

Noah Holdings Ltd  
Form 20-F  
April 24, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2014.**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-34936

**NOAH HOLDINGS LIMITED**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

No. 32 Qinhuangdao Road, Building C

Shanghai 200082, People's Republic of China

(Address of principal executive offices)

Ching Tao, Chief Financial Officer

Noah Holdings Limited

No. 32 Qinhuangdao Road, Building C

Shanghai 200082, People's Republic of China

Phone: (86) 21 3860-2301

Facsimile: (86) 21 3860-2320

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class  
American depositary shares, two of which represent

Name of exchange on which registered  
New York Stock Exchange

**one ordinary share, par value US\$0.0005 per share**  
**Ordinary shares, par value US\$0.0005 per share\***

\* Not for trading, but only in connection with the listing on the New York Stock Exchange of the American depositary shares

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**

**(Title of Class)**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

**(Title of Class)**

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. 29,123,118 ordinary shares issued, with 28,055,302 ordinary shares outstanding and 1,067,816 shares in treasury stock, par value US\$0.0005 per share, as of December 31, 2014.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

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**INTRODUCTION**

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

**active clients for a given period** refers to registered clients who obtain wealth management or asset management products or services distributed or provided by us during that given period. For clarification purposes only, **active clients** does not include white-collar professionals who obtain internet finance products or utilized internet finance services distributed or provided by us during that given period;

**ADSs** refers to our American depositary shares, two of which represent one ordinary share;

**asset management plan** refers to an investment arrangement under which a mutual fund management company or its subsidiary (unless otherwise indicated, collectively referred to as mutual fund management company) or securities company, in its capacity as trustee, manages funds entrusted to it by multiple sources for the interest of the entrusting parties by investing the entrusted funds in pre-determined assets or projects to generate returns for the beneficiaries. Asset management plans can be traded through exchanges under the relevant PRC laws and regulations;

**assets under management** or **AUM** refers to the total market value of the assets we manage, for which we are entitled to receive fees, performance-based income or general partner capital;

**China** or the **PRC** refers to the People's Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;

**fixed income products** refers to products that are distributed or managed by us with prospective fixed rates of return, which return is not guaranteed under PRC laws;

**mutual fund** means a securities investment fund as defined under the PRC Law on Securities Investment Fund, which raises capital through public offerings of fund shares within the territory of the PRC, are managed by fund managers and placed in the custody of fund custodians, and invest in securities portfolios for the holders of fund shares;

**NYSE** refers to the New York Stock Exchange;

**ordinary shares** refers to our ordinary shares, par value US\$0.0005 per share;

OTC wealth management products refer to products provided by third parties that we distribute and are not traded through exchanges. Such products may include fixed income products, private equity fund products, private securities investment fund products and insurance products. For purposes of clarification only, when we refer to our wealth management business, we mainly refer to our distribution-related business which may include the distribution of both wealth management products and asset management products. Mutual fund products and asset management plans are not considered OTC wealth management products;

OTC asset management products refer to products that are not traded through exchanges and are managed by us or for which we serve as the investment advisor, primarily consisting of various types of fund of funds and real estate funds. For purposes of clarification only, when we refer to our asset management business, we mainly refer to our business related to our proprietary fund management or investment advisory business;

registered clients refer to high net worth individuals and enterprises registered with us and wholesale clients that have entered into cooperation agreements with us. For clarification purposes only, registered clients does not include white-collar professionals who registered with us and utilized some of our internet finance services;

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RMB and Renminbi refer to the legal currency of China; and

trust plan is a collective investment arrangement under which a trust company, in its capacity as trustee, manages funds entrusted to it by multiple sources for the interest of specified beneficiaries (often the same as the entrusting parties), by investing the entrusted funds in pre-determined assets or projects to generate returns for the beneficiaries. Investments in trust plans are referred to as trust products.

Unless the context indicates otherwise, each of we, us, our company, our, and Noah refer to Noah Holdings Limited and its subsidiaries and variable interest entity and the variable interest entity's subsidiaries. The conversion of RMB into U.S. dollars in this annual report is based on the certified exchange rate published by the Board of Governors of the Federal Reserve Bank. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at the average of the daily noon buying rates set forth in the H.10 Statistical release of the Federal Reserve Board in effect for the period reported.



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**FORWARD-LOOKING STATEMENTS**

This annual report on Form 20-F contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. Known and unknown risks, uncertainties and other factors, including those listed under Risk Factors, may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as may, will, expect, anticipate, aim, estimate, intend, plan, believe, likely to or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include:

our goals and strategies;

our future business development, financial condition and results of operations;

the expected growth of the wealth management, asset management and internet finance industries in China and internationally;

our expectations regarding demand for and market acceptance of the products and services we distribute, manage or offer;

our expectations regarding keeping and strengthening our relationships with key clients;

relevant government policies and regulations relating to our industry;

our ability to attract and retain quality employees;

our ability to stay abreast of market trends and technological advances;

our plans to invest in research and development to enhance our product choices and service offerings;

competition in the wealth management, asset management and internet finance industries in China and internationally;

general economic and business conditions in China and internationally; and

our ability to effectively protect our intellectual property rights and not infringe on the intellectual property rights of others.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

A. Selected Financial Data

**Selected Consolidated Financial Data**

The following selected consolidated financial information for the periods and as of the dates indicated should be read in conjunction with our consolidated financial statements and related notes and Item 5. Operating and Financial Review and Prospects in this annual report.

Our selected consolidated financial data presented below for the years ended December 31, 2012, 2013 and 2014 and our balance sheet data as of December 31, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP. Our selected consolidated financial data presented below for the years ended December 31, 2010 and 2011 and our balance sheet data as of December 31, 2010, 2011 and 2012 have been derived from our audited financial statements not included in this annual report.

During the past two years, we have gradually transitioned from a wealth management consulting services provider to an integrated financial group with capabilities in wealth management, asset management and internet finance. Prior to 2013, we derived our revenues primarily from our wealth management business. In 2013, our asset management business began contributing a significant portion of our revenues, and we derived our revenues primarily from our wealth management and asset management businesses. In the second quarter of 2014, we launched our internet finance platform as a part of our internet finance business, and since then, we have derived our revenues from our wealth management, asset management as well as internet finance businesses. In order to better reflect such transition, we have adjusted our internal organizational and corporate structures in the fourth quarter of 2014. In line with current business operations and corporate strategy, starting from the fourth quarter of 2014, we separately present breakdowns of our financial information into three business segments: wealth management, asset management and internet finance, in addition to the consolidated financial information for the group. Financial results for each segment in prior years are also presented accordingly, in order to provide clearer comparison against the 2014 numbers. See Item 5. Operating and Financial Review and Prospects.

As part of the new segmentation, compensation and benefits, which includes salaries and commissions paid to relationship managers, performance fee compensation and salaries and bonuses for other middle and back-office employees, are reclassified from each line item of operating cost and expenses to be presented as a separate line item.

Comparable data of prior periods have also been adjusted accordingly. For more details, see Item 5. Operating and Financial Review and Prospects and Note 2 Summary of Principal Accounting Policies in the consolidated financial statements included elsewhere in this annual report.

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	<b>Year Ended December 31,</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>(US\$, except share data)</b>				
<b>Revenues</b>					
<b>Third-party revenues:</b>					
One-time commissions <sup>(1)</sup>			39,486,943	57,972,609	68,698,354
Recurring service fees <sup>(1)</sup>			25,321,982	32,951,345	51,892,138
Other service fees <sup>(1)</sup>			971,923	5,065,113	8,864,477
Third-party revenues	30,996,179	63,636,367	65,780,848	95,989,067	129,454,969
<b>Related party revenues:</b>					
One-time commissions <sup>(1)</sup>			9,392,131	20,841,594	29,322,581
Recurring service fees <sup>(1)</sup>			16,590,593	55,508,435	90,885,669
Other service fees <sup>(1)</sup>				979,839	12,585,342
Related-party revenues	9,068,669	12,724,077	25,982,724	77,329,868	132,793,592
Total Revenues	40,064,848	76,360,444	91,763,572	173,318,935	262,248,561
Less: business taxes and related surcharges	(2,201,289)	(4,197,118)	(5,068,066)	(9,547,102)	(14,380,469)
Net Revenues	37,863,559	72,163,326	86,695,506	163,771,833	247,868,092
<b>Operating cost and expenses:</b>					
Compensation and benefits	(13,635,985)	(29,826,095)	(42,374,929)	(73,043,620)	(119,610,072)
Selling expenses	(5,317,005)	(9,734,460)	(13,449,421)	(16,660,044)	(23,896,620)
General and administrative expenses	(2,443,699)	(6,303,680)	(8,901,330)	(18,087,184)	(24,611,880)
Other operating income	(955,097)	(1,759,997)	(419,822)	(734,300)	(4,861,700)
Government subsidies	172,737	562,333	4,295,029	5,323,670	14,792,142
Total operating cost and expenses	(22,179,049)	(47,061,899)	(60,850,473)	(103,201,478)	(158,188,130)
<b>Income from operations:</b>	15,684,510	25,101,427	25,845,033	60,570,355	89,679,962
<b>Other income (expenses)</b>					
Interest income	179,069	1,953,619	2,451,731	3,302,545	6,312,498
Investment income	281,076	1,368,358	3,044,856	3,924,457	3,821,469
Foreign exchange (loss) gain	(129,205)	3,218,876	(180,856)	308,717	115,824
Other (expense) income, net	(23,855)	128,425	110,690	3,423	(2,386,171)
Gain on change in fair value of derivative liabilities	354,000				
<b>Total other (expenses) income</b>	661,085	6,669,278	5,426,421	7,539,142	7,863,620
<b>Income before taxes and income from equity in affiliates</b>	16,345,595	31,770,705	31,271,454	68,109,497	97,543,582
Income tax expense	(4,790,089)	(7,779,408)	(8,979,649)	(16,263,292)	(24,531,504)
	(25,137)	(21,347)	617,361	1,191,833	2,200,504

(Loss) income from equity in  
affiliates

<b>Net income</b>	11,530,369	23,969,950	22,909,166	53,038,038	75,212,582
Less: net income attributable to non-controlling interests			82,712	1,602,867	2,806,078
<b>Net income attributable to Noah Holdings Limited shareholders</b>	11,530,369	23,969,950	22,826,454	51,435,171	72,406,504
Less: deemed dividend on Series A convertible redeemable preferred shares	108,348				
<b>Net income attributable to ordinary shareholders of Noah Holdings Limited</b>	11,422,021	23,969,950	22,826,454	51,435,171	72,406,504
<b>Net income per share</b>					
Basic	0.53	0.86	0.82	1.87	2.60
Diluted	0.46	0.84	0.81	1.84	2.57
<b>Net income per ADS <sup>(2)</sup></b>					
Basic	0.26	0.43	0.41	0.94	1.30
Diluted	0.23	0.42	0.41	0.92	1.28
<b>Weighted average number of shares used in computation:</b>					
Basic	16,665,918	27,894,953	27,751,335	27,480,150	27,873,501
Diluted	19,030,112	28,521,272	28,073,731	28,008,386	28,227,823
Dividends declared per share		0.28	0.28		

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Note:

- (1) Such numbers are not available for the years 2010 and 2011 on a basis that is consistent with the consolidated financial information for the years ended December 31, 2012, 2013 and 2014 and cannot be obtained without unreasonable effort or expense.
- (2) Two ADSs represent one ordinary share.

	<b>Year Ended December 31,</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>(US\$, except share data)</b>				
<b>Consolidated Balance Sheet Data</b>					
Cash and cash equivalents	133,269,694	136,859,336	119,561,152	196,113,315	282,081,829
Total assets	148,685,846	180,942,359	205,369,468	303,254,657	431,100,062
Total current liabilities	14,731,626	16,795,655	26,324,718	62,813,010	111,651,738
Total liabilities	17,057,025	19,922,636	29,863,643	68,059,704	118,449,478
Total equity	131,628,821	161,019,723	175,505,825	235,194,953	312,650,584

**Discussion of Non-GAAP Financial Measures**

Adjusted net income attributable to Noah shareholders is a non-GAAP financial measure that excludes the income statement effects of all forms of share-based compensation and changes in fair value of derivative liabilities.

The non-GAAP financial measure disclosed by us should not be considered a substitute for financial measures prepared in accordance with U.S. GAAP. The financial results reported in accordance with U.S. GAAP and reconciliation of GAAP to non-GAAP results should be carefully evaluated. The non-GAAP financial measure used by us may be prepared differently from and, therefore, may not be comparable to similarly titled measures used by other companies.

When evaluating our operating performance in the periods presented, management reviewed non-GAAP net income results reflecting adjustments to exclude the impacts of share-based compensation and changes in fair value of derivative liabilities to supplement U.S. GAAP financial data. As such, we believe that the presentation of the non-GAAP adjusted net income attributable to Noah shareholders provides important supplemental information to investors regarding financial and business trends relating to our results of operations in a manner consistent with that used by management. Pursuant to U.S. GAAP, we recognized significant amounts of expenses for all forms of share-based compensation and of gain on change in fair value of derivative liabilities in the periods presented. Upon the completion of our initial public offering in November 2010, all Series A preferred shares were converted into ordinary shares, and therefore we do not expect to incur similar expenses related to derivative liabilities in the future. To make our financial results comparable period by period, we utilize the non-GAAP adjusted net income to better understand our historical business operations.

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	<b>Year Ended December 31,</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>(US\$, except share data)</b>				
Net income attributable to Noah shareholders	11,530,369	23,969,950	22,826,454	51,435,171	72,406,504
Adjustment for share-based compensation related to:					
Share options	794,665	2,014,692	1,437,201	205,699	1,464,233
Restricted shares	1,425,502	142,018	2,561,347	5,040,248	3,834,496
Adjustment for gain on change in fair value of derivative liabilities	(354,000)				
Adjusted net income attributable to Noah shareholders (non-GAAP) <sup>(1)</sup>	13,396,536	26,126,660	26,825,002	56,681,118	77,705,233

Note:

(1) The non-GAAP adjustments do not take into consideration the impact of taxes on such adjustments.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors***We may not be able to continue to grow at our historical rate of growth, and if we fail to manage our growth effectively, our business may be materially and adversely affected.*

We commenced our business in 2005 and have experienced a period of growth in recent years. Our net revenues grew at a compound annual growth rate, or CAGR, of 60.0% from 2010 to 2014. We anticipate continuing growth in the foreseeable future. However, we cannot assure you that we will grow at our historical rate of growth, especially since we recently expanded our business to include asset management and internet finance on top of our core wealth



management business. Our growth has placed, and will continue to place, a significant strain on our management, personnel, systems and resources. To accommodate our growth, we may need to establish additional branch offices, in some cases in new cities and regions where we have no previous presence, and recruit, train, manage and motivate relationship managers and other employees and manage our relationships with an increasing number of registered clients. Moreover, as we introduce new products and services or enter into new markets, we may face unfamiliar market and technological and operational risks and challenges which we may fail to successfully address. We may be unable to manage our growth effectively, which could have a material adverse effect on our business.

