

China Nepstar Chain Drugstore Ltd.

NYSE:NPD

Presentation to Investors
March 2013



Safe Harbor



This presentation contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of 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 and the Company’s strategic operational plans, 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 annual report on Form 20-F. 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.

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*

- Nepstar has a total of 2,132 stores in operation
- National presence in 73 cities

*(*As of December 31, 2012)*

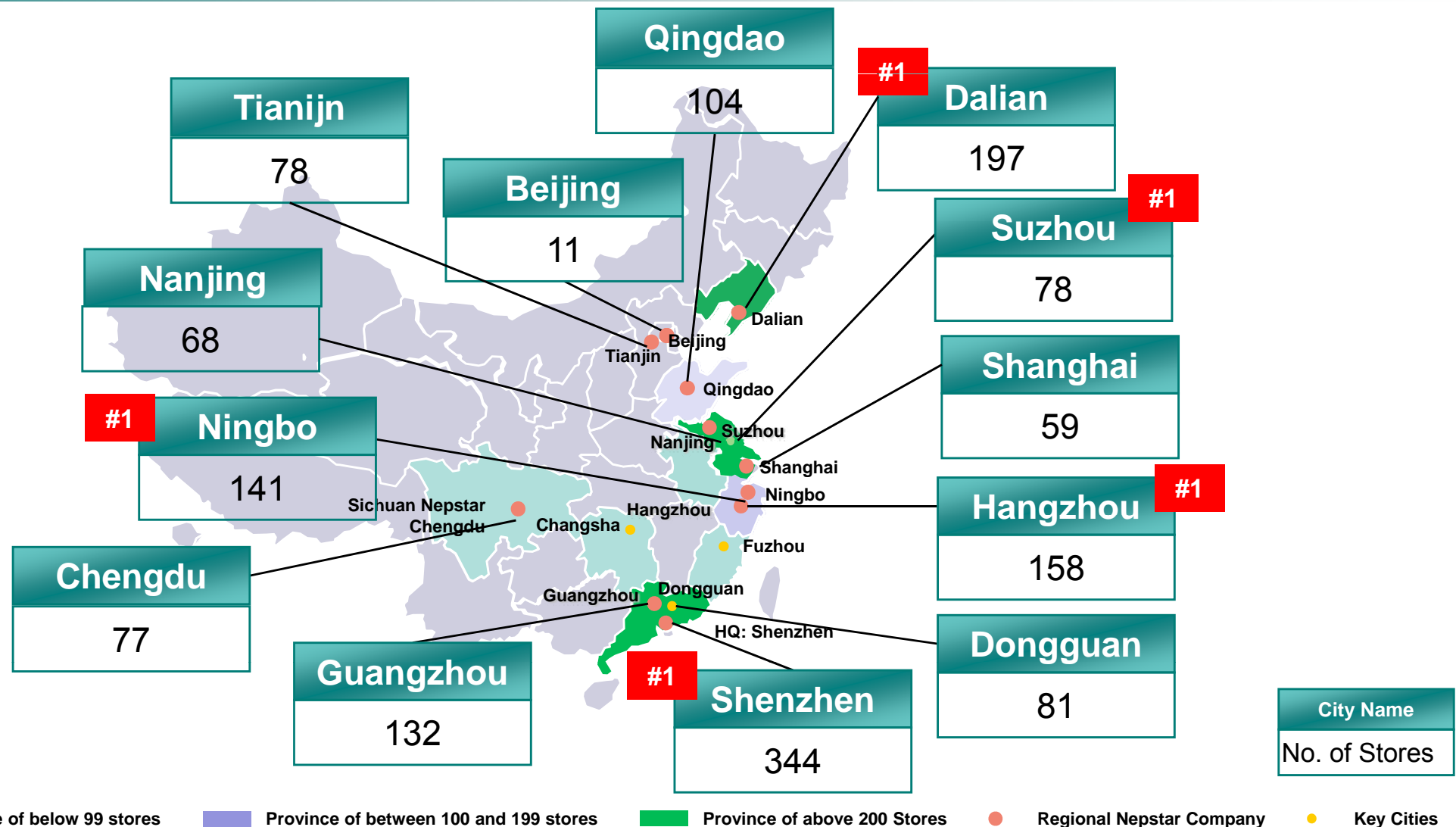
Our Business Model

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

Our Propositioning

- Broaden product offerings and bring convenience to customers
- Grow store productivity to drive customer spending per visit
- Improve operation efficiency and service quality

