



China Nepstar Chain Drugstore Ltd.

NYSE:NPD

Presentation to Investors
March 2012



Safe Harbor

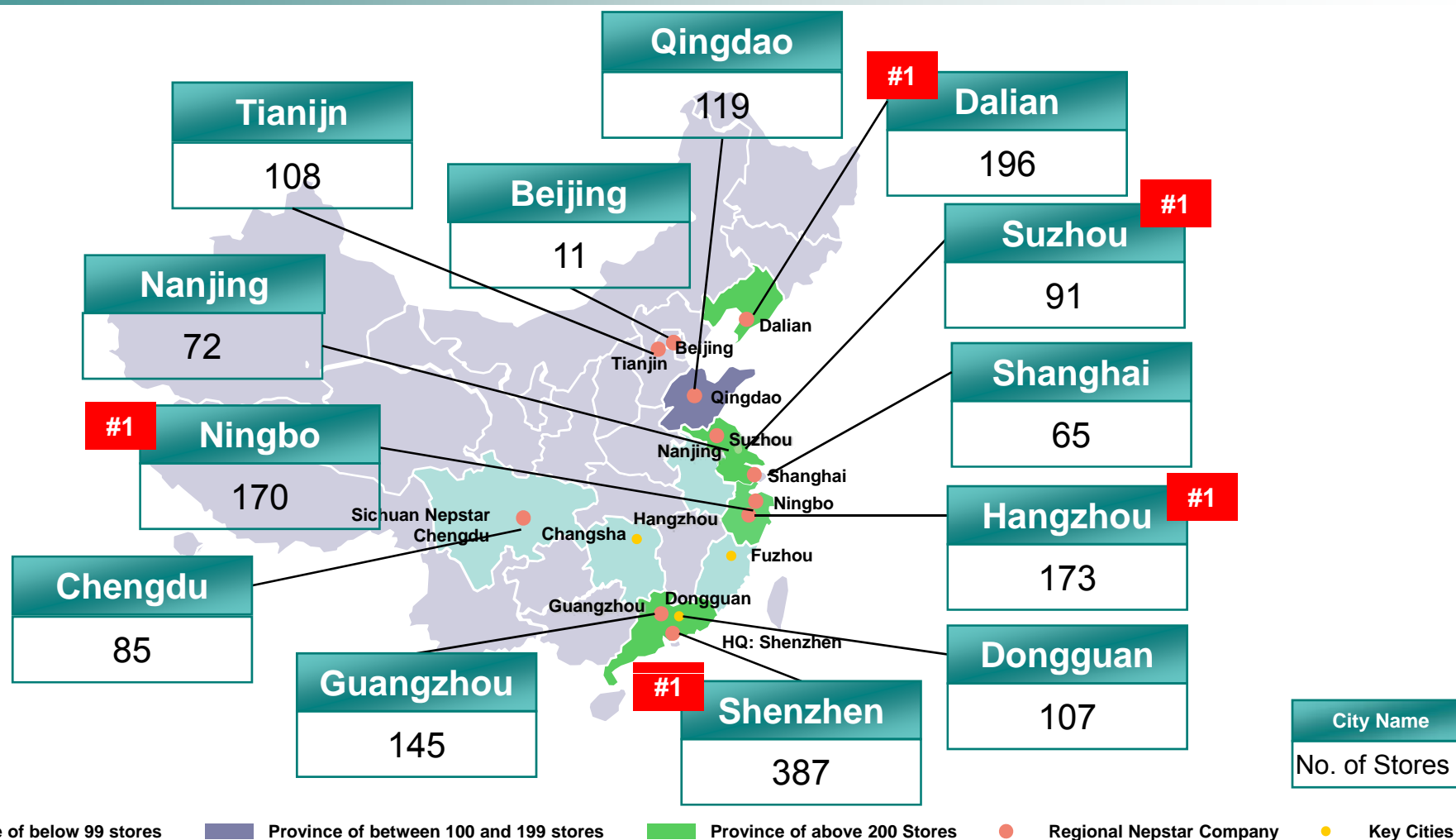


This presentation contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements 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	<ul style="list-style-type: none">● 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*	<ul style="list-style-type: none">● Nepstar had a total of 2,395 stores in operation● National presence in 74 cities <p>(*As of December 31, 2011)</p>
Our Business Model	<ul style="list-style-type: none">● Neighborhood drugstore of 80-120sqm in size● Directly operated stores to ensure consistent service standard● Optimized product offerings including private label products
Our Propositioning	<ul style="list-style-type: none">● 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, 2011