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***The laws and regulations governing wealth management and asset management industry in China are developing and subject to further changes.***

To date, provision of wealth management and distribution of over-the-counter, or OTC, wealth management products or OTC asset management products by third-party providers have not been explicitly regulated in China. The PRC government has not adopted a unified regulatory framework governing the distribution of OTC wealth management products or OTC asset management products or the provision of wealth management services, although there are ad hoc laws and regulations related to several types of wealth management products or asset management products that we distribute or manage, such as private equity products, private securities investment funds, asset management plans managed by securities companies or mutual fund management companies, trust products and insurance products.

As for our asset management business, as a result of a governmental reorganization in June 2013, the China Securities Regulatory Commission, or CSRC, is now in charge of the supervision and regulation of private funds, including, without limitation, private equity funds, venture capital funds, private securities investment funds and other forms of private funds. In February 2014, Asset Management Association of China, or AMAC, firstly promulgated the Measures for the Registration of Private Investment Fund Managers and Filing of Private Investment Funds (for Trial Implementation) which specify the procedure for registration of fund managers and record-filing of private funds. In August 2014, CSRC promulgated new regulations on private funds, which officially set up a qualified investor regime and a registration regime for fund managers before conducting fund management business as well as set up a system for the filing of records after the completion of fund raising. See Item 4. Information on the Company B. Business Overview Regulations Regulations on Private Funds. There are no further formal implementation rules or guidance in practice yet, and we cannot assure you that these regulations will not materially impact our business operations. In addition, CSRC and industry self-regulatory organizations may adopt detailed regulations and implementing policies that govern private funds and private fund managers. For example, in March 2014, the spokesman of CSRC stated that private fund managers without registration with AMAC shall not conduct private fund management business. Since fund management business is a significant part of our asset management business, our asset management business is subject to such regulations on private funds and related implementation rules thereof.

As the wealth management and asset management industry in China is at an early stage of development, applicable laws and regulations may be adopted to address new issues that arise from time to time or to require additional licenses and permits other than those we currently have obtained. As a result, substantial uncertainties exist regarding the evolution of the regulatory regime and the interpretation and implementation of current and any future PRC laws and regulations applicable to the wealth management and asset management industry. To date, thirteen subsidiaries of our PRC variable interest entity, Shanghai Noah Investment Management Co., Ltd., or Noah Investment, have successfully completed the registration with AMAC, while other subsidiaries of Noah Investment engaged in fund management business are now in the process of registration with AMAC. As we develop our business, the products we manage or distribute might be subject to detailed regulations and implementing policies to be issued by CSRC in the future.

We cannot assure you that we will be able to fully comply with all the relevant regulatory requirements, and any failure to do so could have a material adverse effect on our business.

***If the relevant supervisory authorities enhance their regulation over asset management plans, our business could be materially and adversely affected.***

Asset management plans sponsored by mutual fund management companies and securities companies are at an early stage of development and not heavily regulated by the relevant supervisory authorities in the PRC. Applicable laws and regulations may be adopted to address new issues that arise from time to time and impose more requirements or

restrictions on the establishment, distribution or the investment scope of asset management plans. For example, in late 2012 and early 2013, the relevant PRC supervisory authorities adopted a series of rules and regulations which provided new ways for mutual fund management companies and securities companies to engage in the asset management business. In early 2014, CSRC and the Shanghai Branch of CSRC respectively promulgated new circulars, pursuant to which subsidiaries of mutual fund management companies are prohibited from serving as the channel- through asset management plans for multiple specific clients or engaging in fund pool business.

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Substantial uncertainties exist regarding the evolution of the regulatory regime and the interpretation and implementation of current and any future laws and regulations applicable to asset management plans in China. Since asset management plans are part of our asset management products and wealth management products, we cannot assure you that our asset management or wealth management business will not be materially and adversely affected if any supervisory authority enhances its regulation over asset management plans.

### ***Our internet finance business involves a relatively new business model and may not be successful.***

Our recently launched internet finance business currently includes internet finance platform, small short-term loans, peer-to-peer lending platform and online payment and related services. Many elements of our internet finance business are relatively unproven, and the internet finance market in China is relatively new, rapidly developing and subject to significant challenges. Although we intend to devote significant resources to expanding our internet finance business and develop and offer more innovative products to our clients, we have limited experience with this business model and cannot assure you of its future success. If we fail to address the needs of internet finance customers, adapt to rapidly evolving market trends or continue to offer innovative products and services, there may not be significant market demand for our internet finance products and services. In addition, our internet finance business will continue to encounter risks and difficulties that early stage businesses frequently experience, including the potential failure to cost-effectively expand the size of our customer base, maintain adequate management of risks and expenses, implement our customer development strategies and adapt and modify them as needed, develop and maintain our competitive advantages and anticipate and adapt to changing conditions in China's internet financing industry resulting from mergers and acquisitions involving our competitors or other significant changes in economic conditions, competitive landscape and market dynamics. We have not yet proven the essential elements of profitable operations in our internet finance business, and you will bear the risk of complete loss of your investment if we are not successful.

### ***The laws and regulations governing the internet finance industry in China are developing and evolving and subject to changes.***

Due to the relatively short history of the internet finance industry in China, the PRC government has not adopted a clear regulatory framework governing the industry. There are *ad hoc* laws and regulations applicable to elements of internet finance-related businesses, such as laws and regulations governing online payment and value-added telecommunication services. For example, applicable laws and regulations in the PRC require a payment business license to operate online payment and related services. We are in the process of applying for such payment business license, and intend to engage in providing online payments and related services after we obtain such license; in the meantime, we are cooperating with qualified third-parties to provide such services. There is no guarantee that we will be able to obtain the requisite licenses for all elements of our internet finance business. In addition, according to applicable laws and regulations, we may be required to obtain an internet content provider license, or ICP license, for our internet finance services. We have made efforts to obtain all the applicable licenses and permits that we believe are necessary for the conducting of our internet finance business, including the ICP license, but we cannot guarantee you that we will be able to successfully obtain all such licenses in a timely manner, or at all.

We continually innovate our internet finance products on our internet finance platform, and related regulatory regime applicable to wealth management products and asset management products might be applicable to our internet finance products depending on the product structures. We cannot guarantee you that our internet finance products will comply with the related regulatory regime.

In addition, substantial uncertainties exist regarding the regulatory regime and the interpretation and implementation of current and future laws and regulations applicable to the internet finance services industry in China. As the internet finance business in China is new and rapidly evolving, new laws and regulations may be adopted from time to time

and we may be required to obtain additional licenses and permits beyond those we currently hold or are applying for. If new PRC internet finance-related laws and regulations require us to comply with additional requirements in order to continue to conduct any aspect of our business operations, we may not be able to comply with such additional requirements in a timely fashion, or at all. In addition, although we have utilized different measures to reduce such risks, we cannot guarantee that our current practices comply with all the regulations that may be or have been promulgated, and we may be fined or penalized by regulators, required to comply with additional requirements or ordered to cease operations due to any non-compliance in the future. If any of these situations occur, our business, financial condition and prospects would be materially and adversely affected.

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***If we fail to maintain or renew existing licenses or obtain additional licenses and permits necessary to conduct our operations in China, our business would be materially and adversely affected.***

The current regulations under which we operate do not impose license or qualification requirements on non-financial institutions engaged in wealth management or the distribution of OTC wealth management /asset management products, such as our company, except that certain licenses and qualifications are required in order to engage in insurance brokerage or the sale of mutual funds and asset management plans managed by mutual fund management companies or securities companies. In late 2012 and early 2013, relevant PRC regulatory authorities adopted a series of rules and regulations which provide new ways for mutual fund management companies and securities companies to engage in asset management business. Those new rules and regulations also impose license or qualification requirements on the distribution of assets management plans. See Item 4. Information on the Company B. Business Overview Regulations. Since 2014, we have been required to complete our registration with AMAC before conducting fund management business, which is a significant part of our asset management business. In addition, currently, no specific internet finance licenses or permits are necessary to the conducting of our internet finance platform business in China, except that certain licenses are required to operate value-added telecom services and online payment and related services, such as ICP license and payment business license. New applicable laws and regulations and new interpretation of the existing laws and regulations may be adopted from time to time to address new issues that arise and additional licenses and permits may be required as the relevant government authorities implement additional regulations for the industry. We cannot assure you that we will be able to maintain our existing licenses and permits, renew any of them when their current term expires, or obtain additional licenses requisite for our future business expansion. If we are unable to maintain and renew one or more of our current licenses and permits, or obtain such renewals or additional licenses requisite for our future business expansion on commercially reasonable terms, our operations and prospects could be materially disrupted. We have engaged in frequent dialogues with relevant regulatory authorities in China in an effort to stay abreast of developments of the regulatory environment. However, if new PRC regulations promulgated in the future require that we obtain additional licenses or permits in order to continue to conduct our business operations, there is no guarantee that we would be able to obtain such licenses or permits in a timely fashion, or at all. If any of these situations occur, our business, financial condition and prospects would be materially and adversely affected.

***The wealth management and asset management products that we distribute or manage involve various risks and any failure to identify or fully appreciate such risks may negatively affect our reputation, client relationships, operations and prospects.***

We distribute and manage a broad variety of wealth management and asset management products including fixed income products, private equity fund products, insurance products and mutual fund products. These products often have complex structures and involve various risks, including default risks, interest risks, liquidity risks, market risks, counterparty risks, fraud risks and other risks. For example, in June 2014, Wanjia Win-Win Assets Management Co. Ltd, or Wanjia Win-Win, a joint venture in which our consolidated affiliated entity, Gopher Asset Management Co., Ltd., or Gopher Asset, holds a 35% equity interest, established asset management plans and joined Shenzhen Jingtai Investment Fund I Limited Liability Partnership, or Jingtai Fund I, as limited partner representing asset management plans. A third party, Shenzhen Jingtai Fund Management Co., Ltd., or Jingtai Management, serves as the general partner of Jingtai Fund I. Our subsidiary, Noble Equity Investment Fund (Shanghai) Management Co. Ltd, or Noble, was the investment advisor for the asset management plans. Shortly after the establishment of the plans and investment of the funds thereof to Jingtai Fund I, Wanjia Win-Win and Noble discovered that Jingtai Management had violated the terms and agreed investment strategy outlined in the Limited Partnership Agreement of Jingtai Fund I by using funds Wanjia Win-Win invested in Jingtai Fund I for other investment projects. Wanjia Win-Win and Noble immediately reported Jingtai Management's potential fraudulent actions to the relevant local public security bureau and the local branch of the CSRC. Although we do not currently expect this incident to have any material adverse

effect on our business operations or financial results, incidents like this could adversely affect our reputation and subject us to administrative or legal proceedings which, even if unmerited, could be distracting to our management and may affect our reputation and may expose us to potential risks and losses. See Our business is subject to risks related to lawsuits and other claims brought by our clients. For the year ended December 31, 2014, the aggregate value of wealth management products we distributed was US\$10.3 billion (approximately RMB63.4 billion), a 42.5% increase from the year ended December 31, 2013, and total assets under management of our asset management business were US\$8.1 billion (approximately RMB49.7 billion), a 62% increase from the end of 2013.

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Our success in distributing, managing and offering our products and services depends, in part, on our ability to successfully identify the risks associated with such products and services, and failure to identify or fully appreciate such risks may negatively affect our reputation, client relationships, operations and prospects. Not only must we be involved in the design and development of products and services, we must also accurately describe the products and services to, and evaluate them for, our clients. Although we enforce and implement strict risk management policies and procedures, such risk management policies and procedures may not be fully effective in mitigating the risk exposure of all of our clients in all market environments or against all types of risks. For example, some investors may not be fully aware that income generated from investing in trust plans is subject to individual income tax. In April 2011, relevant PRC tax authorities announced that they would strengthen the collection of income taxes on income generated from investing in trust plans, which may discourage these investors from investing in trust plans and therefore affect our business.

Poor performance of the funds we manage and products and services we distribute, manage or offer could also make it more difficult for us to raise new capital. If we fail to identify and fully appreciate the risks associated with the products and services we distribute, manage and offer, or fail to disclose such risks to our clients, and as a result our clients suffer financial loss or other damages resulting from their purchase of the wealth management, asset management and internet finance products that we distribute, manage or offer, our reputation, client relationships, business and prospects will be materially and adversely affected. Also see [Table of Contents](#) If we breach our fiduciary duty as the general partner of the funds or the funds we manage perform poorly, our results of operations will be adversely impacted and [Table of Contents](#) Our business is subject to risks related to lawsuits and other claims brought by our clients.

***If we breach our fiduciary duty as the general partner or fund managers of the funds, or the funds we manage perform poorly, our results of operations will be adversely impacted.***

We gradually developed our asset management business over the years. Before May 2010, we focused on distributing third-party wealth management products. In May 2010, we started our own asset management business by forming a private equity fund of funds under our management. In the second half of 2012, we began managing and distributing real estate funds and real estate funds of funds. In 2013, we began managing and distributing secondary market equity funds of funds and other fixed income funds of funds, including funds of funds denominated in U.S. dollars, of which we serve as the general partner through one of our subsidiaries in Hong Kong. In 2014, we developed our own fund management business by launching and managing contract-based private funds, which are new forms of funds and fund of funds. Such asset management business is subject to detailed regulations and implementing policies issued by CSRC.

Our asset management business has experienced rapid growth and is expected to continue to grow in the future. We raised and managed two private equity funds of funds, thirty-eight real estate funds and real estate funds of funds in 2012. We raised and managed three private equity funds of funds, seventy-five real estate funds and real estate funds of funds, two secondary market equity funds of funds and eight other fixed income funds of funds in 2013. In 2014, we raised and managed sixteen private equity funds of funds, fourteen real estate funds and real estate funds of funds, fifteen secondary market equity funds of funds and twelve other fixed income funds of funds. We intend to further develop our fund management business by offering a broader variety of funds, including funds of secondary market equity funds and funds of fixed income funds from all over the world.

Our asset management business involves inherent risks. Because we serve as the general partner or manager for the funds, we are required to manage the funds for the limited partners or the investors. If we are deemed to breach our fiduciary duty, for example by failing to establish and/or implement appropriate controls for the handling and processing of our clients' cash investments, we may be exposed to risks and losses. We also could experience losses on our principal for funds invested by us and an entity of which we are the general partner as the general partner shall



bear unlimited joint and several liability for the debts of any fund managed by it out of all its assets. Furthermore, as PRC laws and regulations are silent on the legal segregation of losses or liabilities incurred by contract-based private funds and assets of the fund manager, it is unclear whether our assets will be subject to third-party claims arising out of losses or liabilities incurred by contract-based private funds we manage and we cannot assure you that our assets will not be exposed to such claims. We cannot assure you that our efforts to further develop the asset management business will be successful. If our asset management business fails, our future growth will be materially and adversely affected.

