

**Noah Holdings Limited [Noah]
Q4 & FY2024 Results Conference Call
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Company Representatives

Jingbo Wang, Co-Founder, Chairlady

Zander Yin, Co-Founder, Director and CEO

Grant Pan, Chief Financial Officer

Melo Xi, Senior Director and Head of Global Capital Markets Group

Analysts

Helen Li, UBS

Peter Zhang, JPMorgan

Presentation

Operator: Good day, and welcome to the Noah Fourth Quarter and Full Year 2024 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I would now like to turn the conference over to Melo Xi, Senior Director and Head of Global Capital Markets Group. Please go ahead.

Melo Xi: Thank you, operator. Good morning and welcome to Noah's fourth quarter and full year 2024 earnings conference call. Joining me today on the call today are Ms. Wang Jingbo, our Co-Founder and Chairlady, Mr. Zander Yin, our Co-Founder, Director and CEO, and Mr. Grant Pan, our CFO. Mr. Yin will begin with an overview of our recent business highlights, followed by Mr. Pan, who will discuss our financial and operational results. They will all be available to take your questions in the Q&A session that follows.

Starting this quarter, we will begin disclosing net revenues for each domestic and overseas business unit to better reflect the organizational restructuring we have undergone, and provide a clearer understanding of the financial performance and strategic progress each unit has made.

Domestically, we have broken down revenue into domestic public securities under Noah Upright; domestic asset management under Gopher Asset Management, and domestic insurance brokerage under Glory. Overseas businesses have been broken down into overseas wealth management under ARK Private Wealth; overseas asset management under Olive Asset Management; and overseas insurance and comprehensive services under Glory Family Heritage.

In addition, please note that the discussion today will contain forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from those in our forward-looking statements. Potential risks and uncertainties include, but are not limited to,

those outlined in our public filings with the SEC and the Hong Kong Stock Exchange. Noah does not undertake any obligation to update any forward-looking statements, except as required under applicable law.

With that, I would like to pass the call over to Mr. Yin.

Zander Yin: Thank you, Melo. (Speaking foreign language).

Melo Xi: Thank you,

(Translated). Good morning to everyone joining us today. During today's call, I'll provide a summary of overall market conditions and our results for 2024 before diving into strategies and performance of each overseas and domestic business unit. I will then outline our priorities and outlook for 2025.

2024 was a year of both challenges and opportunities. The challenges arose from subdued client sentiment due to macroeconomic conditions. This however created an opportunity to implement necessary organizational restructuring at a time when the associated opportunity costs were relatively low in a challenging market environment.

Throughout the year, we made significant progress in restructuring our domestic sales teams to fully comply with the evolving regulatory requirements. As a result, sales teams from Noah Upright, Gopher Asset Management, and Glory have now been separated into independent and licensed business units, creating a seamless end-to-end business model.

Overseas, we also continued to recruit and expand our team of relationship managers in Hong Kong and Singapore, as well as the anticipated hiring in the United States and other locations. We also launched a commission-only agent model for our insurance businesses and began building this team from the ground up. By the end of 2024, these initiatives had already begun to yield promising results.

Despite a challenging year, we remain confident in the resilience of our business model and the robust safety margin from the strong cash flow it generates. While our overseas expansion efforts are still in their early stages and will take time to scale significantly, I can already sense a momentum and excitement reminiscent of founding Noah 20 years ago. This time, however, we are pursuing growth on two fronts: mainland China and international markets. Our ability to manage risks effectively while serving clients globally will position us well for future growth.

Full-year net revenue was RMB 2.6 billion, a year-over-year decrease of 21.1%, primarily due to decreases in distribution of domestic and overseas insurance products as well as recurring service fees from domestic private equity products.

Non-GAAP net income for the year fell 46% to RMB 550 million, mainly due to two factors: First is the upfront restructuring cost associated with reducing our domestic network from 44 cities to 11 cities, which will reduce long-term fixed costs and improve operational efficiency. Secondly, in terms of taxation, the effective tax rate increased to 31.5% in 2024.

Domestically, we restructured our sales teams into fully independent and licensed business units to comply with evolving regulatory requirements. While this temporarily impacted sales efficiency, it has laid a solid foundation for future growth.