2011 Income Statement Highlights



	Full Year Ended	
	December 31, 2011	December 31, 2010
<i>(in Millions of RMB, except % analysis)</i>		
Revenue	2,491.3	2,356.6
Gross Margin	47.7%	49.4%
Operating Income	38.6	21.3
Interest Income	23.2	23.9
Net Income	35.9	16.5

** During Q2 2010, there was a one-time non-recurring penalty charge in the amount of RMB26 million (US\$3.8 million) imposed by State Administration of Foreign Exchange.*

Strong Balance Sheet and Cash Position

- **Cash, cash equivalents and bank deposits: RMB979.9MN (US\$155.7MN);**
 - **Total shareholder's equity: RMB1,354.3MN (US\$212MN);**
 - **Weighted average number of ADS: 203.5MN shares;**
-

*(*Balance Sheet, as of December 31, 2011)*

- **Operating cash flow of RMB108.2MN (US\$17.2MN) for the year of 2011;**
- **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

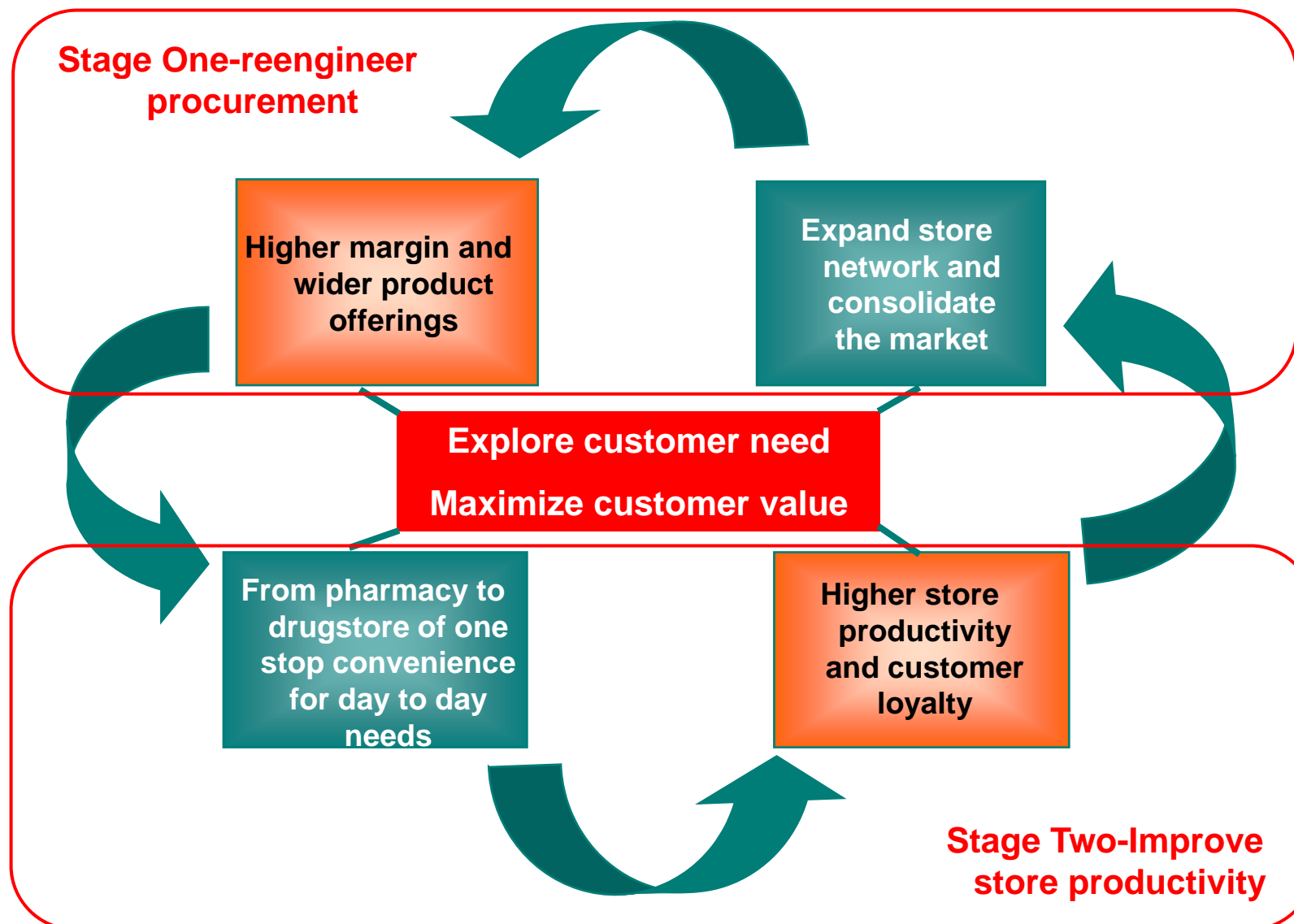
Long industry value chain with manufacturing and wholesaling both fragmented

