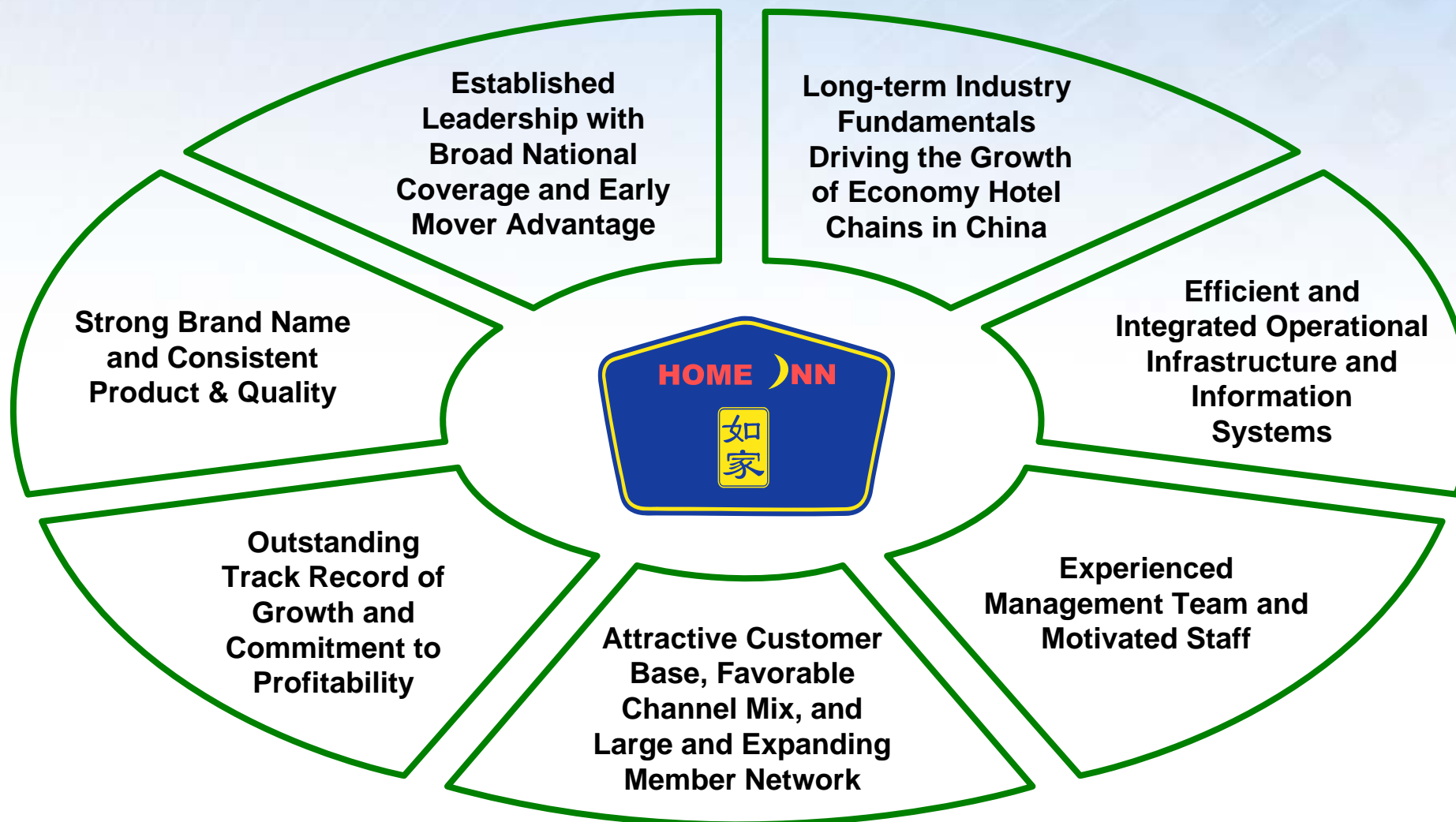
### Balanced Revenue Growth and Margin Expansion

- Continued economic development in China
- Secular favoritism in travel industry
- Increasing awareness of and demand for franchise
- Leading scale and geographic diversity, developing multi-brands
- Franchise mix-shift supported by well-run franchise operations
- Returning of normal pricing practices as market rebounds
- Cost control culture and discipline, productivity focus and HQ leverage



