NOAH HOLDINGS 3Q 2015 EARNINGS CALL EDITED TRANSCRIPT

16 November 2015

OPERATOR

Good day, ladies and gentlemen. Welcome to Noah Holdings Limited third quarter 2015 financial results Conference Call. At this time all participants are in listen-only mode. Following management's prepared remarks, there will be a Q&A session. During the Q&A session we ask that you please limit yourselves to two questions and one follow-up. If you would like to ask additional questions, you may re-enter the queue to do so. As a reminder, this conference is being recorded. After the close of the US market on Monday, Noah issued a press release announcing its third quarter 2015 financial results which is available on the company's IR website at http://ir.noahwm.com. This call is also being webcast live and will be available for replay purposes on the company's website.

I would like to call your attention to the Safe Harbor statements in connection with today's call. The company will make forward-looking statements including those with respect to expected future operating results and expansion of its business. Please refer to the risk factors inherent in the company's business and that have been filed with the SEC. Actual results may be materially different from any forward-looking statements the company makes today. Noah Holdings Limited 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 the applicable law. The results announced today are unaudited and subject to adjustments in connection with the completion of the company's audit. Additionally, certain non-GAAP measures will be used in our financial discussion. A reconciliation of GAAP and non-GAAP financial results can be found in the earnings press release posted on the company's website.

I would now like to hand the call over to Ms. Jingbo Wang, Chairman and CEO of Noah. She will be speaking in Chinese and her remarks will be translated into English.

Jingbo Wang – Noah Holdings Co-founder, Chairman & CEO

Thank you, operator, and thank you all for joining us. With me today are Mr. Kenny Lam, Noah's Group President, and Ms. Ching Tao, Noah's CFO. Mr. Lam will start by providing a brief overview of our financial highlights for the third quarter of 2015 and will walk through the performance of our core wealth and asset management businesses. After that, I will provide an update on the progress we are making to develop a global, open architecture product platform as well as progress with our new internet finance business. I will also review our strategic initiatives to establish an integrated financial services platform to support the sustainable growth of the company. Lastly, Ching will provide further insights into our financials and reiterate our 2015 guidance. We will be happy to take any questions at the end of our prepared remarks. Now I'll turn the call to Mr. Lam.

Kenny Lam – Noah Holdings Limited Group President

Thank you Chairman Wang. In the context of structural transition in the broader economy and extreme volatility in the capital markets, we are pleased to have continued our steady growth in the third quarter, with both the top and bottom lines in line with our expectations.

Net revenues in the third quarter of 2015 were US$82.6 million, a 31.4% increase from the corresponding period in 2014. Non-GAAP net income was US$26.2 million, a 34.8% increase from the corresponding period in 2014.

In terms of our core businesses, we distributed RMB26.1 billion or USD4.1 billion of wealth management products during the third quarter, representing a 41.8% increase year-over-year.

Our total registered client base also increased at an encouraging rate to 88,663 clients as of the end of Q3, up 34.2% year-over-year.

Noah has always been focused on improving our core competitiveness in the wealth management industry. We are committed to maintaining our stringent risk management, selecting the best quality products in the market, continuously enhancing the professional service skills of our relationship managers, cultivating long term wealth values with our customers, enhancing our asset allocation capabilities, strengthening our asset management team, and actively investing in the development of our internet finance business.

The past three quarters of 2015, Chinese equity markets have experienced significant volatility, despite the government's attempts to shore up confidence. The market and the investor confidence have been badly damaged, which has lead to a cautious and "wait and see" attitude. However, in the long run, we believe this will lead to a healthier and more mature wealth management and asset management market.

Thanks to our consistent focus on the cultivation of our relationship managers, adherence to the principles of asset allocation, ongoing investor education, promotion of cross-cyclical products, and commitment to long term investing with diversified asset allocation, Noah's clients have been better placed to face this market volatility.

Secondary market funds accounted for 15.6% of the products distributed to Noah clients during the quarter. The fund managers that we selected implement value investing and long-term investing strategies. In addition, our secondary market products are not leveraged. Overall, Noah protected our clients' assets as a result of the stable performance of the assets allocated in the secondary market.

Later, Ms Wang will share more information about our product mix as well as investment strategy.

In our wealth management business, I will briefly cover the two areas that we are focused on over the mid to long term:

First – we are focused on developing our new family office and discretionary portfolio management services and deepening customer relationships through enhancing the capabilities of our relationship managers;

Second – we are committed to systematically optimizing the transaction platform for customers and relationship managers so that it is more open, faster and more convenient. At the same time, we will increase the number and quality of the clients of each relationship manager.

