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CORPORATE PARTICIPANTS

Ida Yu *China Lodging Group Limited - IR Manager*

Qi Ji *China Lodging Group Limited - CEO*

Xie Yunhang *China Lodging Group Limited - COO*

Jenny Zhang *China Lodging Group, Limited - CFO*

CONFERENCE CALL PARTICIPANTS

Lin He *Morgan Stanley - Analyst*

Jamie Zhou *Macquarie Group - Analyst*

Justin Kwok *Goldman Sachs - Analyst*

Ella Ji *Oppenheim & Co - Analyst*

Jianning Lu *Flowering Tree Investment Management - Analyst*

Fawne Jiang *Brean Murray Carret & Co - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the China Lodging Group Q4 and full year 2012 earnings conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session. (Operator Instructions) I must advise you that this conference is being recorded today, Thursday the 7th of March 2013. I would now like to hand the conference over to your first speaker today, Ms. Ida Yu. Thank you, please go ahead.

Ida Yu - *China Lodging Group Limited - IR Manager*

Thank you, Ben, and hello everyone. Welcome to our fourth quarter and full year 2012 earnings conference call. Joining us today is Mr. Qi Ji, our founder, Executive Chairman and CEO, Mr. Xie Yunhang, our COO and Jenny Zhang, our CFO, who will elaborate on our Company's development strategy and performance for the fourth quarter and the full year 2012. Following their prepared remarks, management will be available to answer your questions.

Before we continue, please note that the discussion today will include forward looking statements made under the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward looking statements involve inherent risks and uncertainties.

As such, our results may be materially different from the views expressed today. A number of potential risks and uncertainties our outlined in our public filings with the SEC. China Lodging Group does not undertake any obligation to update any forward looking statements, except as required under applicable law. On the call today we will also mention adjusted financial measures during the discussion of our performance. Recalculations of those measures to comparable GAAP information can be found in the earnings release that was distributed earlier today.

As a reminder, this conference call is being recorded. The webcast of this conference call as well as supplementary presentation slides are available on the IR section of the China Lodging Group's website at ir.htinns.com. Now, I would like to turn the call over to Mr. Ji, who will be speaking in Chinese and his statements will be translated into English. Qi Ji, please.

Qi Ji - *China Lodging Group Limited - CEO*

(interpreted) Good morning everyone, thank you for joining our earnings conference call today. In 2012 we delivered solid operating and financial results, with 342 new leased and manachised hotels added, RevPAR increasing 2% and the like for like same-hotel RevPAR increasing 6%. Our full year net revenue grew 43%, exceeding our previously announced guidance by 2%. Operating margin extended 2% points year over year. We are leading in the industry for both growth and profitability.

As the founder, what makes me more excited about is the growth of our new brand as well as our initially formed multi-brand portfolio. To build multiple brands is our core strategy to create shareholder value in the long run. In November 2012 we officially changed our Chinese company name from Hanting to Hua Zhu. As shown on page 3 of our presentation, Hua Zhu brand portfolio covers economy, midscale and upscale hotel segments, addressing a wider traveling accommodation market, with a price range from RMB100 to RMB1000. We will continue to work to strengthen each of our brands, and expect each brand will serve as a successful consolidator for each respective hotel segment.

We show the positioning, target customer and the typical price range for our five brands separately from pages 4 to 8. First of all, let's take a look at economy hotel brand Hanting Hotel, one page 4. Hanting has a total of about 900 hotels covering about 170 cities in China. Neat, concise and better, Hanting is favored by knowledge workers, value and quality conscious travelers. As a well-established and rapidly growing, it's a high end economy hotel brand, Hanting continues to strengthen its brand awareness and reputation in the market and has become a well-trusted brand name amongst franchisees. In the coming years we will further accelerate the growth of Hanting, primarily by increasing new openings of manachised hotels.

On page 5, Hi Inn is the other economy hotel brand in our portfolio, with 40 hotels in 20 cities. The core of this brand is simple, happy and good value for money. Hi Inn is typically priced from RMB100 to RMB200 per room night. As a lower end economy hotel brand, Hi Inn offers value hotel space for the practical and the [prime] cultured travelers in the mass market. Hi Inn has attracted a number of loyal customers, with its features of good value for money, (technical difficulty) atmosphere. In 2013 we will gradually accelerate new openings of Hi Inn. We expect this brand to be leading in scale and profitability in the lower priced hotel market in the next five years.