On the product side, we prioritized global RMB-denominated ETFs, QDII and QDLP products, which generated solid returns for clients in 2024 despite the lower fee rates. Additionally, we shifted our insurance offerings toward medical and elderly care products tailored to long-term client needs.

Operationally, we consolidated our presence in core cities while retaining the most outstanding relationship managers. This allowed us to reduce fixed costs and compliance expenses while enhancing online capabilities. In the fourth quarter, the market rally in China drove demand for private secondary products, of which the transaction value increased 200% sequentially, and revenues from public securities products increased 36.8% sequentially, demonstrating our ability to capitalize on opportunities during market upturns.

We launched new internationally focused brands in 2024: ARK, Olive, and Glory Family Heritage. Together, these brands will lead our efforts overseas to serve both existing and new clients. We currently have 138 overseas relationship managers based in Hong Kong and Singapore and will continue to expand this team, as we explore opportunities in other markets with significantly underserved Mandarin-speaking communities, such as the U.S., Japan, and Canada. We also began building a commission-based overseas and domestic insurance sales team, which has expanded to nearly 100 people, with the goal of growing it further as we head into 2025.

Our core management team is very excited about the vast opportunities that the overseas Mandarin-speaking wealth management market presents. It feels very much like the early days of founding Noah in 2005. We will continue to invest in expanding our overseas presence and build out our teams to support it. This is a costly process that requires time and patience to ramp up, but we are confident that in the long run it will position us as the preferred wealth management platform for global Mandarin-speaking clients

I will now drive into the performance and operations of each business unit. I will let our CFO, Grant Pan, go deeper into the group's consolidated financial performance later. We launched new internationally focused brands in 2024: ARK Wealth Management, Olive Asset Management, and Glory Family Heritage. We also established an office in Japan and initiated pilot programs in Canada and Southeast Asia to better serve Mandarin-speaking communities in these markets.

Net revenues from overseas for 2024 were RMB 1.3 billion, accounting for 48% of total net revenues, up from 44% last year. And its proportion in the group's newly-generated business rose from 68% from last year to 89% this year. Overseas investment products performed particularly well, with transaction value of overseas primary and private secondary products, excluding cash management products, growing 45% and 22%, respectively, year-over-year.

ARK Wealth Management will use Hong Kong, Singapore, and the United States as its three primary booking centers to serve existing clients and engaging with new ones in markets such as

Southeast Asia, Japan, and Canada. Net revenues from overseas wealth management through ARK for 2024 were RMB 675 million.

As of the end of the fourth quarter, we had 138 overseas relationship managers, up 55.1% from last year. Overseas AUA, including externally-managed products, reached USD8.7 billion, a year-over-year increase of 4.6%.

ARK Wealth Management had over 17,600 registered clients worldwide in the fourth quarter, an increase of 18.3% year-on-year. Among them, the number of accounts opened in Hong Kong reached 17,360, a year-on-year increase of 17.1%, while the number of accounts opened in Singapore reached 789, a year-on-year increase of 111%. For the full year, the number of active overseas clients reached 5,544, a year-on-year increase of 15.8%, with overseas transaction value hitting USD4.3 billion, a year-on-year increase of 29.8%

In addition to continuously improving the functionality and user experience of iArk Hong Kong, our online wealth management platform, we also launched a localized Singapore version of the platform during the year. Our online product selection continues to gradually grow with a comprehensive online offering of entry-level products. Full-year transaction value of overseas cash management products was USD3.2 billion, a year-over-year increase of 31%. As we continue to expand globally, comprehensive cross-regional online services have become critical as we continue to invest in strengthening these capabilities going forward.

In terms of overseas asset management, net revenues were RMB 439 million in 2024. Over the past 2 years, we have significantly enhanced the competitiveness of our overseas primary product portfolio through our established U.S. product center. Our private market products now rival those of leading global private banks. Notably, we raised USD663 million for overseas private equity, private credit and other primary market funds in 2024, a significant 44.9% year-on-year increase.

In the public market and hedge fund space, we expanded the ecosystem we have built with reputable product and investment partners globally, allowing us to [offer] clients a rapidly-growing selection of high-quality and exclusive alternative investment opportunities. In 2024, the aggregate transaction value of alternative public market products, including hedge funds and structured products, reached USD236 million, a year-on-year increase of 22.1%. Including term deposits, the aggregate value of private secondary products distributed was USD1.5 billion, a year-on-year increase of 1.9%.