In our wealth management business for high net worth clients, we believe there is a lot of room for growth both online and offline. So we are continuing to develop our online and offline network this year. In terms of our offline network, we have expanded our network of offices to cover more cities and optimized our network and improved the ability of relationship managers to serve high net worth clients. We are maintaining a balance between breadth of coverage and depth of coverage.

By the end of the third quarter, we had 130 offices covering 65 cities. We also expanded our team of relationship managers from 953 at the end of the second quarter to 1,038 at the end of the third quarter. We believe that this high quality growth will form a solid foundation for our future development.

At the same time, we are also improving retention by continuing to provide professional training to our relationship managers and expanding marketing activities to build our client base. As a result, we had no turnover of top-performing relationship managers during the quarter. In the third quarter, 100 of our top-performing relationship managers went to Switzerland to participate in 7 days of training on core content including family office wealth management and asset allocation. It was very effective.

We believe high net worth clients continue to demand high touch one-on-one service, whereas we can service our white collar clients through our internet finance platform.

Our new family office and discretionary portfolio management services business has performed well since its launch earlier this year. We have found that ultra-high net worth and family office clients are more willing to learn about and embrace asset allocation and discretionary portfolio management services. They are also motivated to learn about global asset allocation and wealth management planning. By the end of the third quarter, our family office business unit managed an aggregate of over 50 client accounts.

We have also witnessed growing demand from clients. We believe global asset allocation will be our next growth point. After we established strategic partnerships with McKinley Capital Management and UBP in the third quarter, we recently announced a partnership with UK Trade

& Investment or UKTI to provide our clients with tailor-made investment channels in the UK. Noah is the first wealth management firm in China to partner with UKTI.

Now, I'd like to provide an update on Gopher Asset Management.

Established as a multi-boutique investment firm, Gopher Asset has continuously enhanced its investment and asset management capabilities and increased assets under management. It is now one of the most prominent players in terms of venture capital and private equity funds of funds in China, and continues to innovate in terms of product line and asset class. Gopher Asset has already developed mature teams for each product line including PE/VC fund-of-funds, real estate fund-of-funds, open market fund-of-funds and alternative credit products denominated in both Renminbi and US dollars, and has launched relevant products and continues to enhance its investment capabilities.

As of September 30, 2015, Gopher Asset had RMB77 billion assets under management, a 63.8% increase from the end of the third quarter of 2014. In terms of asset categories, real estate funds and real estate funds of funds accounted for RMB30.7 billion, private equity funds of funds accounted for RMB32.1 billion, and secondary market funds of funds accounted for RMB10.4 billion, and other funds of funds accounted for RMB3.8 billion. This is the first time that the private equity funds of funds under management have surpassed real estate funds of funds.

Gopher Asset Management has made excellent progress building the teams to manage every product line. Going forward, Gopher Asset Management will continue to invest in building investment capabilities. In terms of PE/VC fund-of-funds, we will systematically review the more than 1,000 projects that we have invested in to develop insights into specific industries. This will improve our co-investment capabilities and enhance our ability to evaluate different fund products. We believe real estate funds will be increasingly fragmented in the long term, so for project investment, we will be more cautious on selecting good quality partners and focus on familiar regions. For the previous assets, our focus on exit strategy has delivered good results. For real estate fund of funds, we have started to focus more on real-estate related equity investments. In terms of the secondary market, we have increased our coverage and made strategic investments in non-performing asset disposal funds and good operators.

In the public market, our hedge fund of funds and quant fund of funds have passed the test of the market. Both our team and strategy have received significant recognition by the market and our clients. Despite significant market volatility, our scale has not only increased, but so has customer satisfaction and our brand image. Gopher plans to take more initiatives to diversify secondary market products going forward.

Lastly, I would like to discuss the progress of our mid and back-office initiatives. Earlier this year, we talked about building a forward-looking mid and back office platform that could service the growth of our business in the mid to long term. So far, the development of our core business systems including the CRM and finance systems are all progressing on schedule and some have already come online – greatly improving our operational efficiency.

At the same time, we believe that attracting talent and helping them achieve their full potential is critical to Noah's long term growth. In the first half of the year, we launched a training program for future business leaders. We have selected over 100 high potential, mid-level employees from each business unit to join this program so we can develop Noah's management team for the next decade. Our senior management team has also been very stable this year, and has demonstrated the ability to collaborate closely and integrate and implement our strategies.

Now, I will turn the call over to Ms. Jingbo Wang, Chairman and CEO of Noah to give an update on the development of our global, open architecture product platform, progress in internet finance, and other strategic initiatives.

Jingbo Wang – Noah Holdings Co-founder, Chairman & CEO

Thank you, Kenny.

November 10th was the 10 year anniversary of Noah's founding, and the five year anniversary of our IPO on the NYSE. To us, it was also the beginning of the second phase of innovation and development of our company. The wealth and asset management industry in China is massive in scale and has huge potential. And with our deep experience and understanding, Noah is an important player in the industry. In the next 10 years, we are confident that we will have even more stable growth.