Leading Brand with National Footprint



Note: No. of stores as of December 31, 2012

2012 Income Statement Highlights



| | Twelve-Month Period Ended | |
|--|---------------------------|-------------------|
| | December 31, 2012 | December 31, 2011 |
| <i>(in Millions of RMB, except % analysis)</i> | | |
| Revenue | 2,550 | 2,491 |
| | | |
| Gross Margin | 46.3% | 47.7% |
| | | |
| Income from Operations | 46.9 | 38.6 |
| | | |
| Interest Income | 16.4 | 23.2 |
| | | |
| Net Income | 90.1 | 35.9 |

Income from disposal of an equity method investee was RMB68.4 million(US\$11.0million) from the gain of disposal of the Company's 40%equity interests in Yunnan Jianzhijia Chain Drugstore Ltd("JZJ").

Strong Balance Sheet and Cash Position



- **Cash, cash equivalents, restricted cash and short-term and long-term bank time deposits: RMB664.4MN (US\$106.6MN);**
- **Total shareholder's equity: RMB1.03 billion (US\$164.7MN);**

*(*Balance Sheet, as of December 31, 2012)*

- **Weighted average number of ordinary shares: 197.4 MN shares for the fiscal year 2012.**
- **Operating cash flow of RMB52.6MN (US\$8.4MN) for the fiscal year 2012;**
- **No Debt.**

Unique Operation Environment



Hospital pharmacy still dominates the market; policies moving towards separating drug prescribing from drug dispensing

Pharmaceutical retailing industry is highly fragmented as well as crowded

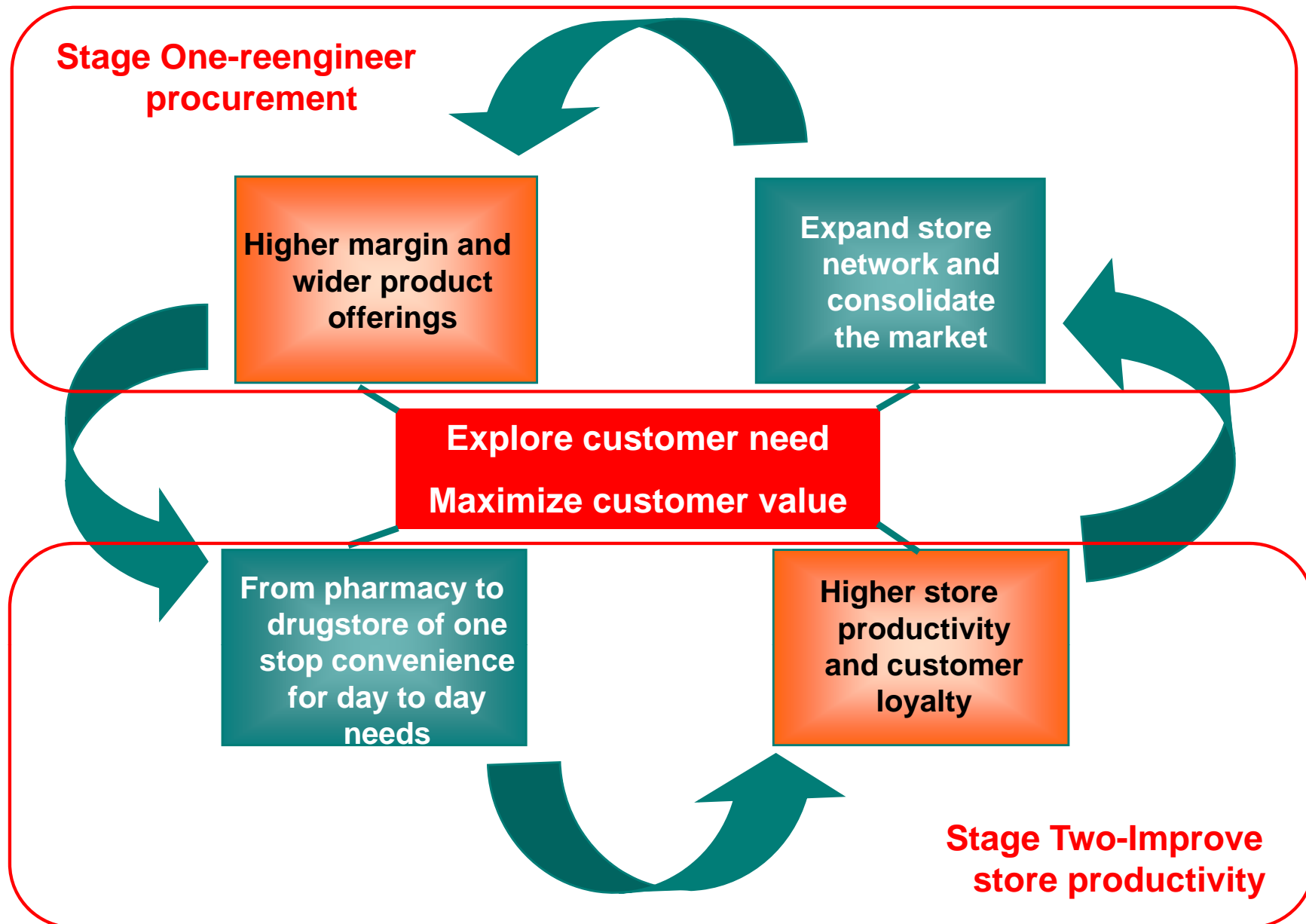
Long industry value chain with manufacturing and wholesaling both fragmented