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***If the PRC governmental authorities order trust companies in China to cease their promotion of collective fund trust plans, or trust plans, through non-financial institutions such as us, our business, results of operations and prospects would be adversely affected.***

Under the Administrative Rules Regarding Trust Company-Sponsored Collective Funds Trust Plans, or the Trust Plan Rules, issued by the China Banking Regulatory Commission, or the CBRC, trust companies are prohibited from engaging entities that are not financial institutions to conduct promotion of collective fund trust plans, or trust plans. Trust products have been a major type of wealth management product available to high net worth individuals in China.

We typically enter into agreements with trust companies or the underlying corporate borrowers that receive financing from trust companies, whereby we agree to facilitate the sale of the relevant trust products by providing services to our clients who desire to purchase the trust products. During the course of providing such services, we do not handle our clients' funds or process transactions for our clients. Based on our understanding, promotion of trust plans under the Trust Plan Rules refers to promotion and marketing activities that involve signing trust contracts with participants of trust plans directly. Since we do not sign trust contracts with the participants of trust plans or handle funds of participants of the trust plans in providing services with respect to trust products, we do not believe we are promoting trust plans in such circumstances.

However, due to the lack of a clear, consistent and well-developed regulatory framework for the promotion of trust plans and the lack of formal interpretation and enforcement of the relevant prohibition under the Trust Plan Rules in China, we cannot assure you that the PRC government in general and the CBRC in particular will agree with our interpretation of promotion of trust plans under the Trust Plan Rules.

In 2014, the CBRC issued related new rules, which prohibit a trust company from directly or indirectly promoting trust plans by way of advice, consultation and brokerage through non-financial institutions. Although we are not a trust company regulated under these new rules, it is unclear how CBRC will implement and enforce these rules and our business operations may be adversely or materially affected by the implementation and enforcement of such rules. If CBRC interprets the relevant rules differently and as a result the provisions of consulting services or similar services with respect to trust products are deemed as direct or indirect promotion of trust plans, the CBRC or other government authorities in China may prohibit trust companies from engaging companies like us for such services. In such circumstances, we may have to change our business model with respect to trust products or cease to provide services relating to trust products, and as a result, our business, results of operations and prospects would be adversely affected.

***Our reputation and brand recognition is crucial to our business. Any harm to our reputation or failure to enhance our brand recognition may materially and adversely affect our business, financial condition and results of operations.***

Our reputation and brand recognition, which depends on earning and maintaining the trust and confidence of individuals or enterprises that are current or potential clients, is critical to our business. Our reputation and brand are vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits initiated by clients or other third parties, employee misconduct, misconduct or allegations of misconduct by the managers of third-party funds that we distribute, perceptions of conflicts of interest and rumors, among other things, could substantially damage our reputation, even if they are baseless or satisfactorily addressed. In addition, any perception that the quality of our wealth management, asset management or internet finance services may not be the same as or better than that of other advisory firms or product distributors or internet finance service providers can also damage our reputation. For example, if the performance of

our fund of funds products or real estate fund products falls below expectations, they may be linked to negative perceptions that may damage our reputation and brand recognition. Moreover, any misconduct or allegations of misconduct by managers of third-party funds that we distribute could result in negative media publicity that could affect our reputation and erode the confidence of our clients. Furthermore, any negative media publicity about the financial service industry in general or product or service quality problems of other firms in the industry, including our competitors, may also negatively impact our reputation and brand. If we are unable to maintain a good reputation or further enhance our brand recognition, our ability to attract and retain clients, wealth management product providers and key employees could be harmed and, as a result, our business and revenues would be materially and adversely affected.

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***Misconduct of our relationship managers or other employees, including potential misuse of client funds, could harm our reputation or lead to regulatory sanctions or litigation costs.***

Misconduct of our relationship managers or other employees could result in violations of law by us, regulatory sanctions, litigation or serious reputational or financial harm, among other consequences. Misconduct could include:

engaging in misrepresentation or fraudulent activities when marketing or distributing wealth management, asset management or internet finance products or services to clients;

improperly using or disclosing confidential information of our clients, third-party wealth management product providers or other parties;

concealing unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

accessing and misusing client funds, especially those maintained in segregated accounts for our newly launched contract-based private funds; or

otherwise not complying with laws and regulations or our internal policies or procedures.

In addition, in 2014, we developed our own fund management business by launching and managing contract-based private funds, which are new forms of funds and fund of funds. We have set up segregated accounts to hold client funds in relation to this business, and the funds held in such accounts are strictly segregated from the rest of our cash holdings.

Although we have established an internal compliance system to supervise service quality and regulatory compliance, we cannot always deter misconduct of our relationship managers or other employees, and the precautions we take to prevent and detect misconduct may not be effective in all cases. Any of the abovementioned misconduct could impair our ability to attract, serve and retain clients and may lead to significant legal liability, reputational harm, and material adverse effects on our business, results of operations or financial conditions.

***Our business is subject to risks related to lawsuits and other claims brought by our clients.***

We are subject to lawsuits and other claims in the ordinary course of our business. In particular, we may face arbitration claims and lawsuits brought by our clients who have bought wealth management products, asset management or internet finance products and services that we distribute which turned out to be unsuitable for any reason, such as misconduct by the managers of third-party funds that we have recommended or made available to our clients. In connection with our provision of small short-term loans, we may encounter complaints alleging breach of contract or potentially usury claims in our ordinary course of business. We may also encounter complaints alleging misrepresentation on the part of our relationship managers or other employees or that we have failed to carry out a duty owed to them. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are volatile, or when clients or investors are experiencing losses. Actions brought against us may result in settlements, awards, injunctions, fines, penalties or other results adverse to us, including harm to our

reputation. The contracts between us and third-party wealth management product providers do not provide for indemnification of our costs, damages or expenses resulting from such lawsuits. Even if we are successful in defending against these actions, we may incur significant expenses in the defense of such matters. Predicting the outcome of such matters is inherently difficult, particularly where claimants seek substantial or unspecified damages, or when arbitration or legal proceedings are at an early stage. A substantial judgment, award, settlement, fine, or penalty could be materially adverse to our operating results or cash flows for a particular future period, depending on our results for that period.

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***We face significant competition and if we are unable to compete effectively with our existing and potential competitors, we could lose our market share and our results of operations and financial condition may be materially and adversely affected.***

Each of the wealth management market, asset management market and internet finance industry in China is at a relatively early stage of development and is fragmented and highly competitive, and we expect competition to persist and intensify. Our future success in each of these areas of our business will depend in part on our ability to continue to anticipate and meet market needs on a timely and cost-effective basis. In distributing wealth management products and insurance products, we face competition primarily from other third party wealth management companies, PRC commercial banks, insurance companies and foreign private banks with an in-house sales force and private banking functions in China. Because a portion of the products we distribute are fixed income products in the form of investment in collective trust plans sponsored by trust companies, we also compete with trust companies that provide such products. As we distribute products in the form of investment in asset management plans sponsored by mutual fund management companies or securities companies, we may face competition from other qualified distributors. In our asset management business, we also face competition from other asset management firms in the market. In addition, our internet finance business faces competition from other internet finance platforms of banking institutions, insurance companies and other financial service companies in China.

We also face competition from other wealth management firms, asset management firms and internet finance companies that have emerged or will emerge in China in the foreseeable future. For example, an increasing portion of wealth management and asset management products are distributed through online or mobile platforms, and we expect such trend to continue.

Historically, we primarily focused on distribution of third-party wealth management products. In May 2010, we began offering asset management services by starting our own fund of funds business, and in the second half of 2012, we began managing and distributing real estate funds and funds of real estate funds. Our asset management business has experienced rapid growth and is expected to continue to grow in the future. As a result, we face significant competition from other asset management service providers, including managers of private equity funds, real estate funds or fixed income funds. In addition, the relevant PRC authorities adopted and may continue to adopt new rules and regulations to allow more entities to conduct asset management businesses. For example, in late 2012 and early 2013, relevant PRC supervisory authorities adopted a series of rules and regulations, which provided new ways for securities companies, mutual fund management companies and insurance asset management companies to engage in asset management business. In August 2014, the CSRC promulgated Interim Measures for the Supervision and Administration of Private Investment Funds, or the Interim Measures, which specify that the establishment of management institutions of Private Funds and the establishment of private funds are not subject to administrative examination and approval. See Item 4. Information on the Company B. Business Overview Regulations Regulations on Private Funds. As a result, we may face competition from securities companies, mutual fund management companies, insurance asset management companies and other fund managers established under the Interim Measures when they start raising funds for their clients and providing asset management services.

As a result, we may face competition from securities companies, mutual fund management companies and insurance asset management companies when they start raising funds for their clients and providing asset management services.

In addition, we recently launched our internet finance business, and the failure of our internet finance business to achieve or maintain more widespread market acceptance against our competitors could harm our business and results of operations.

Many of our competitors have greater financial and marketing resources or broader customer relationships than we do. For example, the commercial banks we compete with tend to enjoy significant competitive advantages due to their nationwide distribution networks, longer operating histories, broader client bases and settlement capabilities. Moreover, many wealth management product providers with whom we currently have relationships, such as trust companies, are also engaged in, or may in the future engage in, the distribution of wealth management products and may benefit from the integration of wealth management products with their other product offerings. Given our relatively recent entry into the asset management and internet finance businesses, we also face competition from asset management service providers and internet finance platforms that have longer operating histories than we do.

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Distribution of OTC wealth management products, OTC asset management products and internet finance products in China has relatively low entry barriers because these businesses do not require government approvals and regulatory licenses in most cases, nor do they require intensive capital investment, except for the distribution of certain products, such as insurance products and the provision of certain internet information services. In addition, there are no restrictions on foreign ownership of companies engaged in the distribution of OTC wealth management products in China. See Item 4. Information on the Company B. Business Overview Regulations. As a result, we face increasing competition from new competitors, including overseas commercial banks with private banking functions or overseas professional wealth management firms, which are emerging in the PRC market.

Certain real estate funds we manage, asset management plans sponsored by mutual fund management companies or securities companies and trust plans, providing investors with prospective fixed rates of return, constitute a substantial portion of the fixed income products we distribute. In 2012, 2013 and 2014, the total value of fixed income products that we distributed accounted for 68.4%, 80.3% and 63.7%, respectively, of the total value of all products we distributed. If we are unable to compete effectively against existing and future competitors, especially competitors distributing fixed income products, we may lose clients and our financial results may be materially and adversely affected.

***Our business is subject to the risks associated with international operations.***

Although we currently derive very limited amount of revenues from countries and regions outside of China, international expansion is an important component of our growth strategy. We started conducting business in Hong Kong in 2011 and have recently expanded to Taiwan. Expanding our business internationally exposes us to a number of risks, including:

fluctuations in currency exchange rates;

our ability to select the appropriate geographical regions for international expansion;

difficulty in identifying appropriate partners and establishing and maintaining good cooperative relationships with them;

difficulty in understanding local markets and culture and complying with unfamiliar laws and regulations; and

increased costs associated with doing business in foreign jurisdictions.

***We face uncertainty from our recent entry into the small short-term loan business, a part of our internet finance business.***

At the end of 2013, we began offering small short-term loans to our registered clients, and our involvement exposes us to new risks. The small short-term loan business currently constitutes part of our internet finance business. For example, we are exposed to risk of default by our borrowers, although we mitigate this risk by making only secured loans to our registered clients with good credit. We also strictly limit the total amount of loans available to each



borrower. However, if we are unable to appropriately manage default risk in the future, our financial results may be adversely affected. In 2014, small short-term loans contributed US\$1.6 million (RMB9.6 million), or approximately 0.6% of our total revenues.

In addition, our involvement in the small short-term loans business and internet finance business subjects us to new laws and regulations with which we have limited previous experience. We cannot assure you that we have fully complied with and will fully comply with all the relevant laws and regulations. If we fail to comply with any such laws or regulations, or if we otherwise become subject to enforcement actions under such laws or regulations, we may face significant monetary, reputational or other harm to our business. In addition, since we have little track record in offering small short-term loans, any perceived shortcomings in our operations in this area in the future may cause reputational harm to us.

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We must obtain approvals or licenses in order to provide small short-term loans, and the small short-term loans business should be conducted within certain restricted territory under current regulations. See Item 4. Information on the Company B. Business Overview Regulations Regulations on Small Short-Term Loan Business. These laws, rules and regulations are issued by different central, provincial and local governments and enforced by different local authorities. Furthermore, the local authorities have broad discretion in implementing and enforcing the applicable laws, rules, regulations and governmental policies. As a result, there are uncertainties in the interpretation and implementation of such laws, rules, regulations and governmental policies, and occasionally, we have to depend on verbal clarifications from local government authorities. These laws and regulations and governmental policies are subject to change, which may impose significant costs or limitations on the way we conduct or expand our small short-term loans business, and we may not be able to adapt to all such changes on a timely basis and may not be able to fully comply with the current and future laws, rules and regulations at all times. Failure to comply with the applicable laws and regulations and other governmental policies may result in fines, restrictions on our activities or revocation of our licenses.

We cannot assure you that we will be able to maintain our existing licenses and permits, renew any of them when their current term expires or obtain additional licenses required for our future small short-term loan business expansion. If new PRC regulations promulgated in the future require us to obtain additional licenses or permits in order to continue to conduct our business operations in this area, there is no guarantee that we would be able to obtain such licenses or permits in a timely fashion, or at all. If any of these situations occur, we may be forced to stop engaging in the relevant business area.

***A significant portion of our wealth management, asset management businesses and internet finance businesses have real estate or real estate-related business as underlying assets. These products and services are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate as well as regulatory and policy changes in the real estate industry in China.***

To date, a significant portion of the wealth management, asset management and internet finance products and services that we distribute or offer have real estate or real estate-related business in China as their underlying assets. In 2012, 2013 and 2014, the total value of wealth management products with real estate or real estate-related business as the underlying assets that we distributed accounted for 53.0%, 64.0% and 51.0% of the total value of all the products we distributed, respectively. In the second half of 2012, we began distributing real estate funds and funds of real estate funds under our management. In 2013, we began distributing asset management plans with real estate or real estate-related business as the underlying assets sponsored by mutual fund management companies or securities companies. These businesses have experienced rapid growth and are expected to continue to grow in the future. In 2014, we began distributing contract-based private funds with real estate or real estate-related business as the ultimate underlying assets. In the same year, we also began distributing internet finance products with real estate or real estate-related business as the ultimate underlying assets. The net revenues, including one-time commissions, recurring service fees and other services fees, that we generated from wealth management, asset management and internet finance products with real estate or real estate-related business as the underlying assets accounted for 37.3%, 61.5% and 64.4% of our total net revenues for the years ended December 31, 2012, 2013 and 2014, respectively.

