

Home Inns & Hotels Management Inc.

A Leading Economy Hotel Chain in China

November 2014



如家酒店集团



如家酒店



莫泰酒店



和颐酒店



云上四季

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Executive Summary

Emerging Market Dynamics

- High unit growth driven by high FM demand
- At <20% of lodging market, economy hotels sees ample room for growth
- Favorable long-term business & Leisure travel growth potential

Undisputed Market Leader

- 21.8% market share by room count in economy hotel sector @FYE '12
- 2,496 hotels in 315 cities with four brands as of Sep 30, 2014
- 21.2 million individual frequent guests; 90% bookings are non-OTA driven

Asset-Light Business Models

- LO: Long-term leases, sub-inflationary escalations, ~ ¥ 70K/room investment for Economy brands
- FM: no capital requirements and high-margin fee revenue
- >60% FM hotels by 3Q2014; at least 85% FM hotels for new openings

Sustainable Profitable Growth

- Increasing revenue mix from margin-rich FM
- Continued cost control and productivity gains
- Opportunistic and systematic price hike to protect and maximize margin

High Caliber and Professional Management

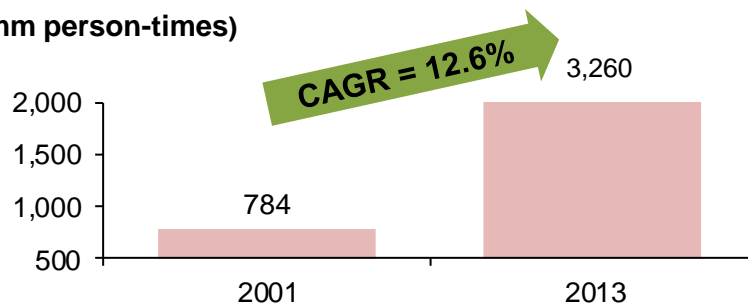
- Excellent breadth and depth of experience in relevant industries
- Multinational experience with proven strategies and execution
- Stable organization and improving professionalism

Long Term Market Potential

Increasing Domestic Business and Leisure Travel Driving Long-Term Growth

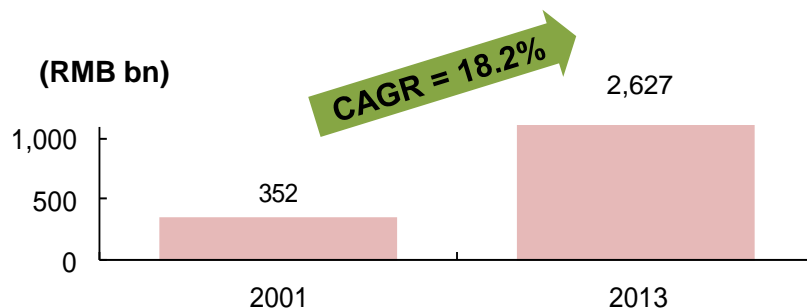
Number of Domestic Trips⁽¹⁾

(mm person-times)

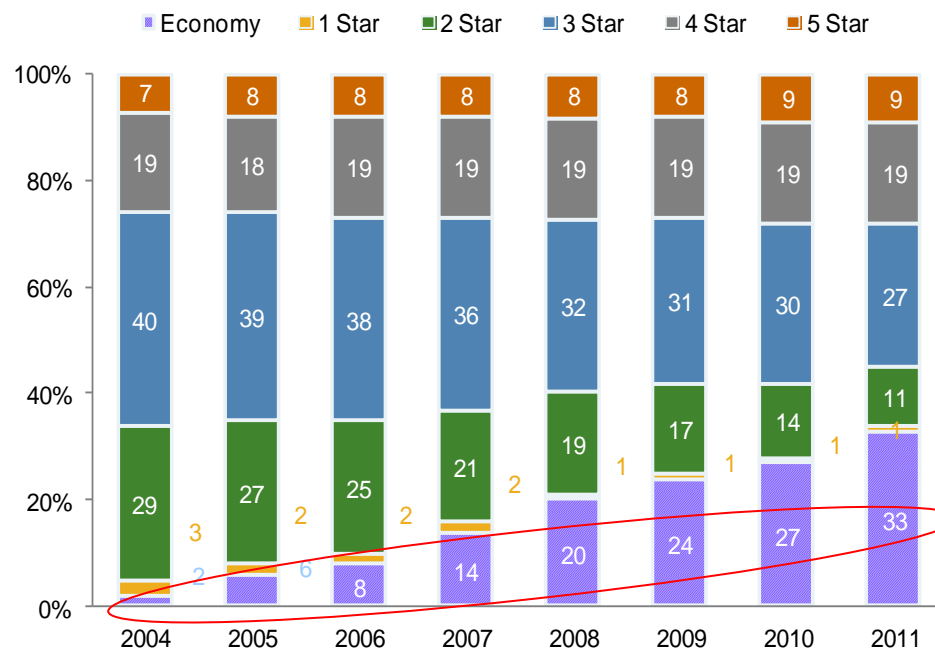


Total Spending on Domestic Travel⁽¹⁾

(RMB bn)