Pharmaceuticals are mostly paid out-of-pocket

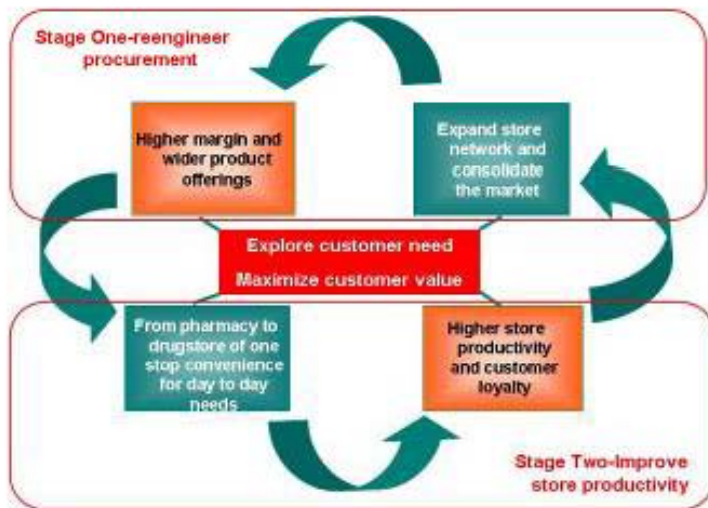
Front-end sales gradually tie in with the growth of retail pharmacy

High entry barriers for foreign players

Overall Business Strategy



Reengineer Procurement

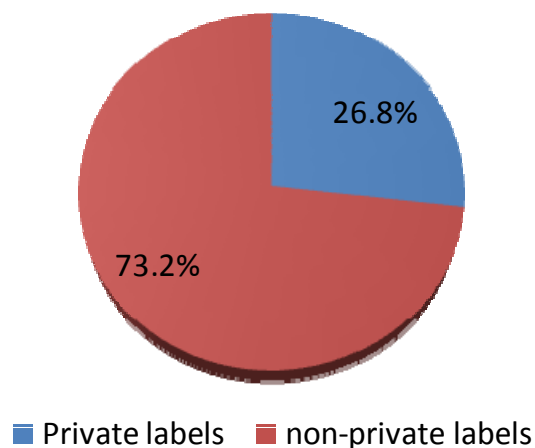


Stage One – Reengineer Procurement
Optimizing supply chain management
to realize high margin through central
procurement and private labeling