Such products include, for example, investment in collective trust plans linked to real estate development projects or real estate funds. Such products are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area, natural disasters, changes in government regulations, changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds, which may render the sale or refinancing of properties difficult or impracticable and other factors that are beyond our control.



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In particular, the PRC real estate industry is subject to extensive governmental regulation and is susceptible to policy changes. The PRC government exerts considerable direct and indirect influence on the development of the PRC real estate sector by imposing industry policies and other economic measures. In 2010, the PRC government introduced a series of policies and regulations designed to reduce speculation and cool the overheated property market after price increases accelerated across the country. As a result, real property developers across the country have reported sharp slowdowns in property sales. In early 2011, the PRC government issued various additional rules, orders and notices to strengthen the regulation and control of the real estate market. Under these rules, orders and notices, more stringent measures were implemented in order to effectively curb the rise of housing prices. In particular, all municipalities directly under the central government, all provincial capitals and other cities where the local housing prices are deemed to be too high or to have risen too fast are required to, among other things, temporarily suspend the sale of housing units to families with registered local permanent residences that already own two or more housing units and families without registered local permanent residences that already own one or more housing units. In addition, in a circular promulgated by the PRC State Council in January 2011, each city's government is required to appropriately set up and make public its target for controlling the price of local, newly built, residential housing units in 2011. In 2012, the PRC government strengthened its policies on real estate market and has already terminated some policies introduced by local governments that were intended to loosen the control. Major commercial banks also tightened up their lending policy for real estate purchases. In early 2013, the PRC central government adopted several new rules to further strengthen its control over the real estate market. The new regulation is intended to improve the local government's ability to stabilize housing prices, curb speculative housing investment, increase the supply of land for low income housing, accelerate the planning and construction of low income housing and strengthen market supervision. In late 2014, the central government adopted new rules and began the progress of relaxing control on the real estate market by loosening the credit limits applicable to loans for the purchase of second homes, introducing new policies on housing provident fund credits and other measures. In addition, except for big cities such as Beijing, Shanghai, Guangzhou and Shenzhen, other cities in China have gradually rescinded local sale suspension policies applicable to housing purchases. In November 2014, the State Council promulgated the Interim Regulations on Real Estate Registration, which became effective on March 1, 2015. These policies and regulations may affect the viability, cash flow, or prospect of real estate development projects that constitute the underlying assets of certain of the wealth management products, asset management products and internet finance products distributed by us or managed by us in all respects.

If any of the risks associated with ownership and operation of real estate and real estate-related businesses in China are realized, they may result in decreased value and increased default rates of the wealth management, asset management and internet finance products linked to real estate that we distribute or manage, and reduce the interest of our clients in purchasing such products, which account for a significant portion of our product choices. As a result, our commissions and recurring service fees from such products could be adversely affected. In addition, if clients who purchased such wealth management, asset management or internet finance products experience financial loss, they may lose their trust and confidence in us and our reputation may be harmed, which may result in a material adverse effect on our business, results of operations and financial condition.

***The determination of the investment portfolio under asset management and the amount to be taken on certain investments is subject to management's evaluation and judgment.***

We plan to enhance our asset management services by developing our investment portfolio capabilities focusing on fund of funds in real estate, private equity, hedge funds, secondary market equity funds and credit funds. The determination of the investment portfolio and the investment amount varies by investment type and will be based upon our periodic evaluation and assessment of inherent and known risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value that takes into consideration a wide range of factors about the security issuer or borrower, and management uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security or loan and in assessing the prospects for recovery. Assumptions and estimates about the operations of the issuer and its future earnings potential are inherent in management's evaluation of the security or loan.

***Our failure to respond to rapid product innovation in the financial industry in a timely and cost-effective manner may have an adverse effect on our business and operating results.***

The financial industry is increasingly influenced by frequent new product and service introductions and evolving industry standards. We believe that our future success will depend on our ability to continue to anticipate product and service innovations and to offer additional products and services that meet evolving standards on a timely and cost-effective basis. There is a risk that we may not successfully identify new product and service opportunities or develop and introduce these opportunities in a timely and cost-effective manner. In addition, products and services that our competitors develop or introduce may render our products and services less competitive. As a result, failure to respond to product and service innovation that may affect our industry in the future may have a material adverse effect on our business and results of operations.

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***Our operating history may not provide an adequate basis to judge our future prospects and results of operations.***

We commenced our business in 2005 as a service provider focusing on distributing wealth management products. We focused exclusively on marketing and distributing third-party wealth management products until May 2010, when we started our asset management business by distributing funds managed by ourselves. In 2014, we began offering internet finance products and services in the form of online private banking services for white-collar professionals, online peer-to-peer lending services for high net worth individuals and online payment and related services. We seek to develop new wealth management, asset management and internet finance products, but it is difficult to predict whether our new products will be well-accepted by our customers. Although we recorded net income in prior years, we cannot assure you that our results of operations will not be adversely affected in any future period. We have limited operating history and as a result limited experience in delivering services, which makes the prediction of future results of operations difficult, and therefore, past results of operations achieved by us should not be taken as indicative of the rate of growth, if any, that can be expected in the future. As a result, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in a rapidly evolving and increasingly competitive market in China.

***Any failure to ensure and protect the confidentiality of our clients' personal data and the improper use or disclosure of such data could lead to legal liability, adversely affect our reputation and have a material adverse effect on our business, financial condition or results of operations.***

Our services involve the exchange of information, including detailed personal and financial information regarding our clients, through a variety of electronic and non-electronic means. In particular, with the growth of our internet finance business, our internet finance platform generates and processes an increasingly larger quantity of transactions and data, especially our customers' demographic data and financial data.

We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face a number of data-related challenges concerning transactions and other activities that take place on our platform, including but not limited to:

protecting the data on our system, including against attacks on our system by outside parties or fraudulent behavior by our employees;

addressing concerns related to privacy and data-sharing, safety, security and other factors; and

complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the leaking of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. We rely on a complex network of process and software controls to protect the confidentiality of data provided to us or stored on our systems. If we do not maintain adequate internal controls or fail to implement new or improved controls as necessary, this data could be misappropriated or confidentiality could otherwise be breached. We could be subject to liability if we inappropriately disclose any client's personal information, or if third parties are able to penetrate our network security or otherwise gain access to any client's name, address, portfolio holdings, or other personal information stored by us.

Any such event could subject us to claims for identity theft or other similar fraud claims or claims for other misuses of personal information, such as unauthorized marketing or unauthorized access to personal information. In addition, such events would cause our clients to lose their trust and confidence in us, which may result in a material adverse effect on our business, results of operations and financial condition.

In addition, since we are still in the process of applying for payment business license, some online payments for our products are settled through third-party online payment services. We may have to share certain personal information about our clients with contracted third-party online payment service providers, such as their names, addresses, phone numbers and transaction records. We have limited control or influence over the security policies or measures adopted by such third-party providers of online payment services. Any compromise or failure of the information security measures of our third-party online payment service providers could also have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

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***Any significant failure in our information technology systems could have a material adverse effect on our business and profitability.***

Our business is highly dependent on the ability of our information technology systems to timely process a large amount of information relating to wealth management products, asset management products, internet finance products, clients and transactions. The proper functioning of our financial control, accounting, product database, client database, client service and other data processing systems, together with the communication systems between our various branch offices and our headquarters in Shanghai, is critical to our business and to our ability to compete effectively. In particular, we rely on the online service platform provided through our website [www.noahwm.com](http://www.noahwm.com) to provide our clients with updated information about their historical purchases, the status of the products they purchased and various other notifications. Any failure to maintain satisfactory performances, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. We maintain our backup system hardware and operate our back-end infrastructure. Server interruptions, breakdowns or system failures in the cities where we maintain our servers and system hardware, including failures that may be attributable to sustained power shutdowns, or other events within or outside our control that could result in a sustained shutdown of all or a material portion of our services, could adversely impact our ability to service our users. Our network systems are also vulnerable to damage from computer viruses, fire, flood, earthquake, power loss, telecommunications failures, computer hacking and similar events, and we do not have business interruption insurance. Although we have not experienced system failures, we cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these information technology or communication systems, which could be caused by, among other things, software malfunction, computer virus attacks or conversion errors due to system upgrading. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our future prospects and profitability.

***Because a significant portion of the one-time commissions and recurring service fees we earn on the distribution and management of wealth management products and asset management products are based on commission and fee rates set by the wealth management product and asset management product providers or underlying corporate borrowers, any decrease in these commission and fee rates may have an adverse effect on our revenues, cash flow and results of operations.***

We derive a significant portion of our revenues from recurring fees and commissions paid by wealth management or asset management product providers or underlying corporate borrowers whose products our clients purchase. The recurring fees and commission rates are set based on the negotiation we had with such product providers or underlying corporate borrowers, and vary from product to product. Recurring fees and commission rates can change based on the prevailing political, economic, regulatory, taxation and competitive factors that affect the product providers or underlying corporate borrowers. These factors, which are not within our control, include the capacity of product providers to place new business, profits of product providers, client demand and preference for wealth management products and asset management products, the availability of comparable products from other product providers at a lower cost, the availability of alternative wealth management products and asset management products to clients and the tax deductibility of commissions and fees. In addition, the historical volume of wealth management products and asset management products that we distributed or managed may have a significant impact on our bargaining power with third-party providers of wealth management products and asset management products or underlying corporate borrowers in relation to the commission and fee rates for future products. Because we do not determine, and cannot predict, the timing or extent of commission and fee rate changes with respect to the wealth management products and asset management products, it is difficult for us to assess the effect of any of these changes on our operations. Any decrease in commission and fee rates would significantly affect our revenues, cash flow and results of operations.





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***The wealth management products we distribute are supplied by a small number of third-party wealth management product providers; and the renegotiation or termination of our relationships with such third-party product providers could significantly impact our business.***

The wealth management products we distribute are supplied by a small number of third-party wealth management product providers, including mutual fund management companies, private equity firms, real estate fund managers, securities investment fund managers, trust companies, commercial banks and insurance companies. Among the various product providers, trust companies once supplied the majority of the wealth management products distributed by us. Trust companies in China are a type of financial institution required by PRC law to sponsor trust plans. In late 2012 and early 2013, relevant PRC supervisory authorities adopted a series of rules and regulations, which provided new ways for mutual fund management companies and securities companies to engage in asset management business. As a result, we increased our cooperation with mutual fund management companies in 2013, and therefore, contributions from trust products in terms of total transaction value have decreased in 2013. In 2012, 2013 and 2014, our top three third-party product providers accounted for approximately 17.1%, 19.0% and 12.7% of the aggregate value of all the products we distributed through our wealth management business, respectively. Our relationships with third-party wealth management product providers are governed by contracts between us and such product providers. These contracts establish, among other things, the scope of our responsibility and our commission rates with respect to the distribution of particular products. These contracts typically are entered into on a product by product basis and expire at the expiration date of the relevant wealth management product. For any new wealth management products, new contracts need to be negotiated and entered into. Our third-party wealth management product providers may agree to enter into contracts with us for any new products only with lower commission rates or other terms less favorable to us, which could reduce our revenues. Although we believe that substitute third-party providers for most of the wealth management products that we distribute are generally available, if wealth management product providers that in the aggregate account for a significant portion of our business decide not to enter into contracts with us for their wealth management products, or our relationships with them are otherwise impacted, our business and operating results could be materially and adversely affected.

***Poor investment performance may lead to a decrease in assets under management and reduce revenues from and the profitability of our asset management business.***

A portion of our revenues from our asset management business comes from performance-based fees. Performance-based fees are typically based on how much the returns on our managed accounts exceed a certain threshold return for each investor. We do not earn performance-based fees if our managed accounts do not generate cumulative performance that surpasses the relevant target thresholds or if a fund experiences losses.

In addition, investment performance is one of the most important factors in retaining existing investors and competing for new asset management businesses. Investment performance for our asset management business may be poor as a result of downturns in the market or economic conditions, including but not limited to changes in interest rates, inflation, terrorism, political uncertainty, our investment style and the particular investments that we make. Poor investment performance may result in a decline in our revenues and income by causing (i) the net asset value of the assets under our management to decrease, which would result in lower management fees to us, (ii) lower investment returns, resulting in a reduction of incentive fee income to us, and (iii) increase in investor redemptions, which would in turn lead to fewer assets under management and lower fees for us.

To the extent our future investment performance is perceived to be poor in either relative or absolute terms, the revenues and profitability of our asset management business will likely be reduced and our ability to grow existing funds and raise new funds in the future will likely be impaired.

***The historical returns of our funds may not be indicative of the future results of our funds.***

The historical returns of our funds should not be considered indicative of the future results that should be expected from such funds or from any future funds we may raise. Our rates of return reflect unrealized gains as of the applicable measurement dates. Such gains may never be realized due to various factors beyond our control, such as changes in market conditions that may adversely affect the ultimate value realized from the investments in a fund. The returns of our funds may have also benefited from unique investment opportunities and general market conditions that may not repeat, and there can be no assurance that our current or future funds will be able to effectively avail themselves of profitable investment opportunities. Furthermore, the historical and potential future returns of the funds we manage also may not necessarily bear any relationship to potential returns on our shares.

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***Some of our asset management clients may redeem their investments from time to time, which could reduce our asset management fee revenues.***

Certain of our asset management fund agreements may permit fund of mutual funds and fund of private funds investors to redeem their investments with us at quarterly or annual intervals, after an initial lockup period during which redemptions are restricted or penalized. However, any such lockup restrictions may be waived by us. If the return on the assets under our management does not meet investors' expectations, investors may elect to redeem their investments and invest their assets elsewhere, including with our competitors. Our recurring service fee revenues correlate directly to the amount of our AUM; therefore, redemptions may cause our recurring service fee revenues to decrease. Investors may decide to reallocate their capital away from us and to other asset managers for a number of reasons, including poor relative investment performance, changes in prevailing interest rates which make other investment options more attractive, changes in investor perception regarding our focus or alignment of interest, dissatisfaction with changes in or a broadening of a fund's investment strategy, changes in our reputation, and departures of, or changes in responsibilities of, key investment professionals. For these and other reasons, the pace of investor redemptions and the corresponding reduction in our assets under management could accelerate. In addition, redemptions could ultimately require us to liquidate assets under unfavorable circumstances, which would further harm our reputation and results of operations.

***We work with prime brokers, custodians, administrators and other agents in our asset management business, whose performance may have material effects on our results of operations.***

Our asset management business and funds managed by us depend on the services of prime brokers, custodians, administrators and other agents to monitor, report and settle transactions. The performance of these third parties may impact our asset management business and, ultimately, our results of operations. For example, in the event of the insolvency of a prime broker or custodian, our funds associated with such prime broker or custodian might not be able to recover equivalent assets in whole or in part as they may rank among the prime broker's and the custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, cash held by our funds with such prime broker or custodian would in general not be segregated from the prime broker's or custodian's own cash, and there would be no guarantee that such cash can be recovered in the insolvency proceeding.

