



# China Nepstar Chain Drugstore Ltd.

(NYSE: NPD)

1Q 2008 Earnings Conference Call  
May 28, 2008



# Safe Harbor



This press release contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the quotations from management in this press release, the Company’s strategic operational plans, as well as outlook for Fiscal 2007, contain forward-looking statements. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Further information regarding these and other risks is included in the Company’s filings with the U.S. Securities and Exchange Commission, including its registration statement on Form F-1. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

# Conference Call Presenters



**Dr. Simin Zhang**  
*Chairman of the Board*



**Mr. Jiannong Qian**  
*Chief Executive Officer*



**Mr. Andrew Chen**  
*Chief Financial Officer*



**Ms. Lucia Qian**  
*Marketing and IR Director*

# Conference Call Agenda



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**Company Overview (Mr. Jiannong Qian)**

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**1Q08 Financial Highlights (Mr. Andrew Chen)**

3

**Business Outlook (Mr. Andrew Chen)**

4

**Q&A (Dr. Zhang, Mr. Qian, Mr. Chen, Ms. Lucia Qian)**

# Company Overview



<b>Who We Are</b>	<ul style="list-style-type: none"><li>● We are China's largest drugstore chain by the number of directly operated stores</li><li>● Awarded "Best Drugstore Chain of 2007 in China" by China Drugstore magazine</li></ul>
<b>Our Retail Network*</b>	<ul style="list-style-type: none"><li>● 2,249 drugstores including 164 newly opened and 83 acquired stores in Q1,2008</li><li>● National presence in 73 cities</li></ul> <p style="text-align: right;"><i>(*As of March 31, 2008)</i></p>
<b>Our Business Model</b>	<ul style="list-style-type: none"><li>● Neighborhood drugstore of 80-120sqm in size</li><li>● Directly operated stores to ensure consistent service standard</li><li>● Optimized product offerings including private label products</li></ul>
<b>Our Key Strategies</b>	<ul style="list-style-type: none"><li>● Expand network through new store openings and acquisitions</li><li>● Increase revenue contribution of private-label products and other centrally procured products</li><li>● Grow same store sales</li></ul>

# First Quarter 2008 Results



# 1Q 2008 Highlights



**Net income: +304.4% YoY to RMB 55M (US\$8M)**

**Gross margin: 47.8% (vs. 37.7% in 1Q07)**

**Gross margin growth drivers:**

**Optimization of product portfolio - increased revenue contribution from private-label and centrally procured products**

**247 new stores added in our retail network through new store openings and acquisitions**

# 1Q 2008 Revenue by Segment



## Three-Month Period Ended

March 31, 2008

March 31, 2007

	March 31, 2008	March 31, 2007
<b>Total revenue</b>	<b>RMB 543M</b>	<b>RMB 465M</b>
<b>Revenue growth</b>	<b>16.8%</b>	
<b>Same-store sales (1415 stores opened before 12/31/06)</b>	<b>RMB 3,472 per store per day</b>	<b>RMB 3,578 per store per day</b>
<b>Same-store sales growth</b>	<b>YoY -3.0%</b>	
<b>Prescription drugs</b>	<b>22.3%</b>	<b>25.4%</b>
<b>OTC drugs</b>	<b>37.8%</b>	<b>36.1%</b>
<b>Nutritional supplements</b>	<b>17.6%</b>	<b>17.8%</b>
<b>Herbal products</b>	<b>3.1%</b>	<b>2.3%</b>
<b>Other merchandise sales</b>	<b>19.2%</b>	<b>18.3%</b>

# Private-Label Products (PLPs)



Private-label products offer high margin contribution, flexibility in pricing and more control over product quality

<b>First PLP Launched:</b>	<b>Sept. 2005</b>
<b># of PLPs at end of 1Q 2008:</b>	<b>1,373</b>
<b>PLPs as % of revenue in 1Q 2008:</b>	<b>22.1%</b>
<b>PLPs as % of gross profit in 1Q 2008:</b>	<b>34.1%</b>

# 1Q 2008 Income Statement



*(in Millions of RMB, except earnings per share)*

	Three-Month Period Ended	
	March 31, 2008	March 31, 2007
Revenue	543	465
Revenue growth	16.8%	
Gross profit	259.3	175.4
Gross profit growth	47.8%	
Gross margin	47.8%	37.7%
Income from operations	41	19
Income from operations growth	115.4%	
Net income	55	14
Net income growth	304.4%	
Diluted earnings per share	0.25	0.06

# Strong Balance Sheet



<i>(in Millions of RMB)</i>	March 31, 2008	December 31, 2007
Cash & cash equivalents	1,338.7	2,168.9
Receivables	65.0	54.8
Inventories	297.8	285.3
PP&E, net	194.9	172.2
Total assets	3,538.7	3,438.5
Total current liabilities	576.8	464.4
Retained earnings	35.8*	71.4
Shareholders' equity	2,919.7	2,955.1

\* On March 18, the Company declared a cash dividend on its ordinary shares of US\$0.06 per share, based on its net income for the full year 2007.

# Business Outlook



## 2Q 2008 Guidance\*



### Revenue

- Approximately RMB 550M – 580M

### Net income

- Approximately RMB 62M – 65M

### Store Openings

- 240 new store openings in 2Q

*\* See Safe Harbor Statement on Slide 2; outlook based on organic store performance and our current views on the operating and market conditions, which are subject to change.*

# Strategic Initiatives for 2008



- Open more new stores
  - ▶ 1,050 new store openings planned for 2008
- Selectively pursue complementary acquisitions
  - ▶ Announced two acquisition agreements for aggregate of 83 additional stores
- Established store-level promotional support program to grow same store sales
- Upgrade IT and inventory management systems with SAP-ERP

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# Questions and Answers



# Thank you!



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