As of the end of the fourth quarter, overseas AUM reached USD5.8 billion, a year-on-year increase of 15.1%, accounting for 28.1% of the total AUM, up from 23.3% during the same period last year. AUM for overseas private market products reached USD4.5 billion, a year-on-year increase of 18.5%.

In terms of the overseas insurance and comprehensive services, full-year net revenues was RMB 140 million. Before internal transfer pricing, revenue from overseas insurance products during the year was RMB 502 million, a year-on-year decrease of 21.9%.

The Hong Kong insurance market remains highly competitive. On the product side, Glory's average premium increased by 30% throughout the year. We continue to actively explore new

marketing models and are building a sales team from the ground up with commission-only agents. By the end of the year, Glory had already onboarded 50 commission-only agents overseas, with more than one-third of them already contributing to revenue. Our target is to build this team to approximately 150 agents in the overseas market by the end of 2025 to drive new client acquisitions.

Domestically, we adapted our business to evolving regulatory requirements, reducing headcount and coverage across China to drive down fixed costs. We also streamlined operations of each independent and licensed business unit. Our domestic and overseas teams are now fully independent.

Net revenues from mainland China in total were RMB 1.4 billion in 2024, a year-on-year decrease of 27.5%, primarily due to a subdued market environment generating fewer new business opportunities, and decreases in revenue from distribution of domestic insurance products and also, recurring service fees from private equity products.

Net revenues from domestic public securities was RMB 489 million in 2024.

During the year, the aggregate value of RMB public securities products distributed reached RMB 25.6 billion, a year-on-year decrease of 35%, while private secondary products reached RMB 5.4 billion, a year-on-year decrease of 31%, mainly due to weak investor sentiment and the sluggish market environment during the first 3 quarters of the year. Starting in the fourth quarter, however, the A-share and Hong Kong stock markets rebounded, driving a 200% sequential increase in RMB private secondary products. Our domestic public securities business strategy will integrate an online and offline business model that will provide clients with global assets allocation solutions denominated in RMB.

In terms of asset management, net revenues from domestic asset management was RMB 772 million during the year.

Gopher's team continued to focus on managing exits in the primary market. During the year, it achieved over RMB 7.5 billion in primary market exits, an increase of 11% compared with the previous year. Due to the lack of new fundraising, we are facing a declining management fee base as products expire, which is expected to impact our overall revenue growth in the next 3 years. In response, we will continue to grow the scale of overseas investment product distribution to offset the expected decline in domestic management fees. Our goal is to grow overseas AUA to USD20 billion over the next 3 to 5 years.

In the public market, private secondary products managed by Gopher mainly focus on beta returns from global markets through cross-border RMB-denominated ETFs. The aggregate transaction value of this was RMB 93 million during the fourth quarter, with a cumulative value of RMB 197 million for the whole year.

In terms of insurance brokerage business, net revenues from domestic insurance through Glory hit a new low of RMB 43 million during the year, primarily due to adjustments we made to the product mix and the restructure of its sales team. We onboarded 42 commission-only agents during the year, but their ramp-up in sales volume will take some time. As we head into 2025, the recruitment of commission-only agent team will be our main priority.

Glory's product focus has been adjusted towards medical and elderly care products that meet the long-term needs of first-generation entrepreneurs, but the demand is less urgent for immediate allocation, meaning it will take more time to scale.

Looking back at 2024, our primary focus domestically was on restructuring our domestic sales team, separating each of them into independent and licensed business units. Overseas-wise, it was building out our team of relationship managers. In the next few years, our priority will be acquiring new clients both domestically and overseas.

Looking forward, our priorities for 2025 will be squarely on, first, ensuring full compliance with regulatory standards in all regions where we operate, prioritizing both the quality and quantity of our growth; secondly, expanding our team of overseas RMs in the regions and countries where we have established booking centers; thirdly, expanding our team of commission-only agents for our domestic and overseas insurance brokerage business; fourthly, optimizing global investment and asset allocation solutions to provide clients with more competitive investment portfolios and asset allocation strategies; and lastly, improving technology system to better serve clients online.

And last, the board of directors has already approved an annual and special dividend, which together amount to RMB 550 million, which is equivalent to 100% of our non-GAAP net income for the year. This complements our continued execution of our share repurchase program.

I would now like to turn the call over to Grant to go over our financials in more detail. Thank you all.