***Our organizational documents do not limit our ability to enter into new lines of business, and we may enter into new businesses, make future strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties in our business.***

Our organizational documents do not limit us to our current business lines. Accordingly, we may pursue growth through strategic investments, acquisitions or joint ventures, which may include entering into new lines of business. In addition, we expect opportunities will arise to acquire other companies with businesses that complement ours. To the extent we make strategic investments or acquisitions or enter into joint ventures or new lines of businesses, we expect to face numerous risks and uncertainties, including risks associated with:

the required investment of capital and other resources;

the possibility that we have insufficient expertise to engage in such businesses profitably or without incurring inappropriate amounts of risk;

combining or integrating operational and management systems and controls; and

compliance with applicable regulatory requirements, including those required under the Internal Revenue Code and the Investment Company Act.

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Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputation damage relating to, systems, controls and personnel that are not under our control.

***The proper functioning of our technology platform is essential to our internet finance business. Any failure to maintain the satisfactory performance of our website and systems could materially and adversely affect our business and reputation.***

We are constantly upgrading our platform to provide increased scale, improved performance for both PC and mobile versions of our internet finance platform. The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain customers and provide quality customer service. To adapt to new products and upgrade our technology infrastructure requires significant investment of time and resources, including adding new hardware, updating software and recruiting and training new engineering personnel. Maintaining and improving our technology infrastructure requires significant levels of investment. Adverse consequences could include unanticipated system disruptions, slower response times, impaired quality of clients experiences and delays in reporting accurate operating and financial information. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our website or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings on our platform. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and our financial condition, results of operations and business prospects, as well as our reputation, could be materially and adversely affected.

***Any deficiencies in China's internet infrastructure could impair our ability to sell products over our website and mobile applications, which could cause us to lose customers and harm our operating results.***

Our internet finance business depends on the performance and reliability of the internet infrastructure in China. Substantially all of our computer hardware is currently located in China. The availability of our website depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into or renew agreements with these providers on commercially acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our customers could be adversely affected. Almost all access to the internet in China is maintained through state-owned telecommunication carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and internet service providers to give customers access to our website. We have experienced service interruptions in the past, which were typically caused by service interruptions at the underlying external telecommunications service providers, such as the internet data centers and broadband carriers from which we lease services. Service interruptions prevent consumers from accessing our website and mobile applications and placing orders, and frequent interruptions could frustrate customers and discourage them from attempting to place orders, which could cause us to lose customers and harm our operating results.



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***If we fail to adopt new technologies or adapt our website, mobile applications and systems to changing customer requirements or emerging industry standards, our internet finance business may be materially and adversely affected.***

To remain competitive in the internet finance business, we must continue to enhance and improve the responsiveness, functionality and features of our website and mobile applications. The internet finance industry in China is characterized by rapid technological evolution, continual changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. The success of our internet finance business will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. The development of websites, mobile applications and other proprietary technology entails significant technical and business risks. We cannot assure you that we will be able to use new technologies effectively or adapt our website, mobile applications, proprietary technologies and systems to meet evolving customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, the overall prospects, financial condition and results of operations of our internet finance business may be materially and adversely affected.

***We may not be able to prevent unauthorized use of our intellectual property, which could reduce demand for our products and services, adversely affect our revenues and harm our competitive position.***

We rely primarily on a combination of copyright, trade secret, trademark and anti-unfair competition laws and contractual rights to establish and protect our intellectual property rights in our research reports, our wealth management, asset management and internet finance products and services and other aspects of our business. We cannot assure you that the steps we have taken or will take in the future to protect our intellectual property or piracy will prove to be sufficient. Implementation of intellectual property-related laws in China has historically been lacking, primarily due to ambiguity in the PRC laws and enforcement difficulties. Accordingly, intellectual property rights and confidentiality protection in China may not be as effective as in the United States or other countries. Current or potential competitors may use our intellectual property without our authorization in the development of products and services that are substantially equivalent or superior to ours, which could reduce demand for our solutions and services, adversely affect our revenues and harm our competitive position. Even if we were to discover evidence of infringement or misappropriation, our recourse against such competitors may be limited or could require us to pursue litigation, which could involve substantial costs and diversion of management's attention from the operation of our business.

***Confidentiality agreements with employees, product providers and others may not adequately prevent disclosure of our trade secrets and other proprietary information.***

We require our employees, product providers and others to enter into confidentiality agreements in order to protect our trade secrets and other proprietary information and, most importantly, our client information. These agreements might not effectively prevent disclosure of our trade secrets, know-how or other proprietary information and might not provide an adequate remedy in the event of unauthorized disclosure of such confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.



***We may face intellectual property infringement claims, which could be time-consuming and costly to defend and may result in the loss of significant rights by us.***

Although we have not been subject to any litigation, pending or threatened, alleging infringement of third parties intellectual property rights, we cannot assure you that such infringement claims will not be asserted against us in the future.

Intellectual property litigation is expensive and time-consuming and could divert resources and management attention from the operation of our business. If there is a successful claim of infringement, we may be required to alter our services, cease certain activities, pay substantial royalties and damages to, and obtain one or more licenses from, third parties. We may not be able to obtain those licenses on commercially acceptable terms, or at all. Any of those consequences could cause us to lose revenues, impair our client relationships and harm our reputation.

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***Our future success depends on the continuing efforts to retain our existing management team and other key employees as well as to attract, integrate and retain highly skilled and qualified personnel, and our business may be disrupted if we lose their services.***

Our future success depends heavily on the continued services of our current executive officers and senior management team. We also rely on the skills, experience and efforts of other key employees, including management, marketing, support, research and development, technical and services personnel, across our wealth management, asset management and internet finance businesses. Qualified employees are in high demand throughout the wealth management, asset management and internet finance industries in China, and our future success depends on our ability to attract, train, motivate and retain highly skilled employees in these industries and the ability of our executive officers and other members of our senior management to work effectively as a team.

If one or more of our executive officers or other key employees are unable or unwilling to continue in their present positions, we may not be able to find replacements easily, which may disrupt our business operations. We do not have key personnel insurance in place. If any of our executive officers or other key employees joins a competitor or forms a competing company, we may lose clients, know-how, key professionals and staff members. Each of our executive officers has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. However, if any dispute arises between our executive officers and us, we cannot assure you of the extent to which any of these agreements could be enforced in China, where these executive officers reside, because of the uncertainties of China's legal system. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Uncertainties with respect to the PRC legal system could adversely affect us.

***If we fail to attract and retain qualified relationship managers, our business could suffer.***

We rely heavily on our relationship managers to develop and maintain relationships with our clients. Our relationship managers serve as our day-to-day contacts with our clients and carry out a substantial portion of the client services we deliver. Their professional competence and approachability are essential to establishing and maintaining our brand image. As we further grow our business and expand into new cities and regions, we have an increasing demand for high quality relationship managers. We have been actively recruiting and will continue to recruit qualified relationship managers to join our coverage network. However, there is no assurance that we can recruit and retain sufficient relationship managers who meet our high quality requirements to support our further growth. In some of the regional centers where we have recently established or plan to establish branch offices, the talent pool from which we can recruit relationship managers is smaller than in national economic centers such as Shanghai and Beijing. Even if we could recruit sufficient relationship managers, we may have to incur disproportional training and administrative expenses in order to prepare our local recruits for their job. If we are unable to attract and retain highly productive relationship managers, our business could be materially and adversely affected. Competition for relationship managers may also force us to increase the compensation of our relationship managers, which would increase operating cost and reduce our profitability.

***Our existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.***

As of April 15, 2015, Ms. Jingbo Wang, our co-founder, chairman and chief executive officer, and Mr. Zhe Yin, our co-founder, director and vice president, beneficially own an aggregate of 43.4% of our share capital. As a result of this high level of shareholding, Ms. Wang and Mr. Yin have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interests of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could

deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who hold ADSs. For more information regarding our principal shareholders and their affiliated entities, see Item 7. Major Shareholders and Related Party Transactions Major Shareholders.

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***Our business is sensitive to global economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition and results of operations.***

Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet potential liquidity needs.

Economic conditions in China are sensitive to global economic conditions. Since we derive substantially all of our revenues from our operations in China, our business and prospects may be affected by economic conditions in China. Our revenues ultimately depend on the appetite of high net worth individuals to invest in the products we distribute or manage, which in turn depend on their level of disposable income, perceived future earnings and willingness to invest. As there are still substantial uncertainties in the current and future conditions in the global and PRC economies, our clients may reduce or delay their investment in the financial markets in general, and defer or forgo the purchase of products we distribute or manage. We may have difficulty expanding our client base fast enough, or at all, to offset the impact of decreased spending by our existing clients. Additionally, we earn recurring service fees on certain wealth and asset management products over a period of time after the initial sale. Clients may surrender or terminate these products, ending these recurring revenues. Moreover, insolvencies associated with an economic downturn could adversely affect our business through the loss of wealth management product providers or clients or by hampering our ability to place business. Any prolonged slowdown in the global or China's economy may lead to reduced investment in the products we distribute or manage, which could materially and adversely affect our financial condition and results of operations.

Moreover, a slowdown in the global or PRC economy or the recurrence of any financial disruptions may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors confidence, which constitutes the basis of the equity markets. Any financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which any global financial and economic crisis and slowdown of the PRC economy may impact our business, there is a risk that our business, results of operations and prospects may be materially and adversely affected by any global economic downturn and the slowdown of the PRC economy.

***Our revenues and operating results can fluctuate from period to period, which could cause the price of our ADSs to fluctuate.***

Our revenues and operating results have fluctuated in the past and may fluctuate from period to period in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following factors, as well as other factors described elsewhere in this annual report:

a decline or slowdown of the growth in the value of wealth management products or asset management products, which may reduce the value of products we distribute or manage and therefore our commission revenues and cash flows;

negative public perception and reputation of the wealth management services industry;

unanticipated delays of anticipated rollouts of our products or services;

unanticipated changes to economic terms in contracts with our wealth management product providers, including renegotiations;

changes in laws or regulatory policy that could impact our ability to provide wealth management or asset management services to our clients or to distribute or manage wealth management products or asset management products;

failure to enter into contracts with new wealth management product providers;

cancellations or non-renewal of existing contracts with wealth management product providers; and

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changes in the number of clients who decide to effectively terminate their relationship with us or who ask us to redeem their investment in our fund of funds products or real estate fund products.

As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future revenues or operating performance.

***If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.***

As a public company in the United States, we are subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we include a report from management on the effectiveness of its internal control over financial reporting in our annual report on Form 20-F. In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

Our management has concluded that our internal control over financial reporting is effective as of December 31, 2014. See Item 15. Controls and Procedures. Our independent registered public accounting firm has issued an attestation report on our management's assessment of our internal control over financial report and has concluded that our internal control over financial reporting is effective in all material aspects.

However, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, our financial statements could contain material misstatements and we could fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs.

***We have granted, and may continue to grant, stock options and other share-based compensation in the future, which may materially impact our future results of operations.***

We have adopted our 2008 share incentive plan, which we refer to as the 2008 plan, and our 2010 share incentive plan, which we refer to as the 2010 plan, which permit the grant of stock options, restricted shares and restricted share units to employees, directors and consultants of our company. As of April 15, 2015, options to purchase 474,559 ordinary shares and 185,969 restricted shares have been granted and are outstanding, and 1,259,141 ordinary shares have been reserved for future issuances under these plans. As a result of these grants and potential future grants under the plans, we have incurred, and will incur in future periods, significant share-based compensation expenses. We account for compensation costs for all stock options using a fair-value based method and recognize expenses in our consolidated statement of income in accordance with the relevant rules in accordance with U.S. GAAP, which may have a material adverse effect on our net income. Moreover, the additional expenses associated with share-based compensation may reduce the attractiveness of such incentive plans to us. However, if we limit the scope of our share incentive plans, we may not be able to attract or retain key personnel who expect to be compensated by equity incentives.

***We have limited insurance coverage.***

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies do. Other than casualty insurance on some of our assets, we do not have

commercial insurance coverage on our other assets and we do not have insurance to cover our business or interruption of our business, litigation or product liability. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence of loss or damage to property, litigation or business disruption may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

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***We face risks related to health epidemics and other outbreaks, which could significantly disrupt our staffing and may even result in temporary closure of our services and facilities.***

Our business could be materially and adversely affected by the outbreak of influenza, severe acute respiratory syndrome, or SARS, or another epidemic. In March 2013, H7N9, a strain of avian flu more dangerous than any previously seen, was discovered in eastern China. Any outbreak of SARS, influenza or any other contagious disease, or other adverse public health developments in China may have a material and adverse effect on our business operations. These occurrences could cause severe disruption to our daily operations, including our on-site product due diligence, meetings with clients and sales and marketing activities, and may even require a temporary closure of our branch offices.

**Risks Related to Our Corporate Structure**

***If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC regulations relating to insurance brokerage, distribution of mutual fund and asset management plans, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.***

We are engaged in insurance brokerage activities as part of our business. Under current PRC laws and regulations, foreign-invested companies engaged in insurance brokerage business are subject to stringent requirements compared with Chinese domestic enterprises. Specifically, the foreign investors of foreign-invested insurance brokerage companies are required to have, among other things, at least US\$200 million of total assets and at least 30 years of track record in the insurance brokerage business. As a result, neither our PRC subsidiaries nor any of their subsidiaries currently meet all such requirements and therefore none of them is permitted to engage in the insurance brokerage business. We conduct our insurance brokerage business in China principally through contractual arrangements among our PRC subsidiary, Noah Rongyao and our PRC variable interest entity, Noah Investment, and Noah Investment's shareholders. Noah Insurance, a subsidiary of Noah Investment, holds the licenses and permits necessary to conduct insurance brokerage activities in China.

Current PRC regulations relating to foreign investments in the insurance brokerage business in China do not contain detailed explanations and operational procedures, and are subject to interpretations by relevant governmental authorities in China. However, most of these regulations have not been interpreted by the relevant authorities in the context of a corporate structure similar to ours. Therefore, there are substantial uncertainties regarding the applicability of these regulations to our business. Moreover, new regulations may be adopted and interpretations of existing regulations may develop and change, which may materially and adversely affect our ability to conduct our insurance brokerage business.

In addition, we are engaged in mutual fund distribution business and distribution of asset management plans sponsored by mutual fund management companies as part of our business. Under PRC laws and regulations, distribution of mutual funds or asset management plans sponsored by mutual fund management companies requires a mutual fund distribution license. There may be uncertainties regarding the interpretation and application of regulations and other governmental policies regarding the issuance of a mutual fund distribution license. In addition, the approval authorities have broad discretion and may also provide the different requirements regarding the application of mutual fund distribution license according to different situations, such as the applicants are foreign-invested enterprises or their subsidiaries. As a result, our PRC subsidiaries may find it difficult to meet all such requirements or may have to incur significant costs and efforts to meet such requirements. Therefore, we conduct such business in China principally through contractual arrangements among our PRC subsidiary, Noah Rongyao, our PRC variable interest entity, Noah Investment, and Noah Investment's shareholders. Noah Upright, a subsidiary of Noah Investment, holds



the licenses and permits necessary to conduct mutual fund distribution and distribution of asset management plans sponsored by mutual fund management companies in China.