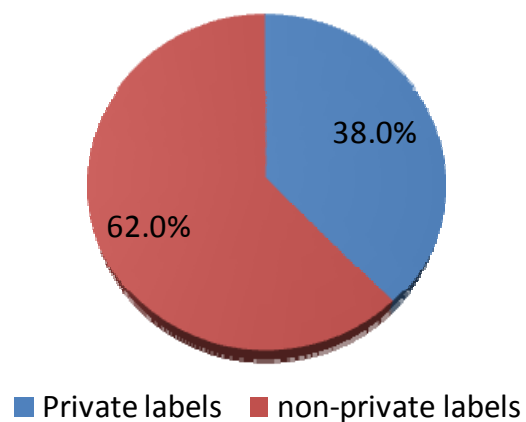
Reengineer Procurement

2012 Private Label Contribution

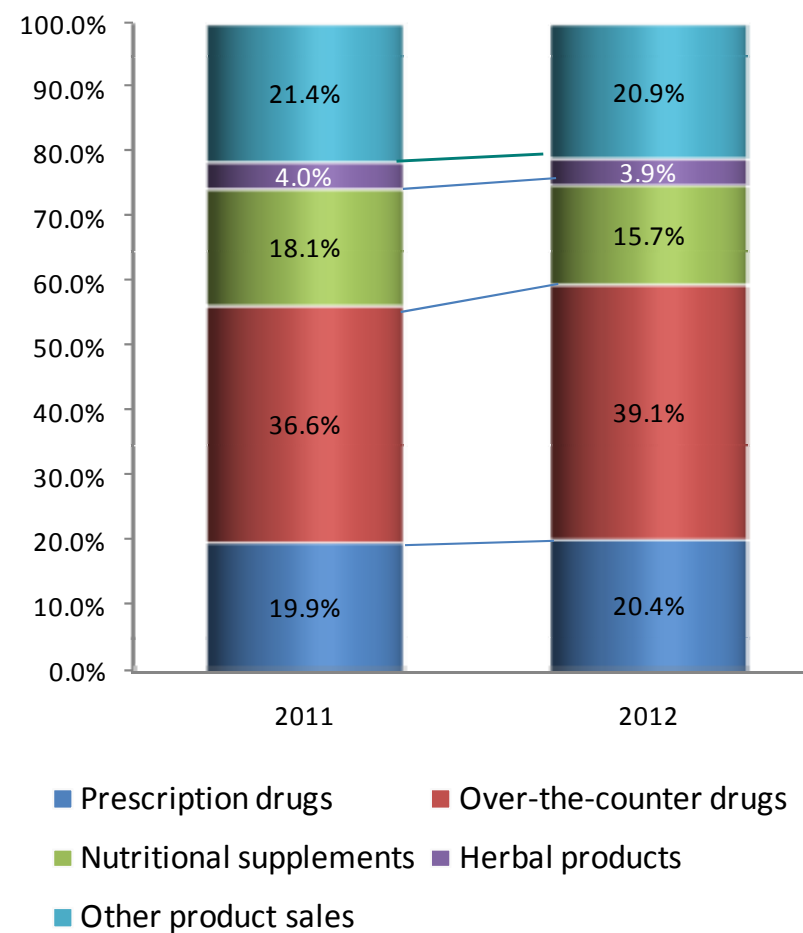
Revenue Contribution



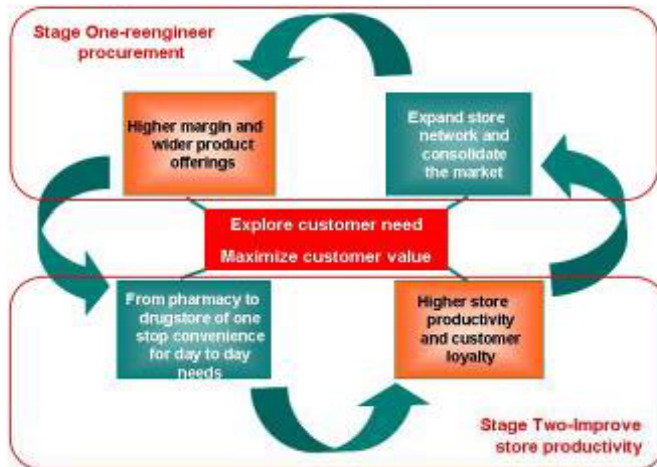
Gross Profit Contribution



Current product mix




















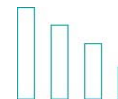







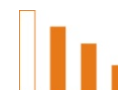
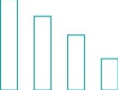