Ongoing Demand Shift to Economy Hotels ⁽²⁾



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

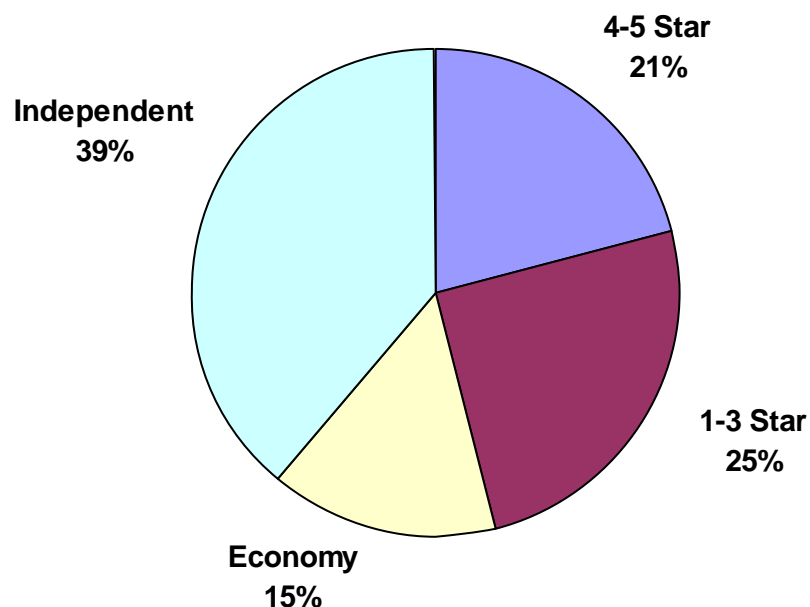
(1) Source: www.china-consulting.cn

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

Long Term Market Potential (continued)

Significant Upside Potential for Economy Hotels in Fragmented Hotel Industry

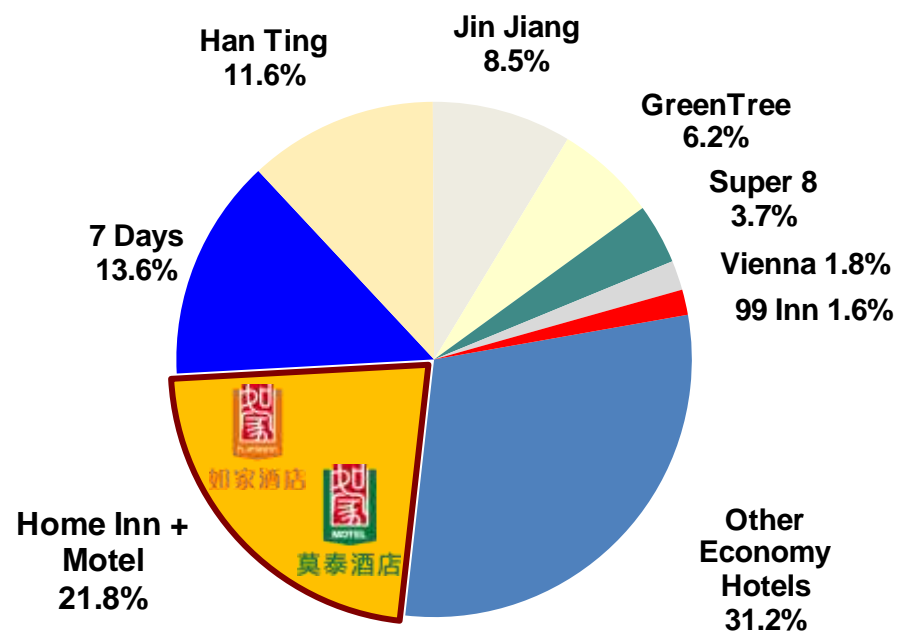
Chinese Lodging Market Share By Room(1)



- As of 1H2012, economy hotels* represent 15% of Chinese lodging market, which consists of approximately 6.5 million rooms.