Noah is positioned as a wealth management firm with outstanding asset management capabilities that serves Chinese people all over the world. Over the past ten years, we have maintained our focus on building our core competitive advantages in wealth and asset management. We have continuously improved our capabilities in research, product selection, risk control, and asset management capabilities. We have also enhanced the professional service of our relationship managers and continuously strived to understand our customers' needs. By starting from customers' long term goals, we have worked with our customers to protect and build their assets.

By maintaining our commitment to Noah's core values and our focus on long term goals, we may give up some short term profit and even lose some customers. But this approach has enabled us to build a high quality base of long term customers that recognize Noah's value.

Protecting client assets through appropriate asset allocation and staying true to our principles of long term investing and value investing have helped us maintain strong, high quality relationships with our clients, and also have contributed to the healthy development of China's wealth management market.

In the first three quarters of 2015, we saw "irrational activity and panic" in the domestic capital markets. In the third quarter, investors and the market started the process of "post-disaster recovery", which has seen a rebound in confidence, improved policies and investor education on risk management. As a participant in these markets, we have learned and reflected a lot. The market has once again reminded us that we need to maintain our focus on a long term and sustainable approach. In the third quarter, due to the volatility in the capital markets and slowdown in the economy, we saw a reduction in invested assets across the broader market. We believe that this trend will continue for a period of time, but the most important thing in the wealth management market at the moment is not generating income, it is managing risk.

1) In the third quarter, the allocation to secondary market products declined from 44.7% in the second quarter to 15.6% in the third quarter, of which 25% was invested in quant funds and hedge funds. At the same time, we selected value-oriented funds with exceptional risk control and volatility management, and recommended them to our clients. Although the cost of capital continued to decline and there is substantial institutional liquidity, we still maintained our principle of not participating in any secondary market financing, or distributing any leveraged secondary market products.

2) In terms of the primary market, we did a lot of preparation and selected the best fund managers in the market. We took a counter-cyclical position by expanding the scale of PE funds including Angel funds, VC/PE, Funds of Funds, privatization funds, distressed asset funds, and M&A funds, and lock in the best fund managers. In the third quarter, the aggregate value of new investments in private equity funds was RMB10.3 billion, a 464.5% increase year-on-year. These products accounted for 39.4% of wealth management products distributed in the third quarter. We are confident that our future performance will underscore our competitive strength in this asset class.

3) In terms of fixed income products, we increased the proportion of these products from 20.3% in the second quarter to 29.0% in the third quarter. Despite this, we still maintained restraint as we have found that all types of fixed income products available on the market have substantial risk. Our core principles are locking in high quality counterparties and improving systematic risk management capabilities. We have made considerable progress in this asset class, particularly in relation to consumer credit and supply chain finance. In the third quarter, our fixed-income product strategy was focused on controlling volume and strengthening risk management. And we continued to enhance the quality of the underlying assets and the strength of our counterparties.

4) In terms of strengthening our overseas product platform, we understand that improving product selection and research capabilities will be the foundation of our future development, and building the team is key. In the third quarter, the Noah Hong Kong team reached 79 people, and overseas asset allocation increased by RMB3.5 billion, a 252.2% increase year-on-year, and a 14.2% increase from last quarter. As of the end of the third quarter, overseas cumulative

AUM reached more than RMB11.2 billion, a 265.2% increase year-on-year, and a 31.8% increase from last quarter.

5) Looking at the culture and medical industries has always been a focus of our research. As these industries develop and we increase our efforts to research and collaborate with high quality counterparties, we are confident that Noah's competitive advantages in this area will become increasingly clear.

Looking at our history, it is clear that we are not a company that is significantly impacted by cyclical volatility. And this round of volatility has presented us both challenges and opportunities. We have noted that the exceptional wealth and asset management firms always lose market share during bull markets and gain market share during bear markets.

The recent market volatility has also helped our clients and relationship managers mature. We continue to emphasize the importance of asset allocation in wealth management. Our high net worth clients are increasingly accepting of this concept and the recent rise in systemic risk has helped them to recognize this even more. In the third quarter, we launched the "Enoch wealth management class" - a series of investor education sessions and forums to help our clients better understand asset allocation strategies to take account of cycles, geographies, asset categories and currency exposure.

At the same time, a growing proportion of high net worth clients are increasing their overseas asset allocation. Noah Hong Kong's product platform provides Chinese clients with many opportunities to select outstanding overseas assets. From product selection to overseas asset management, we continue to invest in continuous communication and training for clients and relationship managers and heavily promote international asset allocation.