Our contractual arrangements with Noah Investment and its shareholders enable us to (1) have power to direct the activities that most significantly affect the economic performance of Noah Investment; (2) receive substantially all of the economic benefits from Noah Investment in consideration for the services provided by Noah Rongyao; and (3) have an exclusive option to purchase all or part of the equity interests in Noah Investment when and to the extent permitted by PRC law, or request any existing shareholder of Noah Investment to transfer any or part of the equity interest in Noah Investment to another PRC person or entity designated by us at any time at our discretion. Because of these contractual arrangements, we are the primary beneficiary of Noah Investment and hence treat it as our variable interest entity and consolidate its results of operations into ours.

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We have been advised by Zhong Lun Law Firm, our PRC legal counsel, that the ownership structures of our variable interest entity, our PRC subsidiary, Noah Rongyao, and Noah Holdings Limited, as described above, as well as the contractual arrangements among Noah Rongyao and Noah Investment and its shareholders are valid, binding and enforceable under existing PRC laws or regulations. However, we are advised by Zhong Lun Law Firm that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel stated above. For example, substantial uncertainties exist as to how the draft PRC Foreign Investment Law or its implementation rules may impact the viability of our current corporate structure in the future. See Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations. It is uncertain whether any other new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide.

If we, our PRC subsidiary, Noah Rongyao, or our variable interest entity, Noah Investment, is found to be in violation of any existing or future PRC laws or regulations, including the stringent regulatory requirements imposed on foreign-invested companies engaged in insurance brokerage but not on Chinese domestic enterprises, or fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the CIRC and the CSRC, would have broad discretion in dealing with such violations or failures, including, without limitation, levying fines, confiscating our income or the income of Noah Investment, revoking business licenses of our PRC subsidiary or the business licenses of Noah Investment, the insurance brokerage license of Noah Insurance or the mutual fund distribution license of Noah Upright, or requiring us and Noah Investment to restructure our ownership structure or operations and requiring us or Noah Investment to discontinue any portion or all of our insurance brokerage business. Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. If any of these penalties results in our inability to direct the activities of Noah Investment that most significantly impact its economic performance, and/or our failure to receive the economic benefits from Noah Investment, we may not be able to consolidate Noah Investment in our consolidated financial statements in accordance with U.S. GAAP.

***We rely on contractual arrangements with our variable interest entity and its shareholders for a portion of our China operations, which may not be as effective as direct ownership in providing operational control.***

We rely on contractual arrangements with our variable interest entity, Noah Investment, and its shareholders to operate a portion of our operations in China, including the insurance brokerage business, distribution of mutual funds products, asset management business and a small portion of our other wealth management services. Our variable interest entity and its subsidiaries generated US\$7.2 million, US\$34.7 million and US\$91.9 million in net revenues in 2012, 2013 and 2014, respectively, which contributed 8.3%, 21.2% and 37.1% of our total net revenues in the respective years. For a description of these contractual arrangements, see Item 4. Information on the Company C. Organizational Structure. These contractual arrangements may not be as effective as direct ownership in providing us with control over our variable interest entity. Under the current contractual arrangements, as a legal matter, if our variable interest entity or their shareholders fail to perform their respective obligations under these contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective.

Under the share pledge agreement dated September 3, 2007 between our PRC subsidiary, Noah Rongyao, and the shareholders of Noah Investment, those shareholders pledged their equity interests in Noah Investment to Noah Rongyao to secure Noah Investment's obligations under the exclusive support service agreement and the exclusive option agreement.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert effective control over our variable interest entity, and our ability to conduct our business may be negatively affected.

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***Contractual arrangements we have entered into among our PRC subsidiary, Noah Rongyao, our variable interest entity and its shareholders may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC variable interest entity and its subsidiaries owe additional taxes, which could substantially reduce our consolidated net income and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We are not able to determine whether the contractual arrangements we have entered into among our PRC subsidiary, Noah Rongyao, our variable interest entity and its shareholders will be regarded by the PRC tax authorities as arm's length transactions. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among Noah Rongyao, our wholly-owned subsidiary in China, Noah Investment, our variable interest entity in China and Noah Investment's shareholders were not entered into on an arm's-length basis or resulted in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Noah Investment's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by Noah Investment, which could in turn increase their respective tax liabilities. In addition, the PRC tax authorities may impose punitive interest on Noah Investment for the adjusted but unpaid taxes at the rate of 5% over the basic Renminbi lending rate published by the People's Bank of China for a period according to applicable regulations. Although Noah Rongyao did not generate any revenues from providing services to Noah Investment in the past, if there are such revenues in the future and the PRC tax authorities decide to make transfer pricing adjustments on Noah Investment's net income, our consolidated net income may be adversely affected.

***Because certain shareholders of our variable interest entity are our directors and executive officers, their fiduciary duties to us may conflict with their respective roles in the variable interest entity. If any of the shareholders of our variable interest entity fails to act in the best interests of our company or our shareholders, our business and results of operations may be materially and adversely affected.***

Certain shareholders of Noah Investment, our variable interest entity, are our directors and executive officers, including Ms. Jingbo Wang, our chairman and chief executive officer, Mr. Zhe Yin, our director and vice president, and Mr. Boquan He, our director. For these directors and officers, their fiduciary duties owed to our company under Cayman Islands law including their duties to act honestly, in good faith and in our best interests may conflict with their roles in our variable interest entity, as what is in the best interest of our variable interest entity may not be in the best interests of our company. In addition, these individuals may breach or cause Noah Investment and its subsidiaries to breach or refuse to renew the existing contractual arrangements with us.

Conflicts of interest may arise between the dual roles of those individuals who are both directors or executive officers of our company and shareholders of our variable interest entity. We do not have existing arrangements to address potential conflicts of interest these individuals may encounter in his or her capacity as a shareholder of the variable interest entity, on the one hand, and as a beneficial owner and a director and/or an officer of our company, on the other hand; provided that we could, at all times, exercise our option under the exclusive option agreement with Noah Investment's shareholders to cause them to transfer all of their equity ownership in Noah Investment to a PRC entity or individual designated by us, and this new shareholder of Noah Investment could then appoint new directors of Noah Investment to replace the current directors. In addition, if such conflicts of interest arise, Noah Rongyao, our wholly owned PRC subsidiary, could also, in the capacity of the attorney-in-fact of Noah Investment's shareholders as provided under the power of attorney, directly appoint new directors of Noah Investment to replace these individuals.

We rely on Noah Investment's shareholders to comply with the PRC law, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains. Although our independent directors or disinterested

officers may take measures to prevent the parties with dual roles from making decisions that may favor themselves as shareholders of the variable interest entity, we cannot assure you that these measures would be effective in all instances and when conflicts arise, those individuals will act in the best interest of our company or that conflicts will be resolved in our favor. The legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and those individuals, we would have to rely on legal proceedings, which may materially disrupt our business. There is also substantial uncertainty as to the outcome of any such legal proceeding.

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***We may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.***

We are a holding company, and we may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. For example, one of our subsidiaries is restricted by the terms of its loan agreements to pay dividends in excess of agreed percentages of its net profit for the year. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Noah Rongyao currently has in place with our variable interest entity in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us.

Under the relevant laws and regulations in the PRC applicable to foreign-investment corporations and the articles of association of our PRC subsidiaries and variable interest entity, our PRC subsidiaries and variable interest entity are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of their registered capital. We allocated US\$2.0 million, US\$5.1 million and US\$7.3 million to statutory reserves during the years ended December 31, 2012, 2013 and 2014, respectively. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. At its discretion, each of our PRC subsidiaries and consolidated affiliated entities may allocate a portion of its after-tax profits based on PRC accounting standards to its discretionary reserve fund, or its staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China The dividends we receive from our PRC subsidiaries may be subject to PRC tax under the PRC Enterprise Income Tax Law, which would have a material adverse effect on our financial condition and results of operations. In addition, if we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders .

***Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.***

The Ministry of Commerce, or MOC, published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The MOC is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate

structure, corporate governance and business operations in many aspects.

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Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of actual control in determining whether the investment in China is made by a foreign investor or a PRC domestic investor. The draft Foreign Investment Law specifically provides that an entity established in China but controlled by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOC or its local branches, treated as a PRC domestic investor provided that the entity is controlled by PRC entities and/or citizens. In this connection, control is broadly defined in the draft law to cover, among others, having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. If the foreign investment falls within a negative list, to be separately issued by the State Council in the future, market entry clearance by the MOC or its local branches would be required. Otherwise, all foreign investors may make investments on the same terms as Chinese investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

The variable interest entity structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See Item 3. Key Information D. Risk Factors Risks Related to Our Corporate Structure If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC regulations relating to insurance brokerage, distribution of mutual fund and asset management plans, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. and Item 4. Information of the Company C. Organizational Structure. Under the draft Foreign Investment Law, if a variable interest entity is ultimately controlled by a foreign investor via contractual arrangement, it would be deemed as a foreign investment. Accordingly, for the companies with a VIE structure in an industry category that is on the negative list, the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC individual, or PRC government and its branches or agencies). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as foreign invested enterprises and any operation in the industry category on the negative list without market entry clearance may be considered as illegal.

The draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with a VIE structure, although a few possible options were proffered to solicit comments from the public. Under these options, a company with VIE structures and in the business on the negative list at the time of enactment of the new Foreign Investment Law has either the option or obligation to disclose its corporate structure to the authorities, while the authorities, after reviewing the ultimate control structure of the company, may either permit the company to continue its business by maintaining the VIE structure (when the company is deemed ultimately controlled by PRC citizens), or require the company to dispose of its businesses and/or VIE structure based on circumstantial considerations. Moreover, it is uncertain whether the industries in which our variable interest entity operates will be subject to the foreign investment restrictions or prohibitions set forth in the negative list to be issued. If the enacted version of the Foreign Investment Law and the final negative list mandate further actions, such as MOC market entry clearance, to be completed by companies with existing VIE structure like us, or we plan to apply for determination on the PRC investor during the clearance process, we face uncertainties as to whether such clearance or ratification can be timely obtained, or at all.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign invested entities. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with the information



reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

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***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of conversion of foreign currencies into Renminbi may delay or prevent us from using the proceeds of our overseas offering to make loans to our PRC subsidiaries and variable interest entity or to make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and variable interest entity. We may make loans to our PRC subsidiaries and variable interest entity, or we may make additional capital contributions to our PRC subsidiaries.

Any loans to our PRC subsidiaries, which are treated as foreign invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our variable interest entity, a PRC domestic company. Meanwhile, we are not likely to finance the activities of our variable interest entity by means of capital contributions because that would result in our variable interest entity being converted into a foreign invested company, while foreign invested companies engaged in insurance brokerage are subject to more stringent requirements than PRC domestic enterprises.

On August 29, 2008, SAFE promulgated a regulation which restricts the conversion by a foreign invested enterprise of foreign currency registered capital into Renminbi by setting limitations on the usage of the converted Renminbi. This regulation is generally referred to as SAFE Circular 142. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The usage of such Renminbi capital may not be altered without SAFE's approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. On November 16, 2011, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues Relating to Further Clarification and Regulation of Certain Capital Account Items under Foreign Exchange Control, or SAFE Circular 45, to further strengthen and clarify its existing regulations on foreign exchange control under SAFE Circular 142. Circular 45 expressly prohibits foreign invested entities, including wholly foreign-owned enterprises such as Noah Rongyao, from converting registered capital in foreign exchange into RMB for the purpose of equity investment, granting certain loans, repayment of inter-company loans, and repayment of bank loans which have been transferred to a third party. Further, SAFE Circular 45 generally prohibits a foreign invested entity from converting registered capital in foreign exchange into RMB for the payment of various types of cash deposits. In August 2014, SAFE issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas, or SAFE Circular 36 which allows a foreign-invested enterprise registered in certain areas with a business scope containing investment to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC. On March 30, 2015, SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises, or SAFE Circular 19, which will take effect and replace SAFE Circular 142 from June 1, 2015. Although SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions will continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for entrusted loans

or for inter-company RMB loans. If our variable interest entity requires financial support from us or our wholly owned subsidiary in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our variable interest entity's operations will be subject to statutory limits and restrictions, including those described above.

In light of the various requirements imposed by of PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circular 142, SAFE Circular 45, SAFE Circular 36 or SAFE Circular 19 and other relevant rules and regulations, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or our variable interest entity or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our initial public offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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**Risks Related to Doing Business in China**

***Adverse changes in the political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.***

Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations there. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth in the past 30 years, the growth has been uneven across different periods, regions and among various economic sectors of China. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business.

The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. From late 2003 to mid-2008, the PRC government implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of slowing the growth of credit, which in turn may have slowed the growth of the Chinese economy. In response to the recent global and Chinese economic downturn, the PRC government has promulgated several measures aimed at expanding credit and stimulating economic growth. Since August 2008, the People's Bank of China, or BOC, has lowered the statutory deposit reserve ratio and lowered benchmark interest rates several times. Beginning in January 2010, the People's Bank of China started to take measures, including increasing the statutory deposit reserve ratio and raising the benchmark interest rates several times in response to rapid growth of credit in 2009 and 2010. Since January 2011, the People's Bank of China has continually increased the statutory deposit reserve ratio and raised the benchmark interest rates. The increasing trend eased in December 2011 and the statutory deposit reserve ratio was reduced twice in February and May 2012. In July 2013, the People's Bank of China revoked the restriction on the loan interest rates of financial institutions. In November 2014, the People's Bank of China lowered the benchmark interest rates for loans and deposits and lifted the ceiling for deposit rates. Most recently, in March 2015, the People's Bank of China further lowered the benchmark interest rates for loans and deposits to reduce the financing costs for China's small and medium-sized enterprises, which could in turn stimulate the growth of the Chinese economy. It is unclear whether PRC economic policies will be effective in stimulating growth, and the PRC government may not be effective in creating stable economic growth in the future. Any slowdown in the economic growth of China could lead to reduced demand for the products we distribute or manage, which could materially and adversely affect our business, as well as our financial condition and results of operations.

***Uncertainties with respect to the PRC legal system could adversely affect us.***

We conduct our business primarily through our PRC subsidiaries and variable interest entity in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are foreign-invested enterprises and are subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is a civil law system based on written statutes. Unlike common law system, prior court decisions may be cited for reference but have limited precedential value.