* 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 products & 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 travelers

Growth

- Founded in 2002; 10 hotels in 4 cities at the end of 2003
- 2,180 hotels in 287 cities under four brands as of Dec 31, 2013
- RMB 6.35 billion (US\$ 1.05 billion) gross revenue in year 2013

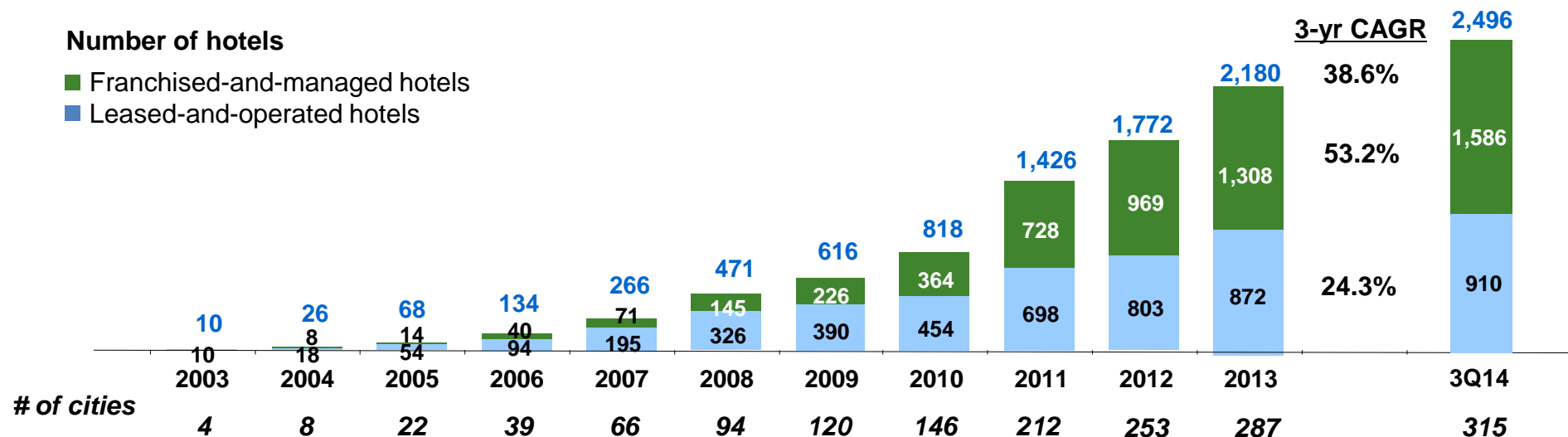
Recognitions

-  2013 China's Most Investment-worthy Mid-range Business Hotel Brand for Yitel
-  2012 Chinese Brand of the Year 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 from 2005 through 2013

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 Senior 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

Jason Zong
President & 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

Cathy Li
CFO⁽¹⁾, 2014

- 20 years of business and finance experience in retail and consumer products industries
- Former CFO of Hengdeli Holdings Limited (3389.HK)

May Wu
CSO⁽²⁾, 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

Operational Excellence

Well-integrated, Centrally Managed and Locally Executed



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Training and Advancement

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

Quality Assurance Programs

- Consistent measures for quality of facilities and services
- Scheduled inspections and “secret customer” programs
- Quality score cards enable performance management

Performance-based Incentives

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

Budgeting and Monitoring

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

Controls Framework

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

**Central Reservation System
(CRS)**

Tool-free calls, internet and mobile bookings 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
(MRS)**

Real-time central repository and reporting of operating data



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Brand Portfolio

2,496 hotel locations in 315 cities across China as of Sep 30, 2014⁽¹⁾



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云上四季

- Leading economy hotel brand

- Brand perception: warmth and home-like feel

- Fast growing economy hotel brand

- Brand perception: trendiness and efficiency

- Mid-scale business hotel brand

- Brand perception: elegance and attentiveness

- Regional economy hotel brand in Yunnan and Southwest China

- Brand perception: attractive with regional theme



⁽¹⁾ 208 additional hotels contracted (27 leased-and-operated hotels and 181 franchised-and-managed hotels) and 227 additional hotels under Due Diligence as of Sep 30, 2014

Homeinn (如家)

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

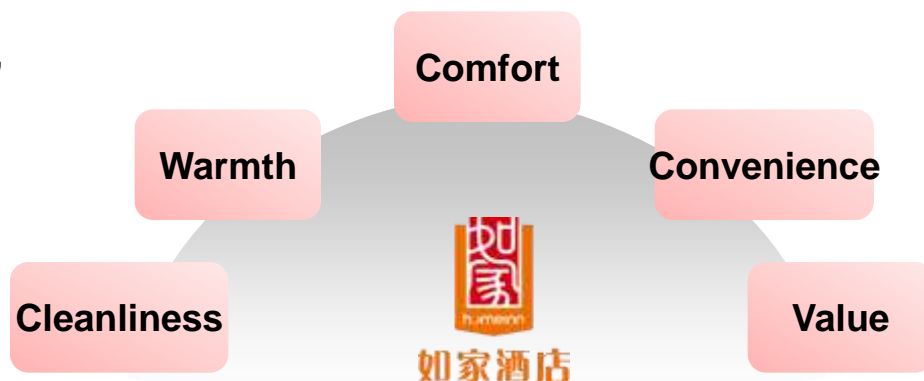
Other Amenities

- 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



Homeinn (如家)