Grant Pan: Thanks, Melo, and thank you, Zander, and greetings to everyone joining us today. Throughout 2024, a sluggish macroeconomic environment, increasingly stringent regulatory requirements, and shifting client preferences created significant headwinds for the wealth management industry. This challenging environment impacted our financial results during the year, with both full-year revenue and net income falling from last year. But while these challenges continue to impact the short-term performance, as Zander has mentioned, our business remains profitable and continues to generate solid cash flow.

This presented opportunities for undertaking an organizational restructuring domestically, and invest in our overseas expansion to reposition ourselves for long-term sustainable growth while market sentiment was subdued. Building out new sales teams and infrastructure domestically and overseas is expensive process that will take time to ramp up before it begins to meaningfully improve our performance. While we expect near-term pressure on our business remain, these foundational changes will position us for sustainable growth. It's already beginning to yield results in our financials in 2024, reflecting the progress we have made in expanding our portfolio of overseas alternative investment products.

Additionally, we were ideally positioned to capitalize on the strong recovery of domestic capital markets starting in late September, which drove strong demand for RMB-denominated secondary products, and partially offset the decline in revenue from private equity products domestically.

Okay. So let's get into the details of financials. Total net revenues were RMB 652 million during the quarter, down 18.5% year-over-year and 4.6% sequentially. Total net revenues for the year

were RMB 2.6 billion, down 21.1% year-over-year. Notably, overseas net revenue reached RMB 1.3 billion in 2024, accounting for 48.1% of total net revenues, up from 43.5% in last year.

By region, domestic net revenues during the fourth quarter increased 18% sequentially to RMB 362 million, driven primarily by a more than 200% surge in distribution of RMB-denominated private secondary products. However, full-year domestic net revenues declined by 27.5% year-over-year, primarily due to a significant drop in revenue from domestic insurance products, and recurring service fees from RMB-denominated private equity products amid the challenging macroeconomic environment.

Net revenues from overseas during the fourth quarter decreased by over 20% year-over-year and sequentially over 12% for the full year. This was mainly due to decreased distribution of overseas insurance products amid fierce competition in Hong Kong's insurance market and significant sequential fluctuation. If we exclude insurance products, revenue from overseas investment products actually grew during the quarter and year on a year-over-year basis, reflecting the progress we have made in expanding our alternative investment offerings.

By revenue type, during the quarter, one-time commissions decreased by 56.1% year-over-year and 23.2% sequentially, primarily due to a decrease in distribution of insurance products both domestically and overseas. Recurring service fees increased 4.4% sequentially, with declines in RMB-denominated private equity products partially offset by gains in RMB-denominated private secondary products.

Performance-based income surged by over 300% year-over-year, driven by the recovery in onshore markets with RMB-denominated private secondary products contributing nearly RMB 30 million to performance-based income.

Total transaction value in the fourth quarter was RMB 16.3 billion, slightly down 1.7% year-over-year, but up 14% sequentially. Transaction value of domestic private secondary products was RMB 2.5 billion during this quarter, a significant increase of over 200% sequentially, while overseas investments products was USD964 million, a 16.4% year-over-year increase.

The transaction values of USD-denominated products reached USD4.3 billion, up nearly 30% year-over-year, and accounting for 48.8% of total transaction value in 2024, comparing to only 32.1% in last year. Benefiting from the enhanced competitiveness of our overseas alternative investment product portfolio, USD private equity products totaled USD 663 million, up 44.9% year-over-year, and USD private secondary products, excluding cash management products, totaled USD 236 million, up 22.1%, year-over-year.

By the end of the year, USD-denominated AUM grew by 15.1% year-over-year to USD5.8 billion, with USD-denominated AUA increasing by 4.6% year-over-year to USD8.7 billion, reflecting our ability to capture a larger share of clients' USD wallets for investment products.

Moving on to the income statement. We implemented rigorous cost control measures in 2024, driving down operating costs and expenses by 10.5% from last year. Specifically, full-year compensation and benefits decreased by 7.4% reflecting improved employee efficiency. Selling expenses fell by over 40% and general and administrative expenses remained stable. Even during the fourth quarter's peak marketing season, we maintained a disciplined approach to expenses.

Total operating costs and expenses for the quarter were RMB 514 million, a decrease of 11.1% year-over-year and an increase of 16.1% sequentially due to seasonality.