Pharmaceuticals are mostly paid out-of-pocket

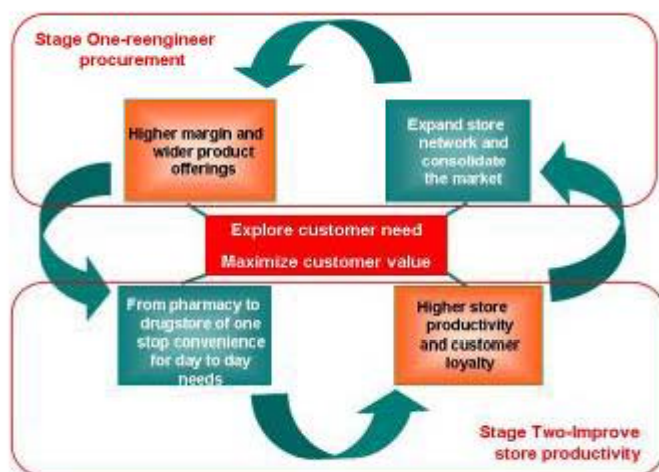
Front-end sales gradually tie in with the growth of retail pharmacy

High entry barriers for foreign players

Overall Business Strategy



Reengineer Procurement

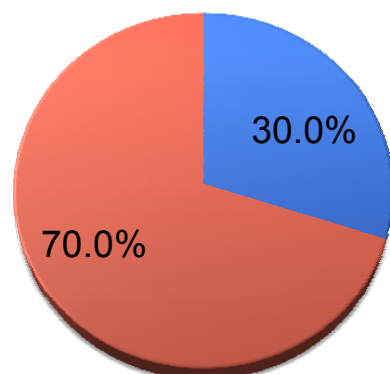


Stage One – Reengineer Procurement
Optimizing supply chain management
to realize high margin through central
procurement and private labeling