Page 6, those are pictures from a couple of our new JI hotels in Shanghai. Our new JI Hotel, previously Seasons Hotel, is a standardized midscale hotel brand with premium locations at the central business district in major business cities in China. JI Hotel delivers quality experience for mature and experienced travelers. The typical price range is RMB250 to RMB500 per room night. At the end of 2012 we had 32 JI Hotels in 15 cities across China. With Chinese travelers' consumption upgrade, we believe JI Hotels has a wide market. In 2013 we will also accelerate new openings of JI Hotels to at least double the number of hotels during the year.

Next, turn to page 7. Starway is a midscale hotel brand in our portfolio through acquisition. With rich and colorful design, Starways satisfies the need of middle class, white collar who seek a good location, reasonable price and guaranteed quality. The typical price range is RMB250 to RMB600 per room night. Since inception, Starways adopted a straight franchise model, under which Starways does not directly manage any of the hotels. After the acquisition in the second quarter of 2012, we converted business model to lease or manachise. At the end of 2012, we had two leased hotels and nine manachised hotels under the Starways brand name.

We believe that the model shift will bring our customers a more reliable service, our franchisees a more attractive financial return and us, a high value and profits from the business. We will maintain those -- part of the Starways Hotels with no appointment of hotel general managers, but we will not, as new purely franchised Starways hotels. Going forward, Starways will mainly adopt the manachise and the lease model. About 50 franchised Starway hotels will remain in the (inaudible) group, as we expected. Starways brand will serve to primarily consolidate existing three or four star hotels and along with JI Hotel, to capture enormous growth opportunities in midscale hotel segments.

Last, but not least, on page 8, Joya Hotel is the first upscale hotel brand in our portfolio. Joya is uniquely positioned as a specific upscale hotel with a combined site sense of quality, technology and art, to deliver a unique, low key luxury to elite travelers. Words like wise, humanity and elegance exemplify this brand. This first Joya Hotel is expected to unveil in the second half of this year in Wuhan City. Per our estimate, the typical price range is RMB500 to RMB800 per room night in second tier cities and RMB600 to RMB1000 per room night in first tier cities. In addition to a taste of elegance in Joya Hotel rooms, our customers may also expect to have upgraded dining and fitness facilities in all of their manachised space at Joya.

The unique portfolio with five brands will build and sustain our high growth in the next five to 10 years. As shown on page 9, we expect to have approximately 2500 hotels by 2016 and 5000 hotels by 2021, implying that our hotel growth CAGR of 25% from now until 2016 and 15% from 2016 to 2021. We will primarily focus on the economy and midscale hotel sectors and we will also explore other attractive opportunities in the market -- in the future. By 2016, we expect our two economy hotel brands in combination to exceed 2000 hotels, accounting for 80% to 84% of the portfolio; and the two midscale brands to reach 400 to 500 hotels, accounting for 16% to 20% of the portfolio. We are very excited by the tremendous opportunities offered by fast growing Chinese travel and lodge markets. We are confident that our multiple branch strategy will enable us to grow into one of the top 10 hotel groups globally by 2021.

With that I will turn the call over to Mr. Yunhang Xie, our COO, who will report our operating performance in Q4 and the full year 2012. Mr. Xie, please?

Xie Yunhang - *China Lodging Group Limited - COO*

(interpreted) Thank you Qi Ji, and hello everyone. As mentioned by our prominent CEO just now, Hua Zhu again achieved a record and sustainable growth in 2012, leading the industry in terms of the hotel network expansion and top line growth. As shown on page 11, for the fourth quarter of 2012, we opened 50 new leased hotels and 70 net new manachised hotels. For the full year of 2012 we opened 121 net new leased hotels and 221 net new manachised hotels, totaling 342, exceeding our previously announced guidance. At the end of 2012, we had 1035 hotels in operation, among which 45% are leased hotels and 50% are manachised hotels, and the remaining 5% are franchised Starway hotels.

