



China Nepstar Chain Drugstore Ltd.

(NYSE: NPD)

2Q 2008 Earnings Conference Call
August 27, 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



Mr. ZiXin Shao
Interim Chief Financial Officer

Conference Call Agenda



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Company Overview (Mr. Jiannong Qian)

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2Q08 Financial Highlights (Mr. Andrew Chen)

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Business Outlook (Mr. Jiannong Qian)

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

Company Overview



Who We Are

- We are China's largest drugstore chain by the number of directly operated stores
- Awarded "Best Drugstore Chain of 2007 in China" by China Drugstore magazine

Our Retail Network*

- 2,483 drugstores including 244 newly opened stores in Q2,2008
- National presence in 73 cities

*(*As of June 30, 2008)*

Our Business Model

- Neighborhood drugstore of 80-120sqm in size
- Directly operated stores to ensure consistent service standard
- Optimized product offerings including private label products

Our Key Strategies

- Expand network through new store openings and acquisitions
- Increase revenue contribution of private-label products and other centrally procured products
- Grow same store sales

Second Quarter 2008 Results



2Q 2008 Highlights



Net income: +88.4% YoY to RMB 56M (US\$ 8M)

Gross margin: 48.3% (vs. 42.6% in 2Q07)

Gross margin growth drivers:

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

244 new stores added in our retail network through organic new store openings

2Q 2008 Revenue by Segment



	Three-Month Period Ended	
	June 30, 2008	June 30, 2007
Total revenue	RMB 585M	RMB 481M
Revenue growth	21.5%	
Same-store sales (1415 stores opened before 12/31/06)	RMB 3,531 per store per day	RMB 3,578 per store per day
Same-store sales growth	YoY -1.3%	
Prescription drugs	22.1%	23.2%
OTC drugs	34.5%	34.7%
Nutritional supplements	20.0%	19.6%
Herbal products	2.9%	2.4%
Other merchandise sales	20.5%	20.1%

Private-Label Products (PLPs)



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

First PLP Launched:	Sept. 2005
# of PLPs at end of 2Q 2008:	1,345
PLPs as % of revenue in 2Q 2008:	23.0%
PLPs as % of gross profit in 2Q 2008:	35.2%

2Q 2008 Income Statement



	Three-Month Period Ended	
	June 30, 2008	June 30, 2007
<i>(in Millions of RMB, except earnings per share)</i>		
Revenue	585	481
Revenue growth	21.5%	
Gross profit	283	205
Gross profit growth	38.0%	
Gross margin	48.3%	42.6%
Income from operations	43	42
Effective Tax Rate	20.2%	
Net income	56	30
Net income growth	88.4%	
Diluted earnings per share	0.26	0.15

Strong Balance Sheet



<i>(in Millions of RMB)</i>	June 30, 2008	December 31, 2007
Cash & Cash equivalents	1,349	2,169
Total held-to-maturity inv. securities	1,215	600
Receivables	69	54
Inventories	326	285
PP&E, net	215	172
Total assets	3,548	3,438
Total current liabilities	515	464
Retained earnings	92	71
Shareholders' equity	2,990	2,955

Business Outlook



3Q 2008 Guidance*



Revenue

- Approximately RMB 550M – 570M

Net income

- Approximately RMB 34M – 36M

Store Openings

- 100 new store openings in 3Q

*** 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.**

FY 2008 Guidance*



Revenue

- Approximately RMB 2.2B – 2.3B

Net income

- Approximately RMB 190M – 210M

Store Openings & Acquisitions

- 650 in total

*** 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.**

Other Recent Development



- Completed Qingdao Kangjie acquisitions in August
 - ▶ Large sea port city with a population of 7.6 million
 - ▶ Announced acquisition agreement for aggregate of 42 stores
 - ▶ All designated national healthcare insurance reimbursement stores
 - ▶ Total cash consideration RMB16.8 million
 - ▶ Revenue RMB27 million in 2007
 - ▶ Post acquisition, Nepstar has over 80 drugstores in Qingdao

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Gross margin growth drivers:

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

244 new stores added in our retail network through organic new store openings



Questions and Answers

Thank you!

Contacts:

Ms. Lucia Qian, Marketing and IR Director

Tel: +86-755-2641-4065

Email: qianrt@nepstar.cn

Dixon Chen, Investor Relations

Tel: +646-284-9403

Email: dchen@hfgcg.com