Recent development



如家酒店

2,042 hotels as of Sep 30, 2014

Steady unit growth...focus on franchise-and-managed business model development

Product modernization to enhance value and pricing potential



Motel (莫泰)

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

**An Economy Hotel Product
with Unique Personality**

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

- Contemporary design to create a bold and refreshing impression

**A Widely Recognized Brand
in Key Gateway Cities**

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



Motel (莫泰)

Recent Developments - Integration completed in the 3rd quarter of 2013

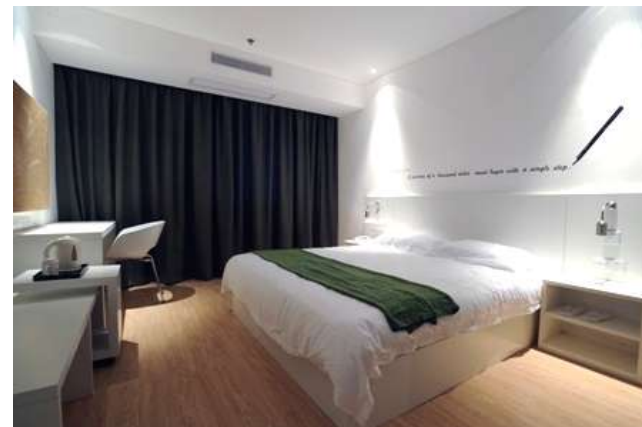


莫泰酒店

392 hotels as of Sep 30, 2014

Continue brand expansion with differentiated look and feel

Brand of choice for economy hotel openings to further penetrate mature market



Yitel (和颐)

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

Look & Feel

- Elegant and refined design incorporating natural elements

**Deliver High Customer Satisfaction
from Multiple Dimensions**

Achieving balance

**Design and
functionality**



和颐酒店

**Feels like home,
works like business**

**Dedicated guest relations managers
delivering personalized services**



Yitel (和颐)

Recent developments



和颐酒店

31 hotels in operation as of Sep 30, 2014 in 14 tier-one and provincial capital cities

Positive feedback from customers and strong operating performance

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



Fairyland (云上四季)

A Locally Well-known Economy Hotel Brand in Yunnan

**An Economy Hotel Product
with Regional Theme**

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

- Distinctive style with regional deco elements

**A Strong Local Brand
in Yunnan Province**

**Strong presence in Kunming and other major cities
in Yunnan Province**



**Appeal to business and leisure travelers favoring
a unique style with local character**



Fairyland (云上四季)

Recent Developments – Acquired on May 1, 2014



云上四季

31 hotels as of Sep 30, 2014

Potential brand expansion in Yunnan and southwest China



Business Models

Balance and timing in continued expansion and penetration

Leased-and-Operated

- Home Inns Group 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 Group retains revenues and profits from hotel operations after operating expenses
- Typical model used to open new markets in earlier years

Franchised-and-Managed

- Franchisee owns or rents property and invests in conversion CapEx and ongoing maintenance
- Home Inns Group franchises brand and sends GMs to manage the hotels*
- Home Inns Group earns a one-time initiation fee and ongoing franchise and management fee
- Franchisee retains profits after fees and operating expenses