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In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Any administrative and court proceedings in China may be protracted and result in substantial costs and diversion of resources and management attention. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. For instance, on January 19, 2015, the MOC published a draft of the proposed Foreign Investment Law on its official website for public comments. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in alignment with international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments, and thus the draft Foreign Investment Law will have a far-reaching and significant impact upon foreign investments by fundamentally reshaping the entire PRC foreign investment regulatory regime. See [Risks Related to Our Corporate Structure](#) Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations and [Item 4. Information on the Company B. Business Overview Regulations Draft Foreign Investment Law](#) . There is no definitive timeline for this law to be officially promulgated by the PRC legislature and the current draft may need to undergo significant amendment before the law is finally passed. Accordingly, substantial uncertainties still exist with respect to the enactment timetable, interpretation and implementation of this new law. As a result, we may not be aware of how it may impact the viability of our current corporate structure, corporate governance and business operations. These uncertainties could limit the legal protections available to us and other foreign investors, and could materially and adversely affect our business and results of operations.

***The audit reports included in this annual report are prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.***

The independent registered public accounting firm that issues the audit reports included in our annual reports filed with the US Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the US Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor s audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB

inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements, which may have a material adverse effect on our ADS price.

***If additional remedial measures are imposed on the big four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934.***

Starting in 2011 the Chinese affiliates of the big four accounting firms, (including our independent registered public accounting firm) were affected by a conflict between US and Chinese law. Specifically, for certain US listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under China law they could not respond directly to the US regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

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In late 2012 this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, (including our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding PRC-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act of 1934, as amended. Such a determination could ultimately lead to the delisting of our ordinary shares from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

***Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.***

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. After June 2010, the Renminbi began to appreciate against the U.S. dollar again, although there have been some periods when it has lost value against the U.S. dollar, as it did for example during 2014. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

There remains significant international pressure on the PRC government to substantially liberalize its currency policy, which could result in further appreciation in the value of the Renminbi against the U.S. dollar. To the extent that we need to convert U.S. dollars into Renminbi for capital expenditures and working capital and other business purposes, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other



business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

The reporting and functional currency of our company is the U.S. dollar. However, the functional currency of our consolidated operating subsidiaries and variable interest entity is the Renminbi and substantially all their revenues and expenses are denominated in Renminbi. Substantially all of our sales contracts were denominated in Renminbi and substantially all of our costs and expenses are denominated in Renminbi. Fluctuations in exchange rates, primarily those involving the U.S. dollar, may affect the relative purchasing power of these proceeds. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

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Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

***Governmental control of conversion of Renminbi into foreign currencies may limit our ability to utilize our revenues effectively and affect the value of your investment.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedural requirements. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.***

SAFE has promulgated several rules and regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of SAFE in connection with their direct or indirect offshore investment activities. According to the circular promulgated by SAFE which will take effect on June 1, 2015, the qualified banks will bear the authority to register all PRC residents' direct or indirect offshore investment activities in special purpose vehicles, except that those PRC residents who have failed to register or obtain approval will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange rules and regulations, PRC residents are required to complete SAFE registration before contributing their legally owned onshore or offshore assets or equity interest into any special purpose vehicle, or SPV, directly established, or indirectly controlled, by them for the purpose of investment or financing. Such foreign exchange regulations and rules further require that when there is (a) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (b) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes on a timely basis.

We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required by these foreign exchange regulations. Such shareholders and beneficial owners have completed their initial registrations, in relation to their ownership in our company, and are in the process of completing amendment registrations, in relation to their subsequent ownership changes in our Company and the establishment of certain subsidiaries of our Company after our initial public offering required by foreign exchange regulations. We cannot assure you, however, that such amendment registration and filing will be duly completed with the local SAFE branch in a timely manner. In addition, we may not be informed of the identities of all the PRC residents holding direct or indirect interests in our company, and we cannot provide any assurances that all of our shareholders and beneficial owners who are PRC residents will make, obtain or update any applicable registrations or approvals required by these foreign exchange regulations. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our company, or prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially adversely affected.

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However, as there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

***Failure to comply with PRC regulations regarding the registration of share options held by our employees who are domestic individuals may subject such employee or us to fines and legal or administrative sanctions.***

Pursuant to Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company issued by the SAFE in February 2012, or the Stock Incentive Plan Rules, domestic individuals (both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participating in any stock incentive plan of an overseas listed company according to its stock incentive plan are required, through qualified PRC agents which could be the PRC subsidiary of such overseas-listed company, to register with the SAFE and complete certain other procedures related to the stock incentive plan.

We and our employees, who are domestic individuals and have been granted share options, or the PRC optionees, became subject to the Stock Incentive Plan Rules when our company became an overseas listed company upon the completion of our initial public offering. We and our employees have made registration as required under the Stock Incentive Plan Rules and intend to continue making such registration on an on-going basis and complete all the requisite procedures in accordance with the Stock Incentive Plan Rules. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Incentive Plan Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law. In addition, the General Administration of Taxation has issued a few circulars concerning employee stock options. Under these circulars, our employees working in China who exercise stock options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee stock options with relevant tax authorities and withhold individual income taxes of those employees who exercise their stock options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or any other PRC government authorities. Furthermore, there are substantial uncertainties regarding the interpretation and implementation of the Individual Foreign Exchange Rule and the Stock Incentive Plan Rules.

***The discontinuation of any of the financial incentives currently available to us in the PRC could adversely affect our financial condition and results of operations.***

During the five years ended December 31, 2014, our PRC subsidiaries and variable interest entity and its subsidiaries were granted governmental financial subsidies. Government agencies may decide to reduce or eliminate subsidies at any time. We cannot assure you of the continued availability of the government incentives and subsidies currently enjoyed by some of our affiliated entities in China, including our variable interest entity, our PRC subsidiaries and their subsidiaries. The discontinuation of these governmental incentives and subsidies could adversely affect our financial condition and results of operations.



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***The dividends we receive from our PRC subsidiaries may be subject to PRC tax under the PRC Enterprise Income Tax Law, which would have a material adverse effect on our financial condition and results of operations. In addition, if we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.***

Pursuant to the PRC Enterprise Income Tax Law, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive, directly or indirectly, from our wholly foreign-owned PRC subsidiaries. Since there is currently no such tax treaty between China and the Cayman Islands, dividends we directly receive from our wholly foreign-owned PRC subsidiaries will generally be subject to a 10% withholding tax.

In addition, under the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, where a Hong Kong resident enterprise which is considered a non-PRC tax resident enterprise directly holds at least 25% of a PRC enterprise, the withholding tax rate in respect to the payment of dividends by such PRC enterprise to such Hong Kong resident enterprise is reduced to 5% from a standard rate of 10%, subject to approval of the PRC local tax authority. Accordingly, Noah Insurance (Hong Kong) Limited, or Noah HK, may be able to enjoy the 5% withholding tax rate for the dividends it receives from Noah Technology and Noah Xingguang respectively, if they satisfy the conditions prescribed in relevant tax rules and regulations, and obtain the approvals as required. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. If Noah HK is considered to be a non-beneficial owner for purposes of the tax arrangement, any dividends paid to them by our wholly foreign-owned PRC subsidiaries directly would not qualify for the preferential dividend withholding tax rate of 5%, but rather would be subject to a rate of 10%. See Item 4. Information on the Company B. Business Overview Regulations Regulations on Tax Dividend Withholding Tax .

Furthermore, under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with de facto management body within the PRC is considered a PRC resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. See Item 4. Information on the Company B. Business Overview Regulations Regulations on Tax PRC Enterprise Income Tax. We do not believe that Noah Holdings Limited or any of its subsidiaries outside of China is a PRC resident enterprise for the year ended December 31, 2014. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term de facto management body . If the PRC tax authorities determine that Noah Holdings Limited or any of its subsidiaries outside of China is a PRC resident enterprise for tax purposes, they would be subject to a 25% enterprise income tax on their global income. In addition, if Noah Holdings Limited is considered a PRC resident enterprise for tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-PRC resident enterprises, including the holders of our ADSs. Furthermore, non-PRC resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

If Noah Holdings Limited is required under the PRC Enterprise Income Tax Law to withhold such PRC income tax, your investment in our ordinary shares or ADSs may be materially and adversely affected.

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**Table of Contents*****We face uncertainties with respect to the application of the Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises.***

The State Administration of Taxation, or SAT, has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued in December 2009 with retroactive effect from January 1, 2008, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises promulgated issued in March 28, 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposition of equity interest in an overseas non-public holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 has listed several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. However, despite of these factors, an indirect transfer satisfying all the following criteria shall be deemed to lack reasonable commercial purpose and be taxable under the PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the scope of the safe harbor under SAT Circular 7 may not be subject to PRC tax and such safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions.

Under SAT Circular 7, the entities or individuals obligated to pay the transfer price to the transferor shall be the withholding agent and shall withhold the PRC tax from the transfer price. If the withholding agent fails to do so, the transferor shall report to and pay the PRC tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Circular 7, other than imposing penalties such as late payment interest on the transferors, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, provided that such penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, as these rules and notices are relatively new and there is a lack of clear statutory interpretation on the implementation of the same, there is no assurance that the tax authorities will not apply SAT Circular 698, SAT Circular 24 and SAT Circular 7 to previous investments by non-PRC resident investors in our company or our pre-listing restructuring, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to expend valuable resources to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us. We have conducted and may conduct acquisitions involving corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any



capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

**Table of Contents*****The enforcement of the Labor Contract Law, Social Insurance Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.***

In June 2007, the National People's Congress of China enacted the Labor Contract Law, which became effective in January 2008 and was subsequently amended in July 2013. The Labor Contract Law establishes more restrictions and increases costs for employers to dismiss employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work and collective bargaining. According to the Labor Contract Law, an employer is obliged to sign labor contract with unlimited term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts subject to certain conditions or after the employee has worked for the employer for ten consecutive years. The employer also has to pay compensation to an employee if the employer terminates an unlimited-term labor contract. Such compensation is also required when the employer refuses to renew a labor contract that has expired, unless it is the employee who refuses to extend the expired contract. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective in January 2008 and the Implementation Rules on Paid Annual Leave for Employees, which became effective in September 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who are deprived of such vacation time by employers shall be compensated with three times their regular salaries for each of such vacation days, unless it is the employees who waive such vacation days in writing. Since our success largely depends on our qualified employees, the implementation of the Labor Contract Law may significantly increase our operating expenses, in particular our personnel expenses. In the event that we decide to lay off a large number of employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

In addition, enterprises in China are required by PRC laws and regulations, including the Social Insurance Law, to participate in a housing provident fund for employees and in certain employee benefit plans, including social insurance funds like a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan. Employers are required to contribute to the funds or plans in amounts equal to certain percentages of employees' salaries, including bonuses and allowances, as specified from time to time by the local governments in places where they operate their businesses or where they are located.

We cannot assure you that our employment practices do not or will not violate these labor-related laws and regulations. If we are deemed to have been non-compliant with any such laws and regulations or to have failed to make adequate contributions to any social insurance schemes, we may be subject to penalties and negative publicity, and our business, results of operations and prospects may be materially adversely affected.

**Risks Related to our ADSs*****The market price for our ADSs may continue to be volatile.***

The trading prices of our ADSs have been, and are likely to continue to be, volatile and could fluctuate widely due to factors beyond our control. The trading prices of our ADSs ranged from US\$12.35 to US\$25.60 in 2014. This was partly because of broad market and industry factors, such as the performance and fluctuation in the market prices or the underperformance or declining financial results of other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings may affect the

attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. The recent ongoing administrative proceedings brought by the SEC against five accounting firms in China, alleging that they refused to hand over documents to the SEC for ongoing investigations into certain China-based companies, occurs at a time when accounting scandals have eroded investor appetite for China-based companies. In addition, any other negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that may or may not relate to our operating performance, which may have a material and adverse effect on the market price of our ADSs. In addition, the market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

regulatory developments in our target markets affecting us, our clients or our competitors;

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announcements of studies and reports relating to the quality of our products and services or those of our competitors;

changes in the performance or market valuations of other companies that provide wealth management services;

actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;

changes in financial estimates by securities research analysts;

conditions in the wealth management services industry;

announcements by us or our competitors of new services, acquisitions, strategic relationships, joint ventures or capital commitments;

addition or departure of our senior management;

fluctuations of exchange rates between the Renminbi and the U.S. dollar;

release or expiry of transfer restrictions on our outstanding ordinary shares or ADSs; and

sales or perceived potential sales of additional ordinary shares or ADSs.

***Sales of our wealth management products, asset management products and internet finance products and services are subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter to quarter. This may result in volatility in the price of our ADSs.***

Our revenues, operating expenses and operating cash flow have historically been lower during the first quarter than other quarters of our fiscal year. This results from the relatively low number of client meetings and other events during the Chinese New Year holiday period, which falls within the first quarter of each year. In addition, because fund raising activities gradually pick up after the Chinese New Year holiday, we recognize a significant portion of revenues derived from newly launched wealth management products, asset management products and internet finance services in March, which in turn increases our accounts receivables in the first quarter. Such accounts receivables have historically been collected in the second quarter. Because of these factors, we may experience quarterly fluctuations in our results of operations, which in turn may result in volatility in the price of our ADSs.

***Our board of directors has complete discretion as whether to distribute dividends, therefore you should not rely on an investment in our ADSs as a source of future dividend income.***

Our board of directors has complete discretion as to whether to distribute dividends, subject to our articles of association and Cayman Islands law. Our shareholders by ordinary resolution may declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Although we declared an annual cash dividend for 2011 and 2012, we may not declare any dividend in the future, and even if we do so, the future dividend payments may be less than 2011 and 2012. Therefore, you should not rely on an investment in our ADSs as a source of future dividend income. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain their current price.

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**Table of Contents*****Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.***

Additional sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of April 15, 2015, we had 28,107,561 ordinary shares outstanding, including 15,695,000 ordinary shares represented by ADSs. Except for the restricted ADSs representing 4,095,713 ordinary shares held by affiliates of Sequoia Capital China, the rest of our ADSs are freely transferable without restriction or additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act. The remaining ordinary shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act.

Certain holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADS in the public market could adversely impact the trading price of the notes and cause the price of our ADSs to decline.

***Provisions of our convertible notes could discourage an acquisition of us by a third party.***

In February 2015, we completed an issuance of US\$80 million in aggregate principal amount of convertible notes. The convertible notes bear interest at a rate of 3.5% per annum from the issuance date and mature in February 2020 and are convertible, at the holders' option, at an initial conversion price of US\$23.03 per ADS, subject to adjustments. Certain provisions of our convertible notes could make it more difficult or more expensive for a third party to acquire us. The indentures for these convertible notes define a fundamental change to include, among other things: (1) any person or group gaining control of our company; (2) any recapitalization, reclassification or change of our ordinary shares or the ADSs as a result of which these securities would be converted into, or exchanged for, stock, other securities, other property or assets; (3) the adoption of any plan relating to the dissolution or liquidation of our company; or (4) our ADSs ceasing to be listed on a major U.S. national securities exchange. Upon the occurrence of a fundamental change, holders of these notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes of at least US\$15,000,000 or such lesser amount then held by the holders. In the event of a fundamental change, we may also be required to issue additional ADSs upon conversion of our convertible notes.