Now, I would like to share an update on our rapidly developing internet finance initiative. On the 11th of October, Noah's YuanGongBao platform officially changed its name to "Caifupai". This name change is a brand update that has expanded the positioning of the platform from enterprises plus white-collar professionals, to the broader target market of all white collar professionals. Caifupai is a comprehensive online financial service platform built on trusted referrals between white collars professionals. We believe this new brand will better serve this high potential group with investable asset of RMB100,000 to RMB1 million, who pursue wealth, have dreams, and are accustomed to using the internet.

Due to the significant volatility in the third quarter, the quality of fixed income products declined very rapidly. Caifupai's and Noah's strategy were fully aligned – we proactively limited the volume of fixed income products and benchmarked asset quality to ensure that only high quality assets were distributed. At the same time, Caifupai focused on building the user base and by the end of the third quarter, registered users had increased by 3,470% over the year ago period. The average transaction value per client was approximately RMB 100,000. By the end of the third quarter, Caifupai added more mutual funds and collateralized loan products. We also completed the product transfer platform and continued to optimize the customer experience, and built recognition amongst white collar professionals. The ongoing diversification of products and services will be the basis of Caifupai's transformation into an online, wealth management supermarket for white collar professionals.

In the third quarter we also started to set up regional teams at Noah's subsidiaries to promote the platform and expand our customer base. We are very pleased to see Caifupai reach the first level of development and now we are entering a new phase of rapid growth. Caifupai has the right team for the job – they have deep understanding of the Internet, and Noah has in-depth knowledge about finance and risk management. We believe that this combination of expertise will enable Caifupai to stand out from the competition.

Now I would like to talk about some developments in the capital markets. As ever, value investing, long-term investing and asset allocation remain our core principles. After this round of market volatility, investors, industry professionals and regulators are becoming more mature, which we believe will lead to the sustainable development of the market. We are confident that the wealth management and asset management industries in China have a bright future. In terms of policies, China has officially entered a period of negative interest rates, with the People's Bank of China announcing an interest cut in October.

At the same time, China's interest rate liberalization is close to complete. On the 23rd of October, the PBOC announced the lifting of the floating ceiling on deposit rates at commercial banks and other financial institutions. China has essentially ended interest rate controls, which will result in the liberalization of interest rates. Currently interest rates cannot cover losses caused by inflation, which essentially means that there is a negative interest rate, which is in turn causing bank deposits to shrink. This will speed up the transfer of wealth from bank deposits to wealth management.

Recently, we have seen the speed of corporate debt issuance increase and the process become more convenient, market interest rates have continued to decline, and the IPO market has reopened. These signs all give us confidence because the major function of the capital markets is to supply the capital needed to drive economic development, and financing is a key part of this. We believe that the ongoing improvement in the market, development of standardized financial products, reopening of the IPO market, and expected reform of the registration system will lead to the sustainable development of China's capital markets. And in turn, this will create huge opportunities for Chinese wealth management companies, including Noah.

Since Noah was founded 10 years ago, we have now been operating in the capital markets for five years. Helping our customers keep their wealth through more than three generations is our goal. When compared to the huge scale of the wealth and asset management industries, we are still a start-up and we have a long way to go. In this era of rapid development, continuous reinvention, and disruptive mobile Internet applications, Noah needs to constantly reflect on our progress, optimize our business model. We are confident that if we continue to strengthen our core competencies, adhere to the values of sustainable development, reflect and then act, then we will continue to optimize our business and deliver value to our shareholders and customers.

Now I will turn the call over to our CFO, Ching Tao, to review our financials. Thank you.

Ching Tao – CFO of Noah

Thank you, Chairman Wang and hello everyone. Today, I'll give a high-level overview of our Q3 results and then open the call up for questions.

As Kenny and Chairman Wang have noted, Q3 was another solid quarter for us. We had a year-over-year increase in net revenues of 31.4% to $82.6 million. Non-GAAP net income grew 34.8% year-over-year to $26.2 million, both of which are largely in line with our expectations.

We distributed approximately $4.1 billion worth of wealth management products in the third quarter, a 41.8% increase from the same period a year ago. You can find a break-down of operating metrics in our wealth management business at the back of the earnings release.

The weighted average one-time commission rate for the third quarter was 0.72% compared to 0.91% in the same period last year and 0.78% in the second quarter of 2015. The minor fluctuations in the commission rate are primarily due to shifts in our product mix.

Recurring revenues were $41.0 million, accounting for 50% of net revenues in the third quarter of 2015 compared to $34.8 million in Q3 of 2014 or 55% of net revenues. The decline in recurring revenues as a percentage of net revenues was primarily due to a change in product mix in our wealth management business, and a change in the composition of asset types in our asset management business. Going forward, we still expect recurring revenues to account for around 50% of net revenues in the long term.