In line with revenue trends, operating profit declined in 2024, with the full-year operating profit margin decreasing to 24.4%, partly due to reduced government subsidies.

Net income for the year was affected by certain non-recurring factors, including increased effective tax rate at 35.1% in 2024. Additionally, due to our GP share of investments in the products we manage, a loss of RMB 112 million was incurred in equity in affiliates during the year.

Taking these factors into account, non-GAAP net income was 132 million for the fourth quarter, and RMB 550 million for the year.

By year-end, our client base remained stable with 9,334 total Diamond and Black Card clients, but our overseas client base continued to grow to over 17,600 registered clients, increased 18.3% year-over-year and 2.1% sequentially. The total number of overseas Diamond and Black card clients now exceeds 1,500.

As Zander mentioned, we were rather conservative in terms of acquiring new clients throughout the year. Over the next few years however, this will be our major focus as market dynamics shift and create opportunities to gain more market share both domestically and overseas.

In terms of our balance sheet, it still remains strong and robust. Our cash balance decreased as a result of large dividend payouts in the third quarter, we were pleased to see cash and cash equivalents and short-term investments increase to RMB 5.1 billion by the end of the year. Our current ratio also improved to 4.5x, with debt-to-asset ratio remaining stable at 15%, with no interest-bearing debt. This provides a solid foundation for us to further expand our overseas business.

Lastly, shareholder returns, where in accordance with the USD50 million share repurchase program we announced in August 2024, we have repurchased over 600,000 ADSs by the end of 2024, equivalent of 0.9% of total issued shares. In appreciation of the longstanding support from shareholders, the board has again approved an annual dividend and special dividend, which together amount to RMB 550 million, equivalent to 100% of our net non-GAAP net income for 2024.

Although we are facing short-term headwinds, which impact our financial performance in the short-term, we expect to see revenue and profitability recover in the future, as we ramp up our overseas business and domestic market recovery deepens. We firmly believe that our stock remains undervalued and does not fully reflect our global growth prospects, robust balance sheet position, and special bond with Mandarin-speaking high-net-worth investors around the world.

Guided by our vision to become the preferred wealth management platform for global Mandarin-speaking clients, we remain committed to creating lasting value for our clients, and continue to deliver sustained returns to shareholders who join us on this journey.

Thank you all again for your trust and support. With that, I will now open the call to your questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Helen Li with UBS.

Helen Li: (Speaking foreign language). Let me translate. This is Helen from UBS. Since the beginning of this year, what has been the demand for investment products among high-net-worth clients? Which type of products have been more popular? What's our CIO's current investment strategy and which types of products are being promoted? In the past 3 quarters, the sales of insurance products have declined year-on-year. Will this trend continue into 2025? In the future, which products will be the main source of revenue growth in terms of one-time commissions?

My second question is on overseas business growth. Overseas revenue has been increasing quarter-by-quarter. It was just mentioned in the meeting that the United States is being used as a booking center. Can you provide information on our business development in the United States? Currently, which countries or regions are the main sources of overseas revenue growth?

My last question, in this quarter, we have seen a sizable settlement reversal and contingent litigation reversal. Can you give us more color on this?

Zander Yin: Thank you, Helen. (Speaking foreign language).

Melo Xi: Okay. Thank you, Zander. So I'll do a translation of Zander's response.

(Translated). So like Helen has mentioned, we published our newest version of edition of our CIO report in the first quarter of the year. And I guess the overall logic behind our house view is that we think that the global market will remain very volatile due to various uncertainties in the market. So our suggestion to our clients is to seek the relatively certain investment products within these uncertainties. And also, we stress that global asset allocation is also very important.

So in terms of client sentiment and demand, we saw the trend since the fourth quarter and also extending into the first quarter this year, that the investment sentiment and demand among the Chinese high-net-worth clients have been rebounding, I guess, from two main factors. First is that the subdued investment sentiment since the Covid situation in China has reached a relatively bottom point, I guess, before the fourth quarter last year. So in the past few years, our clients, and also most of the Chinese high-net-worth clients, didn't really engage in a lot of investment activities, but now we're seeing their confidence starting to pick up.

And secondly, I guess, is the market performance whether it's the A share, Hong Kong stocks or even the U.S. stocks have been rebounding. So a lot of clients have coming back to the investment demand. And thirdly, in terms of what types of products our clients currently prefer.