# Investment Highlights

*A Unique Investment Opportunity with the Right Market, the Right Product and the Right People*





# Appendix

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- **Motel 168 acquisition & integration**
- **Multi-brands recent development**



# Motel 168 Acquisition Overview

## Transaction

- On October 1, 2011, Home Inns completed the acquisition of 100% ownership interest of Motel 168 International Holdings Limited (“Motel 168”)
- Motel 168 was the 5th largest economy hotel operator with 295 hotel locations, including 144 leased-and-operated hotels, and 151 franchised-and-managed hotels in over 80 cities across China
- Gross revenue of RMB1.7 billion (US\$262 million) in 2010
- Strong presence in key gateway city of Shanghai and affluent Yangtze River Delta region. ~81% of leases have more than 10 years remaining tenure

## Price

- US\$470 million purchase price, subject to customary price adjustments
  - Approximately US\$305 million cash portion will be funded with a combination of cash on hand and a new US\$240 million, 4-year term loan with LIBOR-based interest rate
  - 8.15 million new ordinary shares (4.08 million ADS) issued at a price equivalent to a per-ADS price of US\$40.37 (each Home Inns' Nasdaq-traded American Depository Share represents two Home Inns' ordinary shares)



## Motel 168 Acquisition Overview (cont'd)

### Rationale

- To form the largest and most geographically diverse economy hotel operations in China
  - Combined portfolio with 1,299 hotel locations and over 160,000 guest rooms in approximately 180 cities across China as of Oct 1, 2011.
  - Strengthen Home Inns' presence in key gateway city of Shanghai and Yangtze Delta region
  - Attractive leases with pre-2008 rates and long remaining tenure
- Additional growth engine to Home Inns' existing core budget brand and mid-scale brand furthering Home Inns' multi-brand strategy
  - Flagship brand "Motel 168" is well known among domestic business and leisure travelers, particularly in Shanghai and eastern coastal regions

### Integration

- Consolidate Motel 168's results into Home Inns' financial reporting starting October 1, 2011
- Retain and operate Motel 168 brand and achieve revenue synergies leveraging Home Inns' proven operational expertise to further develop the brand
- Integrate back-office and headquarters functions over time to enhance the Group's total economy of scale



# Integration

## Retain Motel 168 Brand, Improve Performance and Grow

Enhance customer experience

Revamp sales and marketing program

Train, empower and reward people

**Stabilize,  
Improve and  
Grow**

|                  | 4Q2011 | 1Q2012 | 2Q2012 | 3Q2012 | 4Q2012 | FY2012 | 1Q2013 |
|------------------|--------|--------|--------|--------|--------|--------|--------|
| ADR              | 154    | 158    | 159    | 162    | 160    | 160    | 151    |
| Occ%             | 73.5%  | 70.4%  | 80.8%  | 82.7%  | 77.4%  | 78.0%  | 76.7%  |
| RevPAR           | 113    | 111    | 129    | 134    | 124    | 125    | 116    |
| Adjusted EBITDA% | 10.7%  | 3.8%   | 15.2%  | 13.3%  | 7.2%   | 10.2%  | (1)    |

(1) Separate financial information were provided through end of 2012

### Integration Progress Update: Key Milestones

#### Phase I

- A Home Inns veteran regional manager appointed as the brand COO, 2/3 of district managers replaced with former Home Inns senior managers and 75% hotel general managers retained
- Hotels facility renovation or upgrade to improve customer experience (US\$15-20 million budget in total)
- Sales and marketing platform established and member royalty programs integrated as well as customer call centers put on combined information and technology platform
- Budgeting and planning process and KPI implemented

#### Phase II

- Motel 168 operations consolidated into core Home Inns regional operating platform to leverage institutional strength and maximize resource utilization
- ~30 dual-brand conversions to drive increases in occupancy rates of hotels with large room counts