We had impressive revenue growth in internet finance of 304.6% year-over-year, though from a lower base, reaching $2.5 million. We're pleased with the way this segment is growing and we'll continue to invest in what will be an important part of the Noah offering in the long-term.

We received $9.5 million in net revenues from performance based income during the third quarter related to the positive performance of secondary market products, compared to $2.1 million in the year ago period. We recognize performance based income when cash inflow can be reasonably assured.

And now for profitability… Operating margin in Q3 was 33.9% compared to 36.4% in the year ago period. The decline was primarily attributable to the faster growth of operating expenses in the wealth management and internet finance businesses compared to revenues. Non-GAAP net margin was 31.8% compared to 31.0% a year ago.

Our balance sheet remains very healthy. As of September 30, 2015 the Company had approximately $428.1 million in cash, short-term investments and long-term investments, an increase of about $17.0 million from the previous quarter.

We posted positive operating cash flow in the third quarter of $64.2 million, which was primarily due to the cash inflow along with the increase in accrual for compensation and benefits, and income tax payables.

I would also like to provide an update on our share repurchase program. On July 8 the board of directors authorized a share repurchase program of up to US$50 million worth of outstanding ADSs over the course of one year. As of September 30, 2015, the Company has repurchased 356,515 ADSs for approximately US$7.0 million under this program, inclusive of transaction charges.

Accounts receivable turnover was 76 days, compared with 61 days last quarter.

Finally, I would like to reiterate our net profit guidance for 2015. We expect non-GAAP net income to be between $90 million and $95 million for the full year of 2015. The mid-point of this range represents year-over-year growth of about 20%. This growth rate reflects the strong fundamentals and steady profitability in our core businesses.

With that, Chairman Wang, Kenny and I would be happy to take any questions.

Q&A

[Operator]

Thank you. (Operator Instructions). Sam Dubinsky, Carlson Capital.

[Sam Dubinsky- Carlson Capital]

Thank you for taking my question. I saw you had a very big uptick in government subsidies this quarter. What exactly is that? How much is repeatable going forward?

[Ching Tao – CFO of Noah]

Government subsidies are a form of rebate from business tax, which is taken off of gross revenue to get to net revenue. We typically receive these every year, but they're negotiated with the local tax authorities and they can be lumpy in terms of payment. So I would suggest you look at them on a year-over-year and an annualized basis.

So generally speaking, we've received them over the past several years. These are typically long-term arrangements, 8 to 10 years that we have with local tax bureaus. For example, when we open up new branches or regional offices in new areas, that's where they're happy to give us a little bit of a tax break because we're helping with economic development.

But because it's related to business tax, they're booked above the operating income line in the form of a government subsidy as opposed to below the operating income line as a tax rebate.

[Sam Dubinsky- Carlson Capital]

Okay. In terms of magnitude going forward, I know it's lumpy, but Q4 or next year, which is a pretty big quarter, how much do you think is a good number to think of going forward?

[Ching Tao – CFO of Noah]

I can't really say. We receive them every year. They typically are lumpy in payments quarter-over-quarter, but on an annualized basis, I'd suggest you take a look at the relationship to perhaps net revenue.

It's not something where, as you can imagine, the local tax bureau will sign a contract with us and commit to paying a certain amount at a certain time, but these are longstanding relationships we have. And they're supportive of building out our branch network and hiring relationship managers and adding to the economic development of the local area.

[Sam Dubinsky - Carlson Capital]

Okay. And then in terms of active clients, you saw a sequential decline this quarter. What's the trend looking like for Q4 and how do we think about that?

[Ching Tao – CFO of Noah]

Generally, as is typical for previous years as well, Q4 is quite strong. We are about to do a significant client event that we always do around the end of the year. It's basically for our top-tier diamond-level clients. So about 3,000 of them are going to be attending the event over a series of five sessions. So we expect Q4 to be solid, consistent with previous guidance, so we're not changing our non-GAAP net income guidance.

[Kenny Lam – Group President of Noah]

Sam, I'll add to that. This is Kenny here. The third quarter you see the market, there's indeed a structural change in terms of the economy, and therefore, the clients are sitting a bit on the side-lines. We do see on average, in terms of transaction value, there's an increase, and so we're actually quite comfortable that this is actually something that is not a long-term trend.

[Sam Dubinsky- Carlson Capital]

Okay. And then what about OpEx, how should we think about that in 2016?

[Ching Tao – CFO of Noah]

In terms of operating expenses for 2016, we continue to believe they will trend the way they've been going accordingly. So as you know, we've been investing heavily in sales in our platform businesses. So we're going to continue to invest in the internet finance business, which is still currently loss-making.