Now, please turn to page 12. In the fourth quarter the occupancy for all hotels reached 92%, a decrease of one percentage point year over year, mainly attributable to a higher percentage of manachised hotels in ramp-up stage during the fourth quarter of 2012 as compared to a year ago. The ADR for all hotels was RMB176, a decrease of 2% year-over-year. In the fourth quarter of 2012 we achieved a year-over-year increase of 2% in same-hotel ADR, offsetting the price impact resulting from city mix shift towards lower tier cities.

The accelerated growth of our manachised business will drive a higher percentage of new hotels in tier 2 and tier 3 cities, compared with our lease business. For the full year our occupancy was 94%, a year-over-year increase of two percentage points. ADR reached RMB178, a year-over-year decrease of 1%. As a result, as shown on page 13, the RevPAR for Q4 came in at RMB162, a year-over-year decrease of 3%. For the full year the RevPAR reached RMB168, an increase of 2%. In the context of leased and manachised hotel room growing by 51%, the solid growth in our full year RevPAR has justified our strong operational capability and brand power.

Page 14 provides a detailed view of our same-hotel RevPAR trend for the hotels in operation for at least 18 months. In the fourth quarter of 2012 our same-hotel RevPAR appreciated by 2% with a 1% increase in ADR and a one percentage point increase in occupancy. In the full year of 2012, our same-hotel RevPAR appreciated by 6% with a 2% increase in ADR and a three percentage point increase in occupancy. Compared with the previous three quarters in 2012, our Q4 same-hotel RevPAR growth is relatively softer, mainly because of some slowing of Chinese national economic activities during the country's recent leadership transitions and a higher year-over-year comparative in Q4 2011.

Consistently, Hua Zhu maintains a leading position in same-hotel RevPAR growth in the industry; the page 15 will provide more color. Our full year same-hotel RevPAR appreciated 6%, while Home Inn same-hotel RevPAR for the first three quarters of 2012 was almost flat. Thanks to our strong brand, highly motivated workforce and a well-established management system, Hua Zhu achieved solid same-hotel RevPAR improvement for each quarter. In the future, we will continue to strengthen our brand portfolio, enhance profits, productivity and better satisfy customers' needs through continued improvement of our management systems and application of new technology.

Now I'd like to turn over the call to Jenny, our CFO, who will share with you more details on financial results. Jenny please?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Thank you Xie Yunhang and hello everyone. In 2012, we were gratified to see a very strong revenue growth and a significant improvement in operational margins. Let me walk you through the details.

As shown on page 17, our Q4 net revenue increased 36% year-over-year exceeding the high end of our quarterly guidance by 5%. These hotels revenue of 33% and the manachised grew to 67% year-over-year. This quarter our manachised and franchised hotels revenue reached 11% of our total revenue. For the full year, our net revenue increased by 43%, exceeding the high end of our guidance by 5% too.

Page 18 shows the adjusted quarterly EBIT margin, which decreased by 1.9 percentage points in Q4 of 2012, when compared with a year ago. As Yunhang mentioned earlier Q4 was a relatively slow quarter in terms of revenue due the government transition and we had a high comparison base. Those factors, coupled with cost inflation led to an increase of adjusted hotel operating costs, as a percentage of net revenue. Pre-opening expenses as a percentage of net revenues also saw a 0.3% increase, due to large amounts of new hotel openings this quarter and also a very strong pipeline. Our SG&A percentage of net revenue continued to show a decrease year-over-year this quarter, owing to our cost control efforts and the benefits of economies of scale.

On the full year basis, we are pleased to see our adjusted EBIT margin increased by 1.9 percentage points, as shown on page 19. Contributing to the margin improvement is the pre-opening expenses as a percentage of net revenues decreased by 1 percentage point mainly due to extension of our revenue base. On top of that, adjusted SG&A expenses decreased by 1.3 percentage points, mainly due to our costing efforts and the benefit of economies of scale.

On the other hand, cost inflation caused pressure on adjusted hotel operating costs, which saw a 0.4 percentage point increased. We experienced significant increases in personnel, reservation, food and consumables cost. We will continue to work out those major cost items in 2013 through further enhancement of employee productivity and the tightening of cost control.