# Home Inn

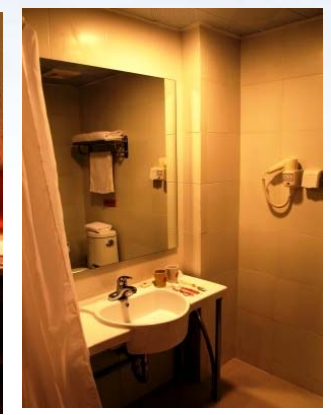
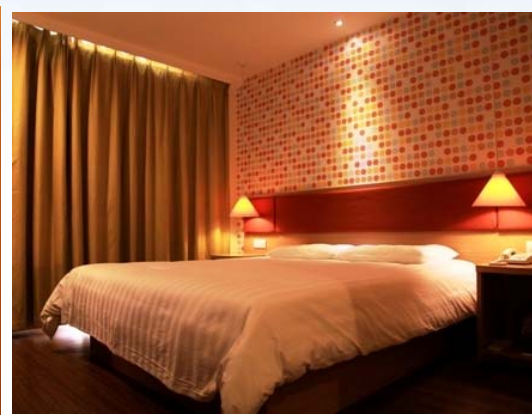
## Recent developments



1,517 hotels as of Mar 31, 2013

Continued steady pace expansion refocused in established markets

Product modernization reinforce brand image without increased investments





# Motel 168

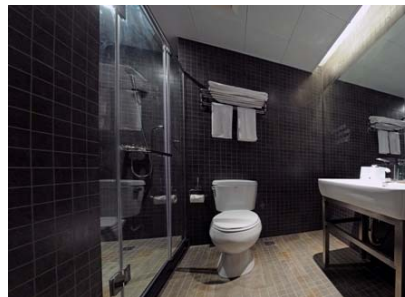
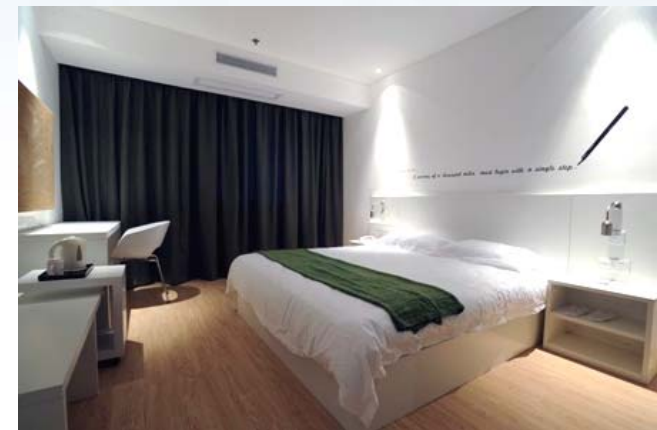
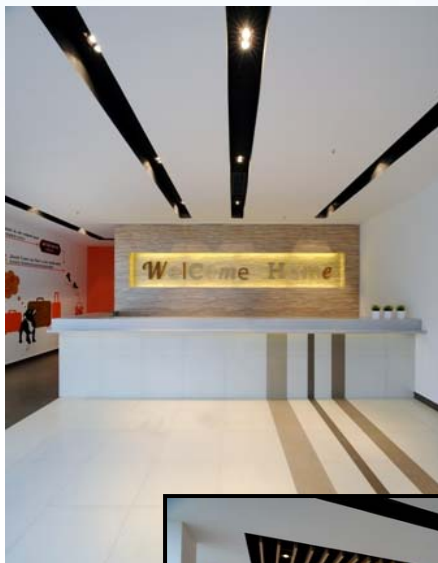
**Recent Developments - Integration on track and expect to conclude by 2<sup>nd</sup> half of 2013**



335 hotels as of Mar 31, 2013

Facelift facility to enhancing customer experience

Streamline product designs and highlight differentiated look and feel





# Yitel

## Recent developments



**7 hotels in operation as of Mar 31, 2013**

**Finalized design specs and financial blue print**

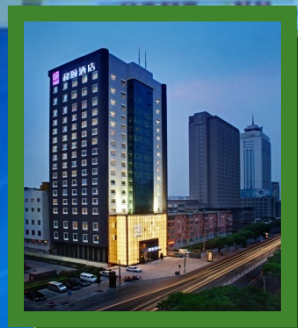
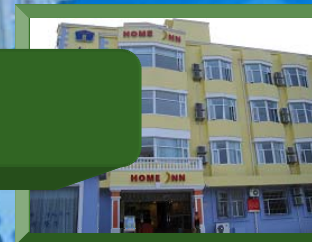
**Steady development of scale upon proven concept and execution**

**Introduction of varied business models including franchise, JV and management contract**





Different Cities...The Same Home!



[english.homeinns.com](http://english.homeinns.com)