We're also heavily investing in IT, infrastructure and talent because you'll see that employee-related expenses have been growing a little bit faster than revenues historically, but I can't comment more specifically on 2016. We expect 2016 guidance to come out in first quarter of 2016. It would be in March, about the same time as we do our fourth quarter earnings. That's when we put out guidance for the following year.

[Sam Dubinsky- Carlson Capital]

Okay.

[Kenny Lam – Group President of Noah]

And then I'll let -- Chairman Wang would also answer that question as well on OpEx.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Kenny Lam)*]

So what she said is that our focus on investment would still be in the new businesses. We've seen a lot of investments actually in the internet finance area.

You also see that our relationship managers have actually grown substantially in the last year, mostly to ensure that we have a set of relationship managers that we've been able to train for a period of time in order for us to capture new market share coming in the new year. So the investment I think for both our core businesses as well as new businesses.

[Sam Dubinsky - Carlson Capital]

Okay, great. And then in terms of your performance income, you're still recognizing some high-level performance income. I believe some was due to secondary market funds. How do we think about performance income going forward? Is that trending off in your guidance or is it repeatable?

[Ching Tao – CFO of Noah]

Again, I want to reiterate that our accounting policy is we recognize carry or performance-based income on a cash-settled or close to cash-settled basis. So we do not accrue for it.

[Sam Dubinsky - Carlson Capital]

Okay.

[Ching Tao – CFO of Noah]

I do have a little bit built into the -- I have a conservative visible estimate of performance-based income built into the non-GAAP net income guidance, which is $90 million to $95 million, but otherwise I can't comment. So for the longer dated funds in particular, the real estate and PE funds, is only recognized upon the termination and cash settlement of the fund.

For the secondary equity market products, it's typically there's a redemption window every quarter or every 6 months at the end of the quarter. And so literally we don't recognize it until the end of the quarters.

[Sam Dubinsky - Carlson Capital]

Okay. And my last question is how much of your Gopher AUM had an increase this quarter? How much was money raised versus performance?

[Ching Tao – CFO of Noah]

In terms of the Gopher AUM increase, we show that all on a net cash or historical cost basis for two reasons. It's very difficult to get any of these and there's no direct mark-to-market reporting requirement onshore in China. So I want to note that the net increase in AUM is on a cash historical cost basis.

[Kenny Lam – Group President of Noah]

So it's all cash basis, not related to markets.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Kenny Lam)*]

So the increase in AUM indeed was a result of our performance in the market. So Gopher was actually able to attract a lot of new AUM as a result of our performance.

[Sam Dubinsky- Carlson Capital]

Okay. Thank you very much.

[Operator]

Anson Huang, Credit Suisse.

[Anson Huang – Credit Suisse]

I actually have two questions for the management, like broader questions, first, about the low rate environment and second about the competitive landscape; as Chairwoman Wang has mentioned, that the low rate environment may last for a long time in China. So what will be the opportunity and the challenges for Noah?

Previously, our clients made [fixed] high-yield assets and then go to Noah for some help. With the rate environment continue to be low, so what will be the opportunity and the challenges for Noah?

The second question is about the competitive landscape. If you look at domestic OTC BoardChina Science & Merchants Investment Management Group or JD Capital, they are [co-listed] in domestic OTC Board; although not comparable, but if you look at the total market cap, actually they're even larger than Noah. So China Science & Merchants Investment Management Group or JD Capital, they're not only competitors of Noah, but also strong competitors of Noah. So what's the view of management, first, the competitive market cap? Do we think that we are undervalued compared to our competitors or not?

And secondly, the second question is what will be the key initiative for us to compete with China Science & Merchants Investment Management Group or JD Capital if we want a higher market cap? Thank you.

[Ching Tao – CFO of Noah]

Okay. Thank you. I suggest we take the questions one-on-one and give us a chance to translate for Chairman Wang. Thank you.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Ching Tao)*]

Okay. So Chairman Wang is saying that we've already seen that there's a lot of risk in the fixed income and the fixed-income types of products, and so we are carefully managing that risk. And we'd rather in the short to medium term do less business in these riskier products and not have our clients lose money.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Ching Tao)*]

So regarding asset allocation, our products in particular, we do have some strategies where we're trying to actively help our clients diversify their risk and diversify their asset allocation to better preserve returns.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Ching Tao)*]

But I'd rather not be specific, as we also have some competitors here on the call with us. Thank you.

[Ching Tao – CFO of Noah]

So for the second part of your question, it sounds like, sir, you're able to speak Chinese. So can you please repeat your question in Chinese for Chairman Wang to hear it directly? And then we will translate the answer back into English. Thank you.

[Jingbo Wang – Chairman and CEO of Noah *(interpreted by Ken)*]

So Chairman Wang said that JD Capital and China Science & Merchants Investment Management Group are somewhat different than us. For instance, JD Capital is more of a privateequity, so their business model is different than ours. So going forward, we'll just have to see where all the risks and challenges are and make the best decisions going forward.