So I guess in times like this, liquidity is also very important consideration among our clients. So a lot of the public market securities hedge fund products themselves are NAV-based and liquid, and also some of the semi-liquid primary market products, such as private credit, infrastructure and alike, are also very popular among our clients.

So I guess our concern or our target is to on the one hand, to enhance our product shelf to meet with our clients' demand. But on the other hand, it's really to suggest our clients to engage in a global asset allocation strategy. And also on top of that, in 2025, with all the advancements in the artificial intelligence industry, whether it's primary market or public securities, anything related to AI is also a very important theme for an investment theme for our clients.

Thank you, Zander. So the first response is related to insurance products. So I guess the insurance market, especially in Hong Kong, is still very highly competitive because there are quite some operations that are not so compliant with the regulatory requirements, including commission kicking back, but we never did anything like that. We stick to compliance and regulatory requirements, and we never kick back any commissions to clients.

And I guess the difference between Noah and the other insurance brokerage firms is that the fact that we provide our clients with an overall asset allocation advisory, and insurance is part of that advisory or solution where we suggest our clients to use insurance as a tool to protect the safety net of the overall portfolio. So also, the clients that we serve and also the average, I guess the average price for insurance is higher than the peers or the other brokerage shops in the market.

And as Zander has reported, the overall insurance premium increased by 30% this year. So the client group is still quite different. So looking ahead to this year, to 2025, we think that there will still be competition in the market. And to counter that, we've also worked with the insurance firms or the product providers to come up with discounted plans for our clients, but this is on the product side, rather than kicking back commissions.

And during the past year, we've seen the Hong Kong government coming out with many of the new requirements to counter the noncompliance operations in the market, which is, I think, to our end, is beneficial to compliant firms like Noah. But I guess really, the challenge is that the fact that a lot of the onshore wealth management platforms collapsed. After they collapsed, a lot of the employees or their relationship managers turned themselves to do overseas insurance, so that the supply or the labor supply in the market is increasing.

So I guess our overall strategy for 2025 is still to, I guess, use asset allocation overall advisory, coupled with multi-strategy and also giving -- providing a better value to our clients, working with the insurance firms to increase our competitiveness in the insurance product segment.

And also, Helen asked about our operations in the U.S. So U.S. is a very important market and also a planned booking center for our business. In 2024, a majority of our focus in the U.S. has been on the product side. So right now, we have about -- we have four teams, four different teams in the U.S., and three of them are focusing on either investment or product selection. And we're also very happy that recently, and also in the near future, we will be welcoming some of the very top-tier talent joining us who have worked in top-tier hedge funds or fund managers previously.

And we think that this will increase our competitiveness and effectiveness in terms of product selection and also GP and fund manager coverage because we think that even though we think we are pretty competitive in terms of our product selection and our product shelf, but to keep up the competitiveness, we need to continue to cover and work with the GPs, especially in the local markets in the U.S.

Zander Yin: (Speaking foreign language).

Grant Pan: I'll take the second question regarding the U.S. market. We actually are now constructing in four cities, four locations actually. We used to have in the past two investment teams. One is in the Silicon Valley, mainly focusing on the tech-oriented VC funds, and also another real estate team in New York. And we're in the process of acquiring advisory capabilities that will allow us to have a third booking center in addition to Hong Kong and Singapore in the U.S. market.

And we also have built, as Zander has mentioned, an OPM, which is the product selection center in Palo Alto, and also has local cooperation with some local banking partners; and also another fourth location in Irvine, Los Angeles, mainly serving our clients on -- one is U.S. insurance side of need, and two is as a general reception site to host various client activities.

So the new revenue from two additional locations are still slowly coming into shape. But I guess the capability of adding another booking center in North America, especially to serve Chinese immigrants in both U.S. and Canada, will give us a lot of advantage, especially competing with other Chinese background firms. So that's second question.

And third question, I think briefly, you mentioned about the quarter 4 one-off reversal of some accruals. It is a one-off event. The final outcome of a pending case was actually more optimistic or preferable for us, but it's a one-off event.

Jingbo Wang: (Speaking foreign language).

Melo Xi: Thank you, Chairlady.