In our current inflationary environment, maintaining a leading position in workforce productivity is core to our business success. As shown on page 20, our hotel personnel costs as a percentage of net revenue is significantly lower than our competitor HMIN. Through streamlining our workforce and our work procedures, sharing resources amongst our hotels and applying new technologies, we used fewer employees per room than our competitor. This advantage makes us more resilient in the face of salary increases and helps us attract an increasing number of high quality franchisees.

Now let's turn to page 21 for a look at cash flow. Operating cash flow was RMB191 million for Q4 2012, a year-on-year growth of 41%. For the full year of 2012, our operating cash flow grew 56% to RMB717 million. We are very pleased to see that our operating cash flow was able to fund the majority of our cash that was deployed to investment activities, which amounted to RMB266 million and RMB1.06 billion for Q4 and full year 2012 respectively.

As shown on page 22, we closed the year with a net cash balance of RMB460 million. On top of that we have RMB800 million of committed credit facilities available but are used at this time. We believe that our cash balance, our future operating cash flow and our available credit facilities will be sufficient to fund our expansion plans in the near future.

Last but not least, as shown on page 23, in 2013 we plan to open 100 to 110 leased hotels and 230 to 270 manachised hotel. Of the 330 to 380 new openings, we expect to open one Joya hotel, 55 to 65 mid-scale hotels under JI Hotel and the Starway Hotel Grand and 275 to 315 economy hotels under Hanting Hotel and Hi Inn brands. We expect to achieve net revenue in the range of RMB845 million to RMB860 million in the first quarter of 2013, representing a 30% to 32% growth year-over-year. For the full year of 2013, we expect net revenue to grow 26% to 29% from 2012.

With that, let me turn the floor to questions. Operator?

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen we will now begin the question and answer session. The first question comes from the line of Lin He calling from Morgan Stanley. Please ask your question.

Lin He - *Morgan Stanley - Analyst*

Hi good morning, thanks for taking my question. My first question is about your expansion. If we look at expansion targets for this year, the Seasons Hotel or JI Hotel is the area which will see the highest growth, so my question is what makes you so positive on this segment? And then what will the financial impact be for opening -- for accelerating the increase, or growth of Seasons Hotel? Then what is the split of LO versus FM of Seasons Hotel you're going to open this year? Thank you.

Jenny Zhang - *China Lodging Group, Limited - CFO*

Thank you Lin. We have seen a very positive return (inaudible) of our JI hotels in the past couple of years. Currently it's as shown or higher IRR during the project life time. So that has given us high confidence that this is a market that we should penetrate into. Also our upgrades of the product design in 2012 were also very well received by our customers and we have seen fairly positive customer feedback, which has given us the confidence.

In terms of financial impact, I want to make this aware by everyone here, that JI hotels in nature, because of its larger room count, as well as a better location, better property, will incur higher rental cost and as a result in the pre-opening expense perspective, per hotel pre-opening expenses is initially higher than Hanting Hotel in a similar city. Also because of the higher component of rent during the ramping up period, it will also incur a higher loss for the ramping up for the first few months. Even with that, if you look at the whole lifetime of JI hotels, it generates a higher return for the shareholders.

Lin He - *Morgan Stanley - Analyst*

Sure. Out of those new Seasons Hotels that are going to open, are the majority FM hotels or lease and operate hotels?

Jenny Zhang - *China Lodging Group, Limited - CFO*

We still see the majority being leased hotels, but we also have started to see strong welcome from the potential franchisees. Currently about 70% of our JI hotels are leased hotels. Gradually we believe the percentage of manachised hotels will increase.

Lin He - *Morgan Stanley - Analyst*

Sure, sure, thanks Jenny and my second question is on the cost side. Firstly a follow up on what you said just now. How should we think about pre-opening costs for 2013 given more numbers of opening of Season Hotels and two, in this quarter for 2012, I think for labor costs, personnel costs, per unit basis, per room night basis, I think the increase is slightly higher than the 5% to 10% growth guidance you gave earlier. Also we have seen a growth in other costs in Q4 in particular. How shall we think about the labor costs and maybe some other major cost lines for 2013? Thank you.