Business Models

910

Number of
Hotels⁽¹⁾

1,586

85.9%

Revenue
Contribution⁽²⁾

14.1%

(1) As of Sep 30, 2014

(2) Per result of 3Q2014 operations

* GM personnel costs are reimbursed by franchisee

Development Process

Ample Opportunities Still Exist for Continued Expansion

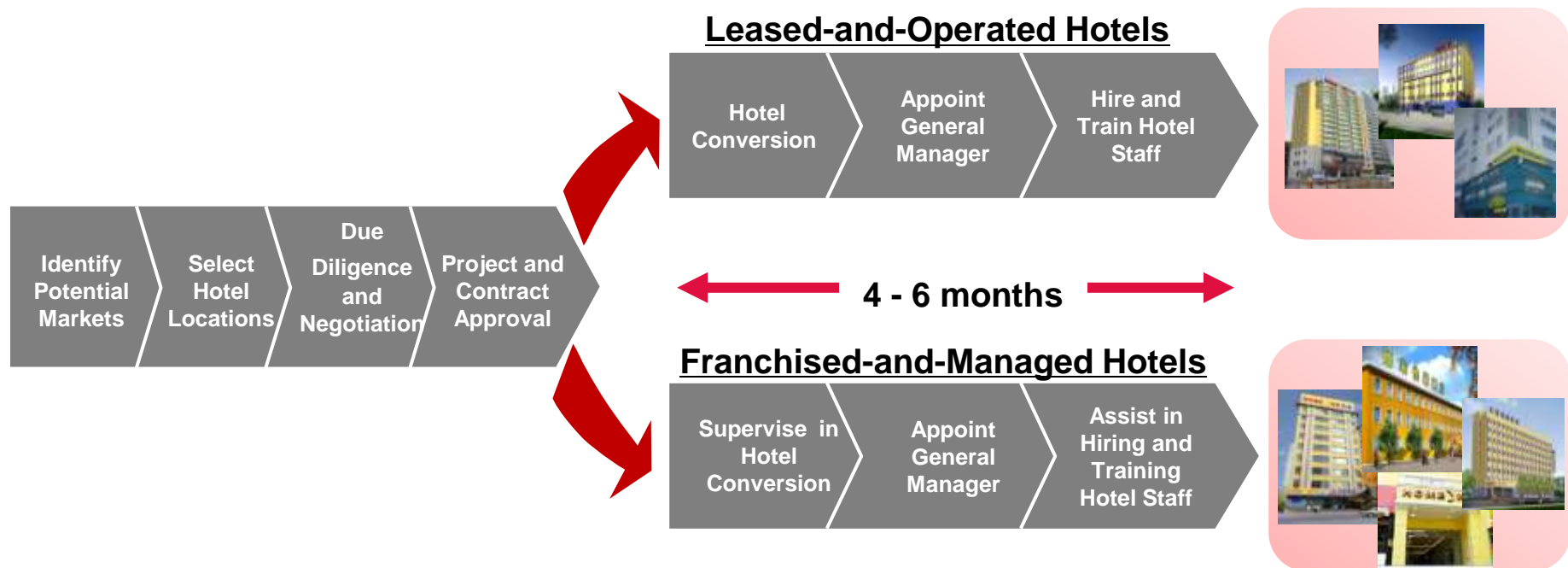
Basic Selection Criteria:

- Population of over 500,000
- Annual GDP Per Capita above 1,200 USD



~330 cities targeted

Standardized and Replicable Process Run by Disciplined and Experienced Teams

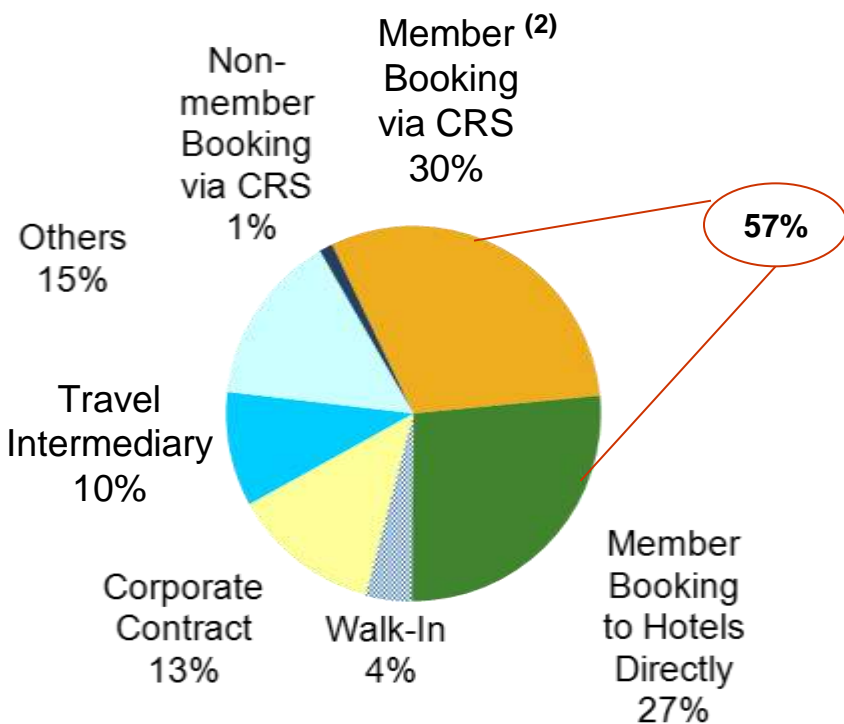


Customers

Stable Repeat Customer Base and Increasing Customer Loyalty

Favorable Channel Mix

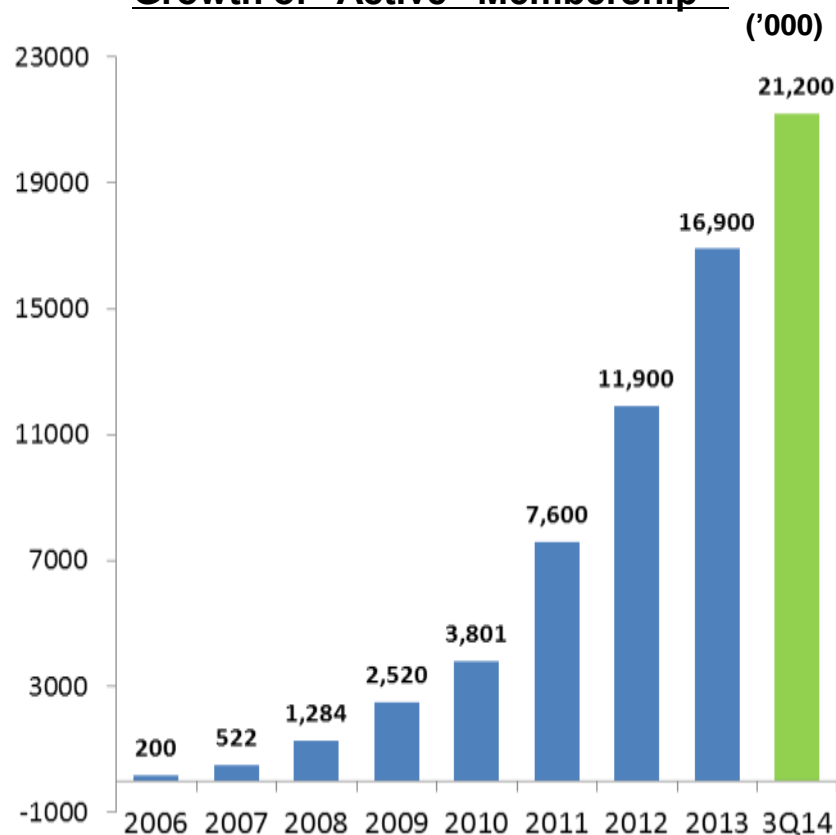
Room Nights Stayed by Customer Channel⁽¹⁾