(Translated). So our Chairlady mentioned that during 2024, I guess, especially in the first 3 quarters, the overall sentiment among Chinese investors in terms of investment has really reached a bottom, but we've seen a rebounding trend since 2025. And for example, we hosted a public market summit in Hangzhou, China, this month, and we had over 1,000 of our clients attending this summit, a lot of people. And the feedback that we got was that the clients are now having more interest to listen to what the managers have to say, and they feel the urgency to act on investment.

And also, this is also the case in overseas markets, whether it's Hong Kong, Singapore or Japan, we're seeing that the Mandarin-speaking or Chinese clients actively on the move, whether it's businesses going overseas or global investments or overseas investment opportunities.

So in terms of our CIO view, we think that this is the moment right now is a critical moment for Chinese clients to adjust their strategic asset allocation, not only on the tactical side, but really on the strategic asset allocation side and which is also what we are doing to guide our clients to

make the changes in their asset allocation strategy. And also, she mentioned that in the Hong Kong insurance market, the competition is not, I guess, a healthy state of status.

And first, on the product side, the expected rate of return of the insurance product used to be, I guess, unordinarily high. And we're seeing that the Hong Kong government is now stepping in to make adjustments to the expected rate of return or investment return on these products. And secondly, in the competition side, there are quite a lot of these so-called family offices or multifamily offices, but are not really operating like family office. So their clients -- the feedback from their clients is that they don't feel like they are served really well. So our strategy is really for Noah is to serve large clients and also use global asset allocation strategy to serve the larger clients.

And in terms of insurance, we're also trying to learn and adjust to different markets. And that's why we are engaging the new commission-only agent space to acquire new clients, similar to some of the other firms are doing. And really for our in-house relationship managers, insurance act as a tool to help our clients to secure their safety net in their portfolio asset allocation.

Helen Li: Okay. Thank you.

Zander Yin: (Speaking foreign language).

Helen Li: (Speaking foreign language).

Operator: (Operator Instructions). Peter Zhang with JPMorgan.

Peter Zhang : (Speaking foreign language). This is Peter Zhang from JPMorgan. I have two questions. My first question is regarding the first quarter trend. Can management help to give us an update on the first quarter trend in terms of the client sentiment and the wealth management product sales in first quarter? And with the completion of our domestic strategic transformation and some improvement in domestic investment sentiment since late 2024, how should we expect our 2025 revenue trend? Can we expect the revenue to see a stabilization in 2025 or some recovery in 2025?

My second question is regarding the overseas RM. We noticed that the number of overseas relationship manager has declined 5% sequentially in the fourth quarter and fell short of the previous target of 200 for 2024. I wish to understand what was the reason behind this relationship manager adjustment in fourth quarter last year? And what will be our overseas RM headcount outlook for 2025? And I also wish to understand our overall headcount outlook for 2025.

Zander Yin: (Speaking foreign language).

Jingbo Wang: (Speaking foreign language).

Melo Xi: Thank you, Peter, for your question. So I guess on the first question is related to the investment sentiment right now and the outlook for the financials in 2025. So I guess the overall trend, as we previously mentioned, is that we see that clients' investment sentiment has been rebounding significantly, which was -- we saw the trend starting since last year-end, flagship

Black Card and Diamond Card Client Summit, which was actually the largest in terms of scale in our history in terms of client coverage and the number of clients attended.

So we hosted these summits in the key major cities in China as well as we had five sessions in Hong Kong alone. So the feedback that we got from clients was that it's very rare to have these large-scale and also high-quality events for individual investors or high net-worth investors because on the one hand side, a lot of the Chinese wealth management firms have really exited this market. And some of the foreign firms are less motivated to host these events given the market condition. So the clients who attended our summit tell us that the quality of the content and also the scale is probably the best in the industry.

And also, we did a data summary that basically, over 90% of our Diamond Card and Black Cards are overall profitable. So this is also our, I guess, the most important client base, and also it's a reflection of the quality of asset allocation advice that we continue to provide to our core clients. And also, Chairlady also mentioned that this month, we hosted a Public Security Summit in Hangzhou, which has been quite a hot city, considering all the technological advancements, for example, DeepSeek, which is also based in Hangzhou. So we hosted 2 days, over 1,000 clients attended. We saw that the clients are very active and very keen to learn and listen to what the managers have to say, and they think that the investment market in China, there are opportunities to invest in this market and we also see a lot of transaction value generated from this summit.