Jenny Zhang - *China Lodging Group, Limited - CFO*

Sure. In terms of pre-opening expenses, the new opening will definitely show a higher mix of JI hotels. So we expect pre-opening expenses to be higher than 2012. As a result -- but on the other hand with the number of new openings, currently we are expecting slightly lower than 2012 in total. So if you combine those two components together, we expect to see a moderate increase of pre-opening expenses in 2013. As a percentage of our revenue pre-opening expenses, our percentage is expected to decrease in 2013.

In terms of the hotel operating costs, we are seeing those two components playing there. On one hand purely leased hotels, we expect they are hotel income margins to be stable at around 22% and the manachised hotel margins are also expected to be generally stable, but the opening of more JI hotels and also our continued penetration into new cities are likely to increase the loss coming from the ramping up hotels.

So as a result being in fact the hotel operating costs as a percentage of our revenue will increase in 2012 as compared with 2012 and the major driver will come from personnel costs, consumables as well as rental.

Lin He - *Morgan Stanley - Analyst*

Sure. So is it fair to assume that you are expecting a margin decrease in 2013 given what you've said just now?

Jenny Zhang - *China Lodging Group, Limited - CFO*

We're seeing some favorable and some unfavorable. Currently we are expecting the hotel operating costs as percentage of revenue to increase. We are also expecting the pre-opening and SG&A as a percent of revenue to decrease. Currently we are expecting those two factors to largely offset each other so we are expecting a generally stable EBIT margin.

Lin He - *Morgan Stanley - Analyst*

Sure, that's very helpful. Thanks Jenny.

Jenny Zhang - *China Lodging Group, Limited - CFO*

You're welcome.

Operator

The next question comes from the line of Jamie Zhou, calling from Macquarie. Please ask your question.

Jamie Zhou - *Macquarie Group - Analyst*

Hi Jenny. Congratulations on a good set of results and a very strong year. My first question is the very strong pipeline of your franchise hotel, or should I say manachised hotel? Can you give us a sense of how many of that is in the economy hotels and how many of that is actually in the mid-scale JI hotel, and potentially the Starway hotel?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Probably the significant majority is still in the Hanting hotel so we clearly are seeing a quickly growing pipeline for our Seasons hotels, Hi Inn, as well as the Starway hotels.

Jamie Zhou - *Macquarie Group - Analyst*

Okay, and earlier you mentioned you are still looking at adding most of the JI hotels are leased and operated hotels this year. Under what circumstances would you consider opening this brand up for franchising?

Jenny Zhang - *China Lodging Group, Limited - CFO*

We have always been open to franchise requests to open a JI hotel. We are fairly strict in terms of the quality standards they need to meet and also we are very selective in terms of location and cities of those hotels. As a result we are seeing in the hotels that we expect to open in 2013 around about one-third are going to be manachised hotels and about two-thirds are going to be leased hotels under the JI brand.

Jamie Zhou - *Macquarie Group - Analyst*

That's quite helpful, thank you. Just to follow up on that, under the current CapEx scheme, can you give us a sense of what the different CapEx per room for each of the brands are for the leased and operated please?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Sure, all the JI hotels are expected to have a per room CapEx around RMB100,000 to RMB120,000 and our Hanting hotel is expecting to be around RMB60,000 to RMB70,000 and there are currently the Hi Inn has a wider examination. Once the model is stabilized we expect it to be around RMB45,000 to RMB50,000.

Jamie Zhou - *Macquarie Group - Analyst*

That sounds like an increase from your previous guidance. I believe you previously said the JI hotels are -- a revamped version of the JI hotel was around RMB85,000 to RMB90,000. Can you give us a sense where the cost increase is coming from?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Sure. Compared with two or three years ago, we did increase the CapEx standards for JI hotels, mainly to further distinguish it from our Hanting hotels and to make it a truly mid-scale bracket in the market. It just opened a few hotels under the new standards last year in Shanghai and you guys are welcome to go to take a look at it when you visit Shanghai next time.

Jamie Zhou - *Macquarie Group - Analyst*

Okay thanks, and my last question is on -- I guess, over the last year or two, China Lodging Group have made significant progress in revamping itself and transforming itself from an economy hotel limited services hotel group to a true multi-brand hotel group. Now, my question for the management team is what kind of challenges are you foreseeing on a number of fronts such as maybe in personnel training or just competing with more of a full service hotel category and will you consider in the longer term, partnering with the strategic partner in the longer term? Thanks.

