



China Nepstar Chain Drugstore Ltd.

(NYSE: NPD)

3Q 2008 Earnings Conference Call
November 26, 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. ZiXin Shao
Interim CFO



Ms. Lucia Qian
Marketing and IR Director

Conference Call Agenda



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Company Overview (Lucia Qian)

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3Q08 Financial Highlights (Lucia Qian)

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Q&A (Dr. Zhang, Mr. Qian, 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*

- 2,667 drugstores including 150 newly opened stores and 40 acquired stores in Q3, 2008
- National presence in 76 cities

(*As of September 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

Third Quarter 2008 Results



3Q 2008 Highlights

Revenue: +26.6% YoY to RMB613 M (US\$90 M)

Gross margin: 48.6% (vs. 47.1% in 3Q07)

Gross margin growth drivers:

Optimization of product portfolio - increased revenue

Contribution from private-label and centrally procured products

150 new stores added in our retail network through organic new store openings and 40 through acquisition

Net cash flow from operations was RMB59 M (US\$9 M)

3Q 2008 Revenue by Segment



Three-Month Period Ended

Sept 30, 2008

Sept 30, 2007

	Sept 30, 2008	Sept 30, 2007
Total revenue	RMB 613M	RMB 484M
Revenue growth	26.6%	
Same-store sales (1,399 stores opened before 12/31/06)	RMB 3,474 per store per day	RMB 3,456 per store per day
Same-store sales growth	YoY 0.5%	
Prescription drugs	21.1%	23.3%
OTC drugs	34.7%	34.4%
Nutritional supplements	22.4%	19.3%
Herbal products	3.1%	2.7%
Other merchandise sales	18.7%	20.3%

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 3Q 2008:	1,341
PLPs as % of revenue in 3Q 2008:	26.1%
PLPs as % of gross profit in 3Q 2008:	38.7%

3Q 2008 Income Statement



	Three-Month Period Ended	
	Sept 30, 2008	Sept 30, 2007
<i>(in Millions of RMB, except earnings per share)</i>		
Revenue	613	484
Revenue growth	26.6%	
Gross profit	298	228
Gross profit growth	30.5%	
Gross margin	48.6%	47.1%
Income from operations	19	58
Effective Tax Rate	27.0%	16.7%
Net income	36	46
Diluted earnings per ordinary share	0.16	0.25

Strong Balance Sheet



<i>(in Millions of RMB)</i>	Sept 30, 2008	December 31, 2007
Cash & Cash equivalents	1,348.3	2,168.9
Total held-to-maturity inv. securities	1,148.0	600.0
Receivables	79.2	54.8
Inventories	348.8	285.3
PP&E, net	234.0	172.2
Total assets	3,531.8	3,438.5
Total current liabilities	508.0	464.4
Retained earnings	127.5	71.4
Shareholders' equity	2,978.3	2,955.1

Other Development



- Completed Qingdao Kangjie acquisitions in August
 - ▶ Announced acquisition agreement for aggregate of 42 stores
 - ▶ All designated national healthcare insurance reimbursement stores
 - ▶ Total cash consideration RMB16.8 million
 - ▶ Post acquisition, Nepstar has over 70 drugstores in Qingdao
- Announced US\$ 40 million Share Buy-back Program on Aug 27
 - ▶ As of Nov 24th, purchased 3.8 million ADS with US\$16 million

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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