CRS = Central Reservation System

Strong Brand Loyalty

Growth of "Active" Membership⁽³⁾

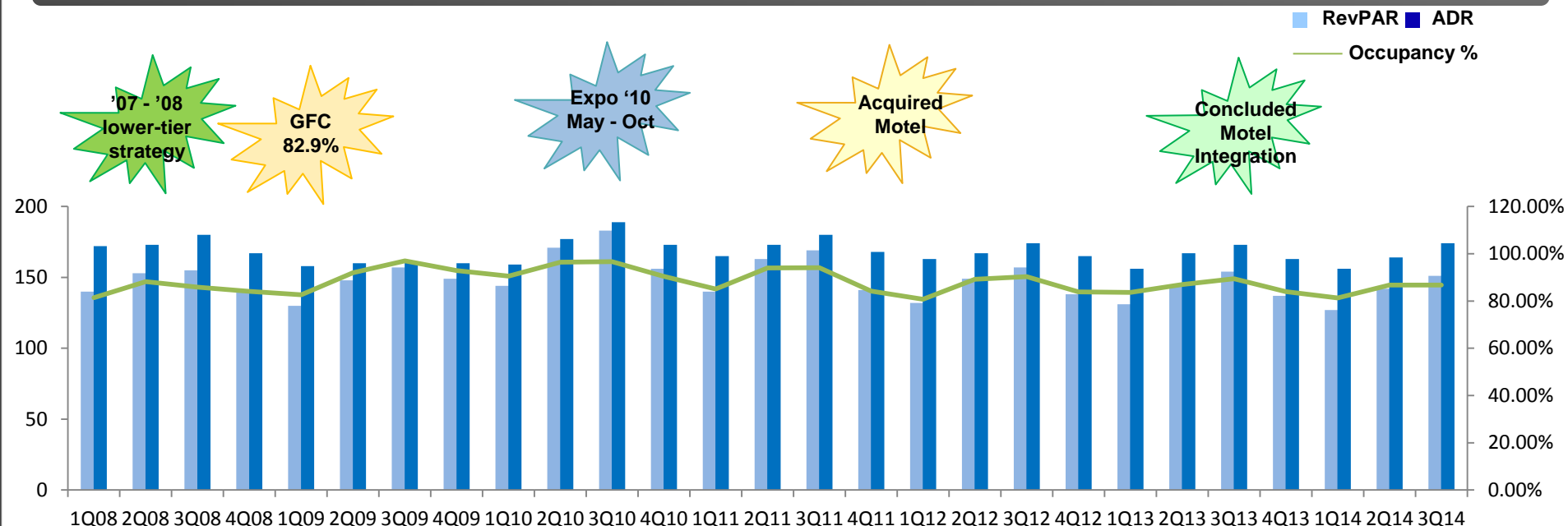


(1) For third quarter 2014; (2) Mobile APP booking which is a portion of Member Booking via CRS, accounted for 18% of total booking;

(3) "Active" members paid a one-time membership fee and stay at Home Inns Group's hotels at least once within two years to remain active.

Quarterly Operating Performance

Key performance metrics



- Consistently high occupancy rates supported by demand-driven market dynamics
- Inflationary-like price increases designed to offset cost increases in normal environment
- Diverse geographic coverage with early-mover advantage in lower tiers with long-term growth
- Resilient economy product against recession or market slow-down
- Multi-economy brands for greater access and deeper penetration

Performance (Cont'd)

High Occupancy Rate and Improving ADR

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

	Group		Core HMIN		Motel		Group		Core HMIN		Motel		Group		Core HMIN		Motel	
Number of Hotels	1,654		1,328		326		1,732		1,404		328		1,813		1,483		330	
Quarter End	1Q	1Q	1Q	1Q	1Q	1Q	2Q	2Q	2Q	2Q	2Q	2Q	3Q	3Q	3Q	3Q	3Q	3Q
	13	14	13	14	13	14	13	14	13	14	13	14	13	14	13	14	13	14
Occupancy	86%	84%	89%	86%	78%	79%	89%	89%	91%	90%	84%	85%	91%	89%	93%	90%	87%	86%
ADR (RMB)	157	157	158	158	152	154	168	166	170	167	162	163	174	175	177	177	163	167
RevPAR (RMB)	135	132	140	135	119	122	150	148	154	150	135	139	159	156	165	160	142	144
YoY RevPAR change (RMB)	-3		-5		3		-2		-4		4		-3		-5		2	

Financial Highlights

(RMB millions except EP-ADS in RMB yuan)	2011	2012	3Q13	2013	3Q14	3Q14 Movement
Revenues from Leased-and-Operated Hotels	3,559.7	5,164.8	1,535.1	5,587.5	1,612.0	5.0%
Revenues from Franchised-and-Managed Hotels	400.0	604.9	204.1	765.5	264.4	29.5%
Total Revenue	3,959.7	5,769.7	1,739.2	6,353.0	1,876.4	7.9%
<i>Revenue Growth %</i>	25.0%	45.7%	8.8%	10.1%	7.9%	n/a
Adjusted Income from Operations¹	457.3	464.1	251.1	625.6	304.3	21.2%
<i>Adj. Operating Margin %</i>	11.5%	8.0%	14.4%	9.8%	16.2%	180 bps
Adjusted Net Income¹	326.1	300.3	180.9	422.8	224.3	24.0%
<i>Adj. Net Margin %</i>	8.2%	5.2%	10.4%	6.7%	12.0%	160 bps
Adjusted EBITDA¹	900.2	1133.4	447.6	1391.2	515.0	15.0%
<i>Adj. EBITDA Margin %</i>	22.7%	19.6%	25.7%	21.9%	27.4%	170 bps
Adjusted Diluted Earnings per ADS¹ (RMB Yuan)	6.92	6.62	3.70	8.83	4.47	20.6%
(1) 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, Upfront fee amortization of term loans, Gain on waived liability related with Motel acquisition	25.4	-327.1	-72.9	-226.6	21.2	
Operating Cash Flow	726.1	747.8	456.9	1,192.3	476.4	
Total Capital Expenditures	909.3	1,012.0	214.2	929.5	121.2	

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

Financial Highlights (Cont'd)

Well-Capitalized Balance Sheet

(RMB mm)	FY 2010	FY 2011	FY 2012	FY 2013	3Q2014
Cash and Cash Equivalents	2,382.6	1,786.0	663.2	1,156.7	774.7
Other Current Assets	216.4	560.7	605.2	580.1	456.0
Non Current Assets	2,687.1	7,203.1	7,685.6	7,915.9	8,030.1
Total Assets	5,286.1	9,549.8	8,954.0	9,652.7	9,260.8
Short-term and Long-term Borrowings	-	1,512.2	748.0	713.3	-
Convertible Bonds(2007 CB)	159.4	113.1	-	-	-
Other Liabilities	1,144.8	3,065.6	3,169.6	3,334.5	3,270.2
Financial Liabilities	1,227.6	979.0	1,066.8	1,157.3	1,027.3
Total Liabilities	2,531.8	5,669.9	4,984.4	5,205.2	4,297.5
Total Shareholders' Equity ⁽¹⁾	2,754.3	3,880.0	3,969.7	4,447.5	4,963.3