In terms of global asset allocation, what we have been doing in the past 2 to 3 years with 8 consecutive CIO house view reports. I think the clients are now starting to buy into our advice that they shouldn't just allocate their assets in a single market, which is China, but really to consider global asset allocation and investment, and that's exactly what they are doing now.

So speaking of 2025, since we don't give out -- we are not allowed to give concrete guidance on revenue and profit. But I guess the overall trend is that we've set our KPIs and requirements for each business unit, and especially in the Overseas Investment Product segment. First of all, the clients' sentiment and demand is growing and also according to our house view, this is a critical time to act. So we hope that, I guess, the downfall in our RMB private market products, and also the associated decline in recurring service fee, can be gradually offset and overcome by the growing overseas investment portfolio.

And also in terms of insurance, we think that although the market competition is fierce, but among our clients, we see that a lot of them are not subscribing enough insurance products or related tools for their succession planning and asset segregation purposes. So we want to utilize this window of opportunity to help our clients refine their safety net within the asset allocation, especially in a highly-volatile market. So, overall, we hope that year 2024 was kind of the bottoming and 2025 should be able to see some rebounding from the bottoming out. So that's the outlook on 2025.

So also the second question, Peter mentioned about the decline in the fourth quarter in terms of the overseas relationship manager and also the reasoning behind it. So I guess Zander, Grant and Chairlady all mentioned about basically our overall hiring plan. So, first of all, fourth quarter is usually the year-end with new window. So in our prior experience in China when we established our sales team is that typically, new people who join us need some time to get used to our system

and also, basically our product and asset allocation advisory system. So obviously, there will be, I guess, people who do not meet our expectations.

So actions will be taken at the year-end time, and also, especially because overseas, the labor cost and I guess, the overall salary is higher. So we tend to be more conservative compared to in domestic market. So I guess also Grant mentioned that the overall RM team in overseas in 2023 by year-end, it was 89 people. This year was 138 people, which was a 55% increase. So I guess, on the one hand, we keep having fresh inflow of talent, but also we have the opportunity to, with the new people hiring joining us, we have the opportunity to reevaluate the RMs that joined us previously, but didn't meet the expectations. So typically, the cycle is about 6 months, 3 to 6 months.

So in terms of the hiring plan in 2025, so we have a strategic program internally, which is called ARK 200, but it's not really to just get to the 200 mark. And we are -- aside from the lateral recruitment from peers in the local market, we are also stressing the importance of campus recruitment. So we had about 40 fresh graduates joining us last year, and this year, we're still continuing to target the top schools globally to recruit the best of their class of the graduate students.

And aside from the relationship managers, since we're putting a lot of resources into new client acquisition, so we are also establishing a BD team or business development team who, I guess, on the technical side, might not be able to fit within the RM requirement, but they can be able to acquire clients and manage client relationships. And once they become more sophisticated in asset allocation and investment advisory, then they become the future candidates for relationship managers.

Lastly, Chairlady added and mentioned that in the previous year in 2024, it was really a process of involution. So a lot of the investors and analysts who are familiar with us, and probably know that especially in the domestic market, the relationship managers didn't really have a good time or didn't really feel like on their best time or best days. But I guess right now, especially starting from 2025, we've already sorted out the compensation scheme and which we feel that will motivate our sales team.

The head of sales of Noah spent a lot of time interviewing and speaking with our relationship managers in China, and his feedback was that they feel like they're ready to go now. So I guess coming out from the bottom in 2024, we're better positioned, both in terms of client acquisition and also our sales team status.

Jingbo Wang: (Speaking foreign language).

Melo Xi: Thank you, Chairlady.

(Translated). So one more point is that, as we mentioned, we've broken down our sales team into different business and license segment, which on our client perspective, it also needs time for them to get used to because previously, they used to only deal with maybe one RM who takes care of all his needs, his or her needs, and everything. But right now, each client needs to deal with sales personnel from different business units, which in the long term might -- will be

beneficial because of the different expertise and RM specializing. But it does take more time for our clients to get used to. So that's also a near-term challenge for us.

Peter, I hope that answers your question.

Jingbo Wang: (Speaking foreign language).

Melo Xi: Operator, back to you.

Operator: This concludes our question-and-answer session and concludes the conference call today. Thank you for attending today's presentation. You may now disconnect.

Jingbo Wang: Thank you. Thank you so much.