Jenny Zhang - *China Lodging Group, Limited - CFO*

I'm not sure I captured the essence of the question. Could you repeat it?

Jamie Zhou - *Macquarie Group - Analyst*

Sure. As we have seen over the last year or two, our Company has transformed from what was predominantly an economy hotel to we now have five brands capturing pretty much from the economy budget to mid to high scale hotel categories as we move up the value chain of the hotel space we are entering into territories that we are not familiar with which are the highest level of services and bigger and better hotels. What kind of challenges are we facing at this point and how are we tackling those challenges and will we consider in the longer term bringing in a strategic partner? That's my question.

Jenny Zhang - *China Lodging Group, Limited - CFO*

Currently we don't have a lot of specific plans in terms of strategic partners. When we develop a new brand, the challenge is always there that how do they build up a sensible business model that can make business sense to us; the price and the productology makes sense to the consumer and also the current profile is attractive enough that we can consolidate the existing facility.

So those are the core questions we need to answer when we build up a new brand so naturally there is always a trial and error process while we enter into a new sector of the market. We are very pleased to see that, you know, for all of our efforts have been well paid back. We have achieved early success in the Seasons -- or our JI hotels, as exploration.

We also have refined in this proof the return profiles for Hi Inn. And (inaudible) Starway Hotel and Joya, clearly we are also going through that trial and error process. So we are confident that we have the best talent and most of the experience in terms of building their brand in the Company.

Jamie Zhou - *Macquarie Group - Analyst*

Okay great, thanks and congratulations again.

Jenny Zhang - *China Lodging Group, Limited - CFO*

Thank you Jamie.

Operator

And the next question comes from the line of Justin Kwok calling from Goldman Sachs. Please ask your question.

Justin Kwok - *Goldman Sachs - Analyst*

Hi, morning. Thanks for taking my questions. I guess I have two questions. One is on your revenue guidance. I just want to get a sense on how much do you think is from the unit growth, and your view on the same-hotel RevPAR growth that you have factored into the full revenue guidance, is my first question.

Jenny Zhang - *China Lodging Group, Limited - CFO*

Sure. You know, we're expecting this year to have a moderate [same-store] RevPAR growth. You know, for Q1 the expectation is actually relatively low. We are expecting zero to 2%. And for the rest of the year we are expecting 2% to 4%. So if you blend it all together for the full year, we are currently expecting 2% to 3% same-hotel RevPAR growth.

Justin Kwok - *Goldman Sachs - Analyst*

Thanks. Would that be mostly driven by room rates, or do you still see occupancy on the rise? As I think last year you have both attributing to the RevPAR growth in a way.

Jenny Zhang - *China Lodging Group, Limited - CFO*

We believe most of the growth will come from ADR appreciation.

Justin Kwok - *Goldman Sachs - Analyst*

Okay thank you. And my second question is, I just want to get some sense on the first quarter operation, especially after the Chinese New Year seasonal low. Because I guess last year when you reported, you mentioned that you have stepped up a lot of your own marketing assets in -- or after Chinese New Year to help on the occupancy, which we did see a very strong pick up in occupancy after Chinese New Year back in 2012 first quarter.

Are you doing the same thing for this year, or are you seeing a different way? And what are you seeing in the market where -- are you seeing people being -- competitors or the other [OTAs] being less aggressive, or more aggressive in extending coupons, marketing or other things? I just want to get a sense on the recent operations. Thank you.

Jenny Zhang - *China Lodging Group, Limited - CFO*

In general, as we have mentioned about half a year ago, we deducted Q4 2012 and Q1 2013 to be relatively soft in the general market situation, mainly because of a couple of reasons. One is of course those two quarters are the low season for traveling. And secondly, the general economy has been relatively slow during the government transition period. We see that it has still been persisting through part of Q1.

And thirdly, we are seeing higher volatility in terms of customer flows because of the boom of the leisure traveling in China. And those travelers have a stronger preference of seasonality. So likely the boom in the leisure traveling is going to further increase the gap between the low season and the high season. And so, so far in the first two months, our hotel performance is generally in line with our expectation. And the pick up after the Chinese New Year has been healthy so far.