[Kenny Lam – Group President of Noah]

But in terms of the PE market, we actually are already covering most of the PE managers, so we think that in terms of competitive positioning, we're actually quite well placed. So we're not actually quite -- we're not concerned with these competitors.

We're actually focusing on our core competitive advantages. We of course think that our valuation is actually low compared to many of these competitors, but we're not focused on that. We're actually much more focused on building our businesses.

[Kenny Lam – Group President of Noah]

Operator, we can go to the next question please. Thanks.

[Operator]

Thank you. Alex Harbin, DM Capital.

[Alex Harbin – DM Capital]

I had a couple of [questions]. One is about the cash position. You guys, over the years, have pretty much just seen continuously increasing cash positions. And I'm wondering if you have any plans to deploy this into assets that would build higher returns to you.

And secondly, just how are you guys positioning yourselves, beyond HK expansion, for capital account liberalization; really more and more about how Chinese wealthy individuals are fleeing Chinese asset classes? And given the expected direction of the (inaudible) and so forth, that this trend is probably going to continue. So how do you guys see that developing going forward and positioning yourselves? Thanks.

[Kenny Lam – Group President of Noah]

Great. Alex, thanks for the questions. I think on the cash position, we are actually actively looking at the cash and ensuring that we're doing our best to get the best return on this. In terms of usage of that cash, every quarter, the management would screen opportunities globally to see if there are things where we could actually deploy cash.

We can't say too much right now, but we are actually actively looking to ensure that we get the best return. This potentially could include acquisitions or JV opportunities. So we are active in looking at that and we will deploy it when we think it's actually at the right timing. We don't want to deploy cash for the sake of deploying cash. We need to be quite cautious in how we think about acquisitions and JV. So that's the question on cash.

In terms of expansion, I think it's a similar thought, which is we are focused on building a solid base internationally. I think Hong Kong, you've seen that we've grown quite substantially in Hong Kong the last year. I think what we wanted to do is to make sure that we focus on building a great mid-back office to service our clients out of Hong Kong, before we considered expanding further globally.

We think Hong Kong, you see the business actually has been tremendous, and so just making sure that we have a solidified platform is quite time-consuming. So we think that's actually a good start. We don't have any immediate international expansion plans beyond Hong Kong at the moment.

[Alex Harbin – DM Capital]

Okay. Thanks.

[Operator]

Thank you. (Operator Instructions). Julie Chen, [TICC].

[Julie Chen – TICC]

I have three questions here and the first is for Ching. We see the selling expenses in the third quarter increased to 36% quarter-over-quarter while the transaction value saw a decrease of about 8%. We know that it's partly affected by bad performance in Asia market, but could you give us a prediction or guidance of what extent this will lead to the high marketing and related expenses? And I have a --

[Kenny Lam – Group President of Noah]

Let's answer one question by -- can we answer question-by-question? Is that okay?

[Julie Chen – TICC]

Okay. Okay.

[Ching Tao – CFO of Noah]

Yes, so we'll take them question-by-question. In particular for third quarter, our selling expenses grew a little bit because in July and August, we did a number of client communication events across our eight major regions to handle and reassure and continue to educate our clients on asset allocation, portfolio diversification. So it was actually a really good time for us to be doing that.

As Chairman Wang mentioned on the second quarter call, when the market's a little bit irrational and soft markets are going irrationally, it's actually more challenging for us to communicate with clients. So right after the stock market crash, we felt it was a really great time to be communicating with them.

And we've seen that, even though transaction values quarter-over-quarter have been down, they're still significantly up year-over-year. And we continue to believe that with these client communication events, we can, over time, continue to gain market share.

So I expect to be continuing to be doing that a little bit, but not in any way that's going to significantly impact our margins. The main impact to our margin is still investing in the new business areas, as Chairman Wang mentioned.

[Julie Chen – TICC]

Okay.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Ching Tao)*]

And just to add to that, Chairman Wang is saying the other reason, over time, our selling expenses are growing is we are adding to our branch network in the cities we cover. So we've added one more city and are continuing to hire relationship managers, in particular. As you've seen one of our competitors have just gotten listed. We feel that this is a good opportunity to continue to expand our nationwide coverage in China.

[Julie Chen – TICC]

Okay. Then the second question to Chairman Wang -- we also noted that Yuangongbao has updated to Caifupai as you mentioned in this conference call earlier, that the new type (inaudible) is going to expand from the online to leverage our offline advantage.

I want to know this kind of online tool, offline expansion, how it will happen? And in next year, do you have any guidance of the budget you will invest in Caifupai now, things like updates from a closed cycle to a more open cycle to attract more investors from online. Will you give more advertise fees for this kind of investment?