Improve Store Productivity



Stage Two – Improve Store Productivity
Expand offerings in nutritional supplements, household medical devices, personal care and household consumables to address broader needs of consumers

Address a Broader Needs of Customers

Nepstar, with established store footprint, proven central procurement, and developed logistics network, is well positioned to deliver the value of broader healthcare shopping.

| Community Customers' Needs | Hospital pharmacy | Super markets | Traditional pharmacy | Beauty shops | NEPSTAR DRUGSTORE |
|---|---|---|---|---|---|
|  |  |  |  |  |  |
| Quality assurance |  |  |  |  |  |
| Wide range of pharmaceutical products |  |  |  |  |  |
| Professional healthcare assistance |  |  |  |  |  |
| Wide selection of healthcare related products and consumables |  |  |  |  |  |
| Accessibility and convenience |  |  |  |  |  |

Initiatives Implemented

- Continue to optimize and broaden the product offerings
- Improve display of the stores
- Adopt active marketing campaigns to communicate with consumers
- Upgrade the logistics systems to match the offering changes



Meet the Challenges this Year

Challenging operational environment

- ▶ Increasing pressure on operation expenses driven by inflation and drastic minimum wage increase mandated;
- ▶ Increasing revenue and gross margin erosion for pharmaceutical products due to the disruption from the healthcare reform policies.

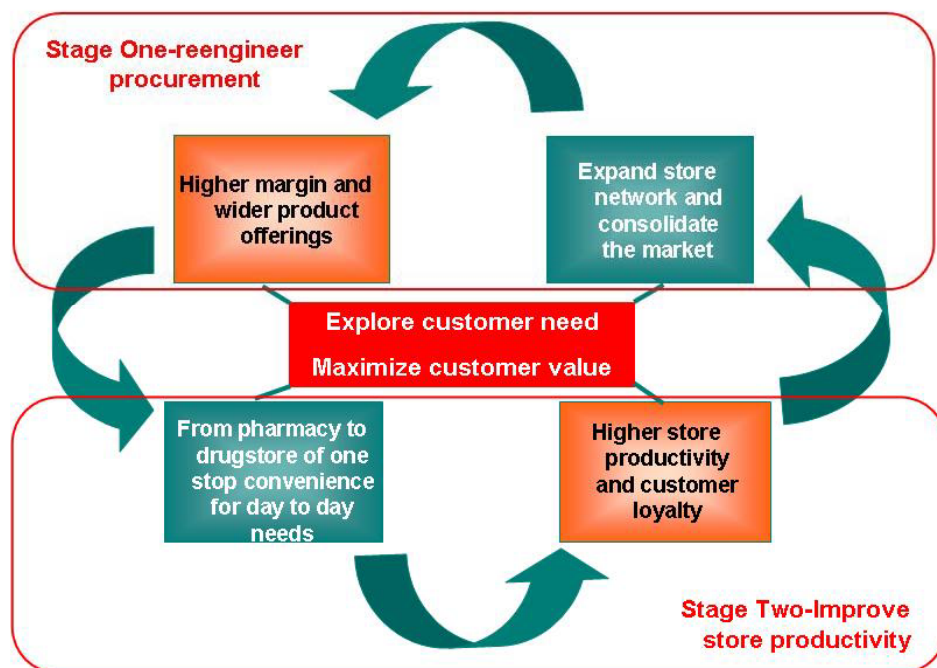
Grow single store productivity through optimization of product offerings and daily operation management

Closing underperforming stores with no sign of turnaround

Adopt stringent cost control measures to defend the inflation

Long-term Business Outlook

Adapt to the evolving operational environment, enhance store profitability, and further strengthen leading position in China



- **Expand store network organically and through synergetic acquisition**
- **Leverage on procurement scale to maintain high gross margin**
- **Address broader needs of community customers to realize high store productivity**



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