So we are generally positive on the overall economy's return to their second -- economy recover in the second half of this year. And the high season's coming in March and April, we are also foreseeing positive signals of customer flow strengthening.

Justin Kwok - *Goldman Sachs - Analyst*

Thanks. Just a quick follow on your comment. As you said, you see more leisure customer mix in your portfolio in the recent past. Do you mind to remind us, in terms of the percentage mix what leisure customers are you serving now in your customer base? Thanks.

Jenny Zhang - *China Lodging Group, Limited - CFO*

So where we did about a year ago indicate that that's about 40% to 50% of our customers are staying with us for leisure purpose.

Justin Kwok - *Goldman Sachs - Analyst*

Thank you.

Jenny Zhang - *China Lodging Group, Limited - CFO*

You're welcome.

Operator

And the next question comes from the line of Ella Ji calling from Oppenheimer.

Ella Ji - *Oppenheim & Co - Analyst*

Thank you and good morning. So I -- firstly I want to ask about the occupancy trend at your new JI hotels since the last year. How has that changed and approximately what is the occupancy for these hotels now? You know, so what's your targeted occupancy rate for the JI hotels that are you going to open in the next two years.

Jenny Zhang - *China Lodging Group, Limited - CFO*

So far our mature JI hotels have their occupancy around 95%. And we expect all of our future JI hotels will be at similar levels. The recent expansion of room count may bring it up by a couple of points. But we are confident the year-long occupancy from the mature JI hotels will stay about still seeing about 90%.

Ella Ji - *Oppenheim & Co - Analyst*

Okay, great, and then I just want to ask about, given that you are having a higher manachised mix, what's the total number of franchisees that you have now? And how many of them have more than five hotels?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Currently about one third of our franchised hotels are franchisees who have lots of hotels with us, and there are, I think, about half a dozen franchisees that have more than five hotels with us.

Ella Ji - *Oppenheim & Co - Analyst*

Okay, great, and actually just a follow up. What's the CapEx per room for the Joya hotel?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Since this is our first trial, we are yet to find out the actual number.

Ella Ji - *Oppenheim & Co - Analyst*

Do you have like a rough estimation?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Currently we are estimating it at around RMB200,000 per room.

Ella Ji - *Oppenheim & Co - Analyst*

Okay, great. Thank you.

Jenny Zhang - *China Lodging Group, Limited - CFO*

You're welcome, Ella.

Operator

The next question comes from the line of Fawne Jiang calling from Brean Capital. Please ask your question.

Fawne Jiang - *Brean Murray Carret & Co - Analyst*

Thank you for taking my questions. First one is regarding the store opening schedule throughout the year. Are we expecting to see a more evened out store opening schedule, or it will be similar to 2012, which is a more back end loaded?

Jenny Zhang - *China Lodging Group, Limited - CFO*

You have seen in the past few years, typically we will have more big hotel openings in the fourth quarter. Last year, 2012, was kind of an extreme, that we have 50 newly hotels opened in the last quarter and about 27 opened in the third quarter. This year, based on our pipeline situation, we still expect the majority of our leased hotels are going to be opened in second half year, but we do expect the pattern to be somewhat more evened out compared with the extreme of 2012.

Fawne Jiang - *Brean Murray Carret & Co - Analyst*

Got it. Thanks, Jenny. Second question is actually regarding your cash flow. I just did a quick estimate. Based on your existing store opening schedule, as well as the CapEx you have just walked us through, it seems that you're going to spend somewhere around $185 million to $200 million for 2013 on the CapEx, and that you have around $75 million cash in hand. So that means for your operating cash flow you have to generate $110 million to around $120-ish million. You did a similar level in 2012, but I just wondered, it seems to be pretty tight cash flow overall. Just wonder whether at a certain point you may need to tap additional funding for the growth.

Jenny Zhang - *China Lodging Group, Limited - CFO*

First of all, my mind is quickly working between RMB and US dollars while you talk and I think your CapEx estimation of about $185 million to $200 million is roughly right. And given we currently have available funding of RMB1.26 billion and also we expect some growth of our operating cash flow. So I believe available funding in operating cash flow will be above RMB2 billion. So if you translate that into US dollars, that will be somewhere about $300 million. So we believe that will be in a position to cover (inaudible) in 2013.