[Jingbo Wang – Chairman and CEO of Noah *(interpreted by Kenny Lam)*]

Okay. So let me actually translate that into English first.

So in terms of strategic partners and investors for our Caifupai, we intend to continue to invite new strategic investors. We think that for this particular part of business, having strategic investors that would provide synergies to our business. This is actually key.

In terms of our investment for the upcoming year on Caifupai, we can't give a specific number just yet, but we will continue to invest in this part of the business. So that will continue to be in an investment mode for this part of the business.

In terms of the first question about the online-offline approach of the Caifupai, we think that for this particular business, it is indeed necessary for us to provide an online platform, combined with an offline team partially as a way to build communities and leverage our client base. We built Caifupai as an adjacent business to our current client base, and therefore, it's quite natural for us to basically leverage both online and offline to build this online business.

Next question please. Thanks.

[Operator]

Thank you. [Hong Chen, KBG] Capital.

[Hong Chen, KBG Capital]

I just want to ask about the -- because right now I see the OpEx is growing much faster than both revenue and net income. I don't know how much your investment is. You have the investment in the IT system contributed to that increase, but I just want to know -- right now, a lot of companies, they're moving to cloud computing to reduce the cost of internal IT system. And how important is cloud computing in your long-term IT strategy?

[Ching Tao – CFO of Noah]

So I'll take that question. Over the past year and certainly into potentially the first half of next year, we're going to continue to invest in our IT systems. We're currently upgrading a number of core systems such as the CRM and then by the end of the year also the finance system.

Overall, I expect the investment to be around RMB100 million or roughly $15 million or in that ballpark; about two-thirds of which will be capitalizable in hardware, software, and one-third will be directly expensed. These are long-term system upgrades. As a financial services company, you have to upgrade your systems fairly frequently, at least every 3 to 5 years or so. So this is high time for us to be doing that.

In terms of your question more specifically on cloud computing, that's definitely something we're looking into going forward. But we need to upgrade our overall ERP and enterprise software platform before we can then consider storage solutions. And so that's definitely part of the long-term strategy, but I have no immediate comment on cloud computing.

[Kenny Lam – Group President of Noah]

I think just to add to that, this year indeed, we were quite conscious in ensuring that we have upgraded our IT system across different businesses to build the next 10 years basically. And so indeed, there's a lot more investment in terms of mid and back office than usual, but we're trying to make sure that we're running on a well-oiled machine than a broken machine.

[Operator]: Matt Fortune, Duke.

[Matt Fortune – Duke]

Congratulations, Ms. Jingbo Wang, on building a nearly $2 billion company. So congratulations for you and your management.

My question is I know that Noah is a rapidly growing company. When do you foresee that Noah will be paying its dividends? And if so, when do you anticipate its long-term shareholders can expect to get dividends? Thank you.

[Ching Tao – CFO of Noah]

Okay. Just as a note, for the past 2 years, for 2014 and 2013, we stopped paying a dividend, so we paid a dividend through 2012. The reason we stopped in the last 2 years is to take some of the operating cash and continue to invest significantly in our growth platform, consistent with what Chairman Wang was saying about completing the first 10 years of our operations.

And now in the second -- in the early part of the next 10 years, we want to continue to invest in new businesses and scalable parts of our platform to achieve significant growth. And through that, we hope to continue to deliver good returns to our shareholders.

More specifically, we will not be making a decision on whether or not we will pay a dividend for 2015 until later this year when the Board meets later this year. There's nothing specific I can comment on that. And then I'd like to have Chairman Wang add her comments.

[Jingbo Wang – Chairman and CEO of Noah *(Interpreted by Kenny Lam)*]

So let me translate what Chairman Wang said.

Basically, we have continued to invest a lot. Beyond the obvious Caifupai business, actually there's a lot that we don't see as quite apparent; for example, the payment system that we've actually invested. You see that in Caifupai, our average transaction value is about RMB100,000, which is actually way more substantial than many competitors, which is usually about RMB2,000.

The key reason for that is the payment experience that we've actually built in-house. And that's something that you'll see in our financial statements where we actually invested a lot in our own payment system, for example. That's one of a few areas that we are actually building behind the scenes. And we believe that we will continue to invest in these infrastructures that will continue to build our business.

Overall, we're very satisfied with the margin that we're able to maintain while investing heavily in the new growth platforms.

[Operator]

Thank you. At this time, we're showing no further questions. I'll now hand back to Mr. Kenny Lam for closing remarks.

[Kenny Lam – Group President of Noah]

So if there are no further questions, I want to thank all of the participants and investors for participating in this call. Thank you.

[Operator]

Thank you. That does conclude the conference for today. Thank you for your participation. You may now disconnect your lines.