Reengineer Procurement

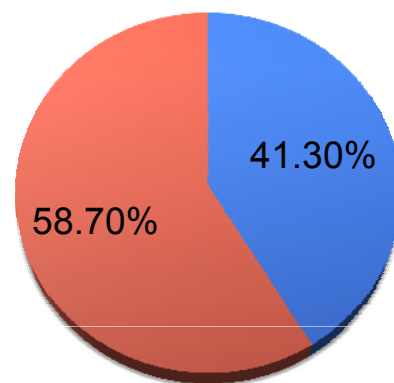
2011 Private Label Contribution

Revenue
Contribution



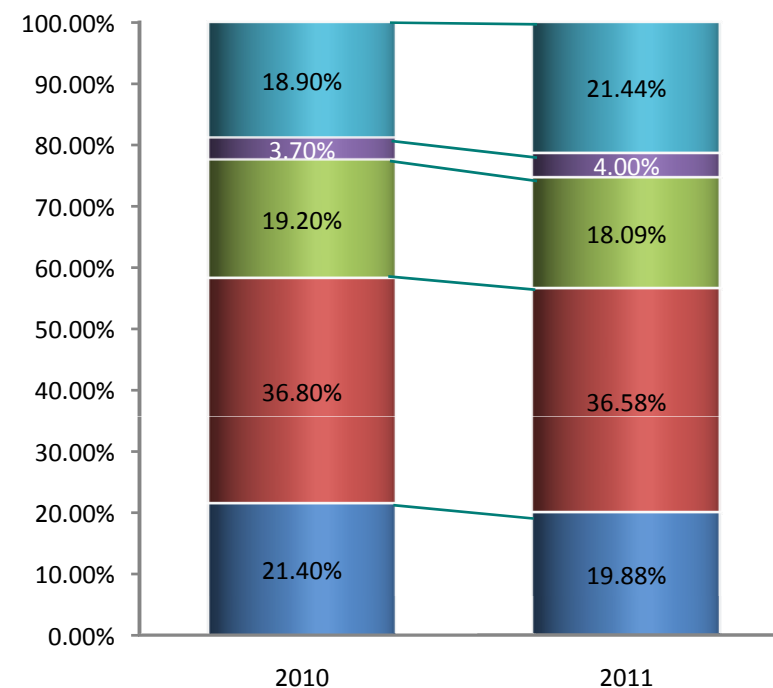
Gross Profit
Contribution

■ Private labels ■ non-private labels



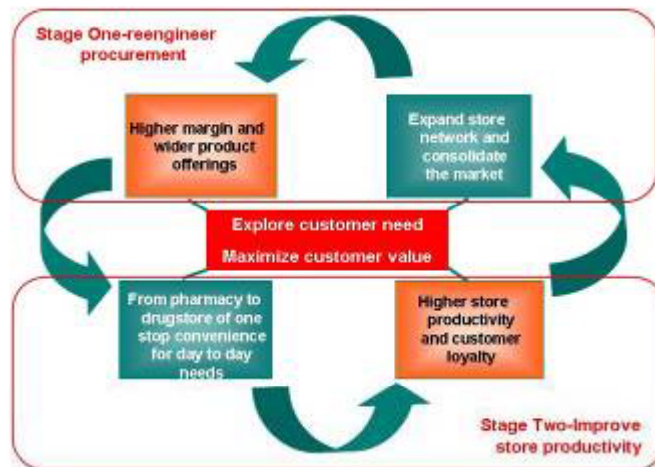
■ Private labels ■ non-private labels

Current product mix



■ Prescription drugs ■ Over-the-counter drugs
■ Nutritional supplements ■ Herbal products
■ Other product sales
































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 and re-planogram 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.

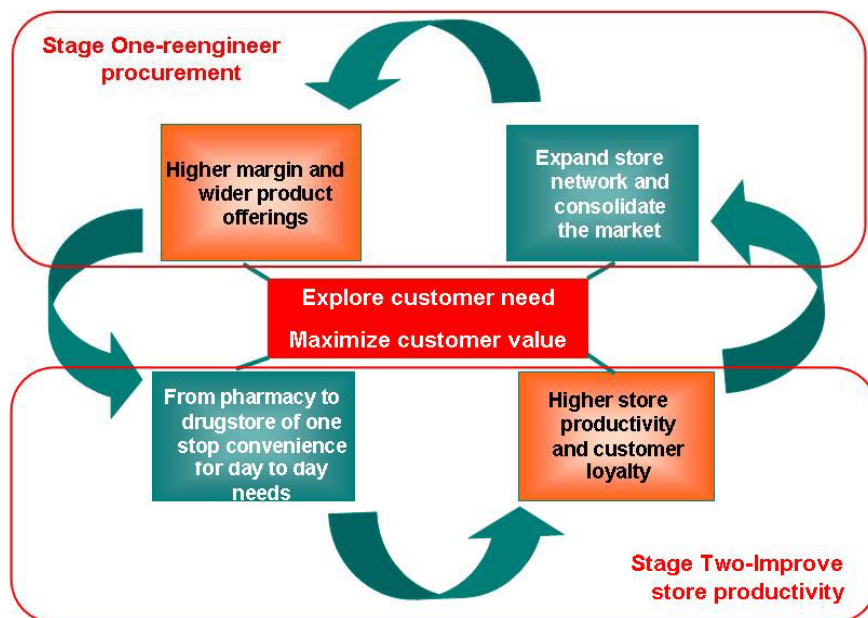
Grow single store productivity through optimization of product offerings and daily operation management

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**



China Nepstar Chain Drugstore Ltd.