Fawne Jiang - *Brean Murray Carret & Co - Analyst*

Got it. That's very helpful. Thank you very much.

Jenny Zhang - *China Lodging Group, Limited - CFO*

You're welcome.

Operator

And the next question comes from the line of Jianning Lu calling from Flowering Tree. Please ask your question.

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Jianning Lu - *Flowering Tree Investment Management - Analyst*

Hi Jenny. Hello?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Hi.

Jianning Lu - *Flowering Tree Investment Management - Analyst*

I have two questions. First, given that Hanting is a mature brand, what would be the long term percentage of the lease and the manachised hotel for Hanting brand? Because right now I see maybe one third is leased and two-thirds manachised for new opening, but what would be the long term trend?

Jenny Zhang - *China Lodging Group, Limited - CFO*

We expect the managed hotels as a percentage will continue to increase from where it is today. Therefore, by 2013 we are expecting leased hotels to be somewhere around 25% to 30% for the Hanting brand.

Jianning Lu - *Flowering Tree Investment Management - Analyst*

What would be the long term target, Hanting's long term strategy for Hanting as a brand? Will it be just like Choice hotel where most of -- almost 100% are franchised and manachised?

Jenny Zhang - *China Lodging Group, Limited - CFO*

We feel that the long term -- depending on how long you're talking about. If you're talking about the scope of ten years, it is likely that leased hotel percentage will further decrease from the 25% to 30% as we expect for 2016. So we feel that we do need to keep a certain amount of leased hotels opened this year for a few purposes. One is that it is essential for our new brand development and, secondly, it is important to have the success in certain regions to attract the franchisees. So we believe in the long run we will still maintain around 20% to 30% of leased hotels in our whole portfolio.

Jianning Lu - *Flowering Tree Investment Management - Analyst*

Understood. And also I want to ask about, currently do you record the maintenance CapEx or maintenance expense in the financial statement? And what would be your estimate for Hanting hotels, in terms of maintenance CapEx during the first 12 to 15 lease term -- 10 to 15 years lease term?

Jenny Zhang - *China Lodging Group, Limited - CFO*

Currently we haven't separately reported the maintenance CapEx. The number is already included in the CapEx standing that we quoted in our 6K.

Jianning Lu - *Flowering Tree Investment Management - Analyst*

What would be the estimate maintenance CapEx for hotel for the first lease term?

Jenny Zhang - *China Lodging Group, Limited - CFO*

In my estimate, the CapEx, the maintenance CapEx each year to be somewhere around 2% to 2.5% of our net revenue.

Jianning Lu - *Flowering Tree Investment Management - Analyst*

Okay. I understand. And then a [marginal] question for Mr. Ji. I'll ask in Chinese. (Spoken in Chinese) Thank you, Jenny.

Jenny Zhang - *China Lodging Group, Limited - CFO*

Thank you. Let me give you a very quick translation for Mr. Ji and Mr. Lu's question. The first one is in relation to what are the main (inaudible) as we grow and where the pressure will come from. And then Mr. Ji's answer, first come from the competition and, secondly, it will come from all kinds of uncertainty in the market economy.

And then the follow up question is on how will the competition impact our business. And we don't see any impact, positive or negative. So Mr. Ji firstly elaborated that the competition will definitely pose pressure on the (inaudible) as well as it (inaudible) too much to price increases. And in terms of the general -- also, on the other hand (inaudible) of course everyone will have more competition and under today's market situation, the competition between the few major players actually makes each one of them a much stronger player and that accelerates the results of the standalone hotel.

And in terms of the macros, Mr. Ji quoted that economy hotels in nature is resilient to the natural situation.

In general, we are positive about what the new government is going to do with the travel industry. From a few policies, we believe the government are going to provide a positive environment and will even provide incentive for people to travel, including the on pay leave policies enforcement are going to really accelerate the development of the major travelling market.

With that I guess we will have to conclude due to time limits. First of all, thank you everyone for attending our call today and we are very open to receiving your further follow up questions. Either can be reached through our IR email address and we want to make you aware that we will participate in Credit Suisse Asian investment conference from 18 to 20th of March. Also the JPMorgan China Forum on April 11 in London.

So we look forward to talking to you in the next quarter earnings call. Goodbye, everyone.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.