***You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.***

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

***Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings and you may not receive cash dividends if it is impractical to make them available to you.***

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to

which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depository will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

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The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under Cayman Islands law, we conduct substantially all of our operations in China and all of our directors and officers reside outside the United States.***

We are incorporated in the Cayman Islands, and conduct substantially all of our operations in China through our PRC subsidiaries and variable interest entity. All of our directors and officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. We have been advised by Maples and Calder, our counsel as to Cayman Islands law, that although there is no statutory recognition in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits, through an action on the foreign judgment commenced in Grand Court of the Cayman Islands, based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign money judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be (i) in respect of taxes or a fine or penalty or similar fiscal or revenue obligations, (ii) inconsistent with a Cayman Islands judgment in respect of the same matter, (iii) impeachable on the grounds of fraud or (iv) obtained in a manner, nor be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman



Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

As a result, our public shareholders/ holders of our ADSs may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

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***Our memorandum and articles of association contain provisions that could discourage a third party from seeking to obtain control of our company, which could adversely affect the interests of holders of our ordinary shares and ADSs by limiting their opportunities to sell them at a premium.***

Our memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants to our board of directors the authority to establish and issue from time to time one or more series of preferred shares, and to designate the price, rights, preferences, privileges and restrictions of such preferred shares, without any further vote or action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series which may be greater than the rights of our ordinary shares. The provisions could have the effect of depriving holders of our ordinary shares or ADSs of the opportunity to sell their shares or ADSs at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

***If we are considered PRC resident enterprise under the EIT Law, interest and dividends paid to non-resident holders may be subject to PRC withholding tax and gains realized by non-resident holders on sale of ADSs or ordinary shares may be subject to PRC income tax.***

We may be treated as a PRC resident enterprise. If we were treated as a PRC resident enterprise, any dividends payable to non-PRC resident enterprise holders of our ordinary shares or ADSs may be treated as income derived from sources within the PRC and therefore may be subject to a 10% withholding tax unless an applicable income tax treaty provides otherwise. In addition, capital gains realized by non-PRC resident enterprise holders upon the disposition of our ordinary shares or ADSs may be treated as income derived from sources within the PRC and therefore may be subject to 10% income tax unless an applicable income tax treaty provides otherwise. It is unclear whether our non-PRC resident individual holders of our ordinary shares or ADSs would be subject to any PRC tax on interest, dividends or capital gains obtained by such non-PRC individual holders in the event we are treated as a PRC resident enterprise. If any PRC tax were to apply to such dividends or capital gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether such non-PRC holders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

***We may be classified as a passive foreign investment company under U.S. tax law, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or ordinary shares.***

A non-U.S. corporation, such as our company, will be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

Although the application of these rules is unclear in many important respects, based on the price of our ADSs, the value of our assets, and the composition of our income and assets for the taxable year ended December 31, 2014, we believe that we were not a PFIC for that year. However, the United States Internal Revenue Service, or the IRS, does not issue rulings with respect to PFIC status, and there can be no assurance that the IRS, or a court, will agree with our determination. For example, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may successfully challenge our classification of certain income and assets as non-passive, which may result in our company being treated as a PFIC. If we are treated as a PFIC with respect to a U.S. Holder (as defined in Item 10. Additional Information E. Taxation Certain Material United States Federal Income Tax Considerations ) for any year during which such U.S. Holder holds our ADSs or ordinary shares, such U.S. Holder may be subject to certain adverse U.S. federal income tax consequences and related reporting requirements. For example, if we are treated as a PFIC

with respect to a U.S. Holder, such U.S. Holder would generally be taxed at the higher ordinary income rates, rather than the lower capital gain rates, if such U.S. Holder disposes of ADSs or ordinary shares at a gain in a later year, even if we are not a PFIC in that year. In addition, a portion of the tax imposed on such U.S. Holder's gain would be increased by an interest charge. Also, if we are treated as a PFIC with respect to a U.S. Holder in any taxable year, such U.S. Holder would generally not be able to benefit from any preferential tax rate (if any) with respect to any dividend distribution that such U.S. Holder may receive from us in that year or in the following years. Certain elections may be available, however, that would mitigate these adverse tax consequences to varying degrees.

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We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2015, or for any future taxable year. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or where the market price of our ADSs or ordinary shares declines, our risk of becoming a PFIC may substantially increase. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in any financing activities. In the event that we determine that we are not a PFIC in 2015 or in a future taxable year, there can be no assurance that the IRS or a court will agree with our determination.

Further, although the law in this regard is unclear, we treat our consolidated affiliated entities as being owned by us for United States federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic benefits associated with them, and, as a result, we consolidate their operating results in our consolidated, U.S. GAAP financial statements. If it were determined, however, that we are not the owner of these entities for U.S. federal income tax purposes, then we would likely be treated as a PFIC.

If we are a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally (unless you make a valid mark-to-market election with respect to the ADSs as discussed below) will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares unless we cease to be a PFIC and the U.S. Holder makes a deemed sale election with respect to the ADSs or ordinary shares, as applicable (in which case, special rules apply). You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of acquiring, holding and disposing of our ADSs or ordinary shares. For more information see Item 10. Additional Information E. Taxation United States Federal Income Tax Considerations Passive Foreign Investment Company Considerations and Rules.

***The U.S. Foreign Account Tax Compliance Act could subject us to certain new information reporting and withholding requirements.***

The United States has passed the Foreign Account Tax Compliance Act, or FATCA, that imposes a new reporting regime and, potentially, a 30% withholding tax on certain payments made to certain non-U.S. entities. In general, the 30% withholding tax applies to certain payments made to a non-U.S. financial institution unless such institution is treated as deemed compliant or enters into an agreement with the US Treasury to report, on an annual basis, information with respect to certain interests in, and accounts maintained by, the institution to the extent such interests or accounts are held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by certain U.S. persons and to withhold on certain payments. The 30% withholding tax also generally applies to certain payments made to a non-financial non-U.S. entity that does not qualify under certain exemptions unless such entity either (i) certifies that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity's substantial United States owners. An intergovernmental agreement between the United States and another country may also modify these requirements. The Cayman Islands has entered into a Model 1 intergovernmental agreement with the United States, which gives effect to the automatic tax information exchange requirements of FATCA, and a similar intergovernmental agreement with the United Kingdom. The Company will be required to comply with the Cayman Islands Tax Information Authority Law (2014 Revision) (as amended) together with regulations and guidance notes made pursuant to such Law that give effect to the intergovernmental agreements with the United States and the United Kingdom. We do not believe FATCA will have a material impact on our business or operations, but because FATCA is particularly complex and the intergovernmental agreement with the PRC, though agreed to in substance, has not been published, we cannot assure you that we will not be adversely affected by this legislation in the future.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

We are an exempted company incorporated with limited liability under the laws of the Cayman Islands with subsidiaries and affiliated entities primarily in China. In August 2005, our founders started our business through the incorporation of Shanghai Noah Investment Management Co., Ltd., or Noah Investment, a domestic company in China. Since its inception, our founders focused the business of Noah Investment primarily on the distribution of OTC wealth management products to high net worth individuals in China.

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We conduct our wealth management business in China primarily through our subsidiaries, Kunshan Noah Xingguang Investment Management Co., Ltd. and Shanghai Noah Financial Services Co., Ltd. We conduct our overseas wealth management business through Noah Holdings (Hong Kong) Limited, our subsidiary in Hong Kong. We conduct our small short-term loan business through Noah Financial Express (Wuhu) Microfinance Co., Ltd, our subsidiary in the PRC. Our asset management business, insurance brokerage business and mutual funds distribution business are conducted through Noah Investment and its subsidiaries. We primarily conduct our internet finance business through Shanghai Noah Yijie Finance Technology Co., Ltd.

In August 2007 and January 2008, we issued an aggregate 2,950,000 series A preferred shares, par value US\$0.001 per share, to Sequoia entities for US\$3.9 million. Sequoia entities refer to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. Each series A preferred share was automatically converted to two ordinary shares in connection with our initial public offering in November 2010. On November 10, 2010, our ADSs began trading on the New York Stock Exchange under the ticker symbol NOAH. We issued and sold a total of 9,660,000 ADSs, representing 4,830,000 ordinary shares, at an initial offering price of US\$12.00 per ADS.

In February 2015, we completed an issuance of US\$80.0 million in aggregate principal amount of convertible notes due 2020 through private placement. The notes were offered to certain non-U.S. persons in compliance with Regulation S under the Securities Act. The notes will be convertible into our ADSs based at an initial conversion rate of 43.4216 of our ADSs per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately US\$23.03 per ADS). The conversion rate is subject to adjustment upon the occurrence of certain events. The notes will bear interest at a rate of 3.50% per annum, payable semiannually in arrears on February 3 and August 3 of each year, beginning on August 3, 2015. The notes will mature on February 3, 2020, unless previously repurchased or converted in accordance with their terms prior to such date.

Our principal executive offices are located at No. 32 Qinhuangdao Road, Building C, Shanghai 200082, People's Republic of China. Our telephone number at this address is (86) 21 3860-2301. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc.

**B. Business Overview**  
**Overview**

We are a leading wealth management service provider with a focus on global wealth investment and asset allocation services for high net worth individuals and enterprises in China. We also provide internet finance services to clients in China. We believe our wealth management, asset management and internet finance businesses complement one other and enable us to provide a broad range of customized solutions to our clients.

We provide direct access to China's high net worth population. With 779 relationship managers in 94 branch offices as of December 31, 2014, our coverage network encompasses China's most economically developed regions where high net worth population is concentrated, including the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. Through this extensive coverage network, we primarily serve three types of clients: (i) high net worth individuals, (ii) enterprises affiliated with high net worth individuals and (iii) wholesale clients, primarily local commercial banks or branches of national commercial banks that distribute wealth management products to their own clients. We refer to high net worth individuals and enterprises registered with us and the wholesale clients that have entered into

cooperation agreements with us as our registered clients. Since our inception in 2005, the number of our registered clients has grown to 70,557 as of December 31, 2014. We refer to those registered clients who obtained wealth management or asset management products or services distributed or provided by us during any given period as active clients for that period. Neither our registered clients nor active clients pay us for our services. The number of our active clients amounted to 4,152, 6,455 and 9,010 in 2012, 2013 and 2014, respectively.

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We believe that our product sophistication, along with our client knowledge, has enabled us to consistently cater to the needs of our client base, which primarily consists of China's high net worth population. We primarily distribute OTC wealth management and asset management products and services originated in China, and also recently began providing internet finance services. Our wealth management products primarily include fixed income products, private equity funds, mutual fund products, private securities investment funds products and insurance products. Our asset management products primarily include fund of funds and real estate funds. Through our product selection process and rigorous risk management, we are able to offer our clients a wide array of third-party wealth management and asset management products and services. In 2013, as part of our wealth management business, we started distributing high-end insurance policies and offering small short-term loans as new services to meet the needs of our existing clients, and these have generated US\$3.5 million in revenues for the year ended December 31, 2014. From our inception in 2005 to December 31, 2014, we distributed RMB180.4 billion (US\$28.6 billion) worth of products through our wealth management business, and our asset management business managed assets amounted to RMB49.7 billion (US\$8.1 billion) as of December 31, 2014. In addition, in the second quarter of 2014, we launched our internet finance platform for white-collar professionals, which constitutes part of our internet finance business that includes small short-term loans, online peer-to-peer lending for high net worth individuals, and online payment and related businesses. Through our internet finance business, we provide financial products and services to high net worth individuals and enterprise clients as well as serve white-collar professionals in China through proprietary internet financial platforms. The aggregate value of wealth management products and asset management products distributed by us through our internet finance platform in 2014 was RMB1.4 billion (approximately US\$227.7 million) and we had 205 enterprise clients as of December 31, 2014. We intend to continue to explore new products and services as the appropriate opportunities arise.

We generate revenues from our wealth management business primarily in the form of one-time commissions and recurring service fees paid by product providers or underlying corporate borrowers, and from our asset management business primarily in the form of recurring service fees mainly consisting of management fees. Such commissions and service fees paid by product providers or underlying corporate borrowers are calculated based on the value of the relevant wealth or asset management products and services we distribute or offer to our active clients, even though our active clients do not directly pay us any such commissions or fees. We deliver to our high net worth clients a continuum of value-added services before, during and after we distribute and offer wealth management products and asset management products to them. These services include financial planning, product analysis and recommendation, product and market updates and investor education. We do not charge our clients fees for these services. Our one-time commissions accounted for 53.3%, 45.5% and 37.4% of our net revenues in 2012, 2013 and 2014, respectively, and our recurring service fees accounted for 45.7%, 51.0% and 54.4% of our net revenues in 2012, 2013 and 2014, respectively. We also generated revenues from other services, including (i) interest payments from small short-term loans, (ii) service income from our internet finance business and (iii) performance-based income of the funds we serve as fund managers, which contributed 8.2% of our net revenues in 2014.

Our business has grown substantially since our inception in 2005. Our coverage network increased from six relationship managers in one city in 2005 to 779 relationship managers in 94 branch offices as of December 31, 2014, while our total number of registered clients increased from 930 to 70,557 during the same period. In particular, we achieved significant growth amid the financial crisis in 2008, which we believe reflects the quality of our product choices and services and the increasing wealth management needs of China's high net worth population. The table below sets forth information relating to the level of select market indices as of the last day of each of the periods presented and certain of our performance indicators for each of the periods presented:

**Years Ended December 31,**



	2012		2013		2014	
	Statistics	Year-over-Year Change (%)	Statistics	Year-over-Year Change (%)	Statistics	Year-over-Year Change (%)
Standard & Poor's 500 Index <sup>(1)</sup> (US\$)	1,426	13.4	1,831	28.4	2,059	12.5
Shanghai Stock Exchange Composite Index <sup>(1)</sup> (RMB)	2,269	3.2	2,115	(6.8)	3,235	53.0
Our total transaction value (RMB in millions)	25,122	11.2	44,487	77.1	63,371	42.4
Number of our registered clients	40,305	48.5	53,501	32.7	70,557	31.9
Number of our active clients	4,152	34.2	6,445	55.2	9,010	39.8

(1) Annual closing prices of respective composite indices.

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For the past three years, our net revenues increased from US\$86.7 million in 2012 to US\$163.8 million in 2013 and to US\$247.9 million in 2014, representing a CAGR of 69.1%. We recorded net income attributable to our shareholders of US\$22.8 million in 2012, US\$51.4 million in 2013 and US\$72.4 million in 2014. The net income amounts have included the impact of non-cash charges relating to share-based compensation in an aggregate amount of US\$4.0 million in 2012, US\$5.2 million in 2013 and US\$5.3 million in 2014.

We are a holding company and we primarily operate our business through our PRC subsidiaries and our variable interest entity and its subsidiaries in China. While our PRC subsidiaries conduct most of our wealth