(1) includes minority interests

Profitable Growth

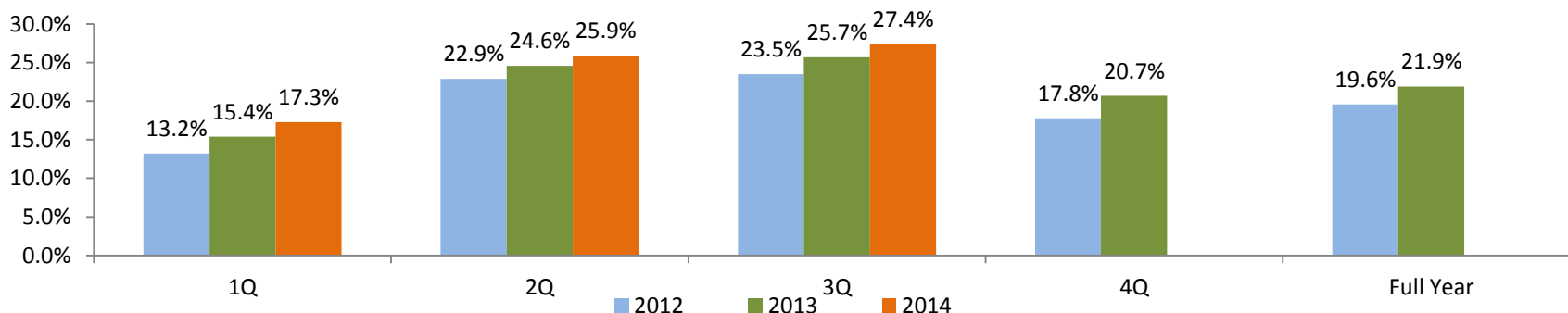
External Conditions and Internal Readiness

Balanced Revenue Growth and Margin Expansion

- Continued economic development in China
- Secular favoritism in travel industry
- Increasing awareness of and demand for franchised model

- Leading scale and geographic diversity with value driven multi-brand platform
- Franchise mix increase supported by well-run franchise operations
- Opportunistic pricing to partially offset lack of systematic price increase in weak markets
- Cost control culture and discipline, productivity gains and head office scale leverage

Consecutive Quarterly Adj. EBITDA Margin Expansion



Recent Development

Online Retail– a B2C Platform for Members and Customers

- The platform “youxuan.homeinns.com” is embedded in Home Inns Group’s website
- Providing members and customers online purchase access to selected travel and lodging centric products
- Designed to be a business extension and revenue building initiative
- Adding value for extensive loyalty members and customers

Home Alliance – a B2B Service Fee-based Platform

- A hotel membership based marketing alliance and corporate service program
- Targeting small to medium sized regional economy or midscale hotels
- Allowing member hotels to take advantage of Home Inns Group’s industry expertise and resources
- Increasing variety of offerings, and attracting new and more diversified customers

Investment Highlights

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



Appendix

- **Motel acquisition overview**

Motel Acquisition Overview

Transaction

- On October 1, 2011, Home Inns Group completed the acquisition of 100% ownership interest of Motel 168 International Holdings Limited (“Motel”)
- Motel was the 5th largest economy hotel operator with 297 hotel locations, including 144 leased-and-operated hotels, and 153 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 Group’s Nasdaq-traded American Depositary Share represents two Home Inns Group’s ordinary shares)

Motel 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 Group's 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 Group's existing core budget brand and mid-scale brand furthering Home Inns Group's multi-brand strategy
 - Flagship brand "Motel" is well known among domestic business and leisure travelers, particularly in Shanghai and eastern coastal regions

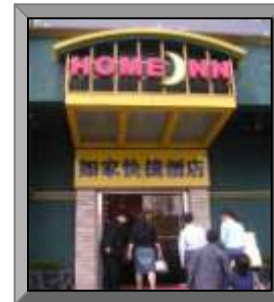
Integration

- Consolidate Motel's results into Home Inns Group's financial reporting starting October 1, 2011
- Retain and operate Motel brand and achieve revenue synergies leveraging Home Inns Group's 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



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Different Cities...The Same Home!



english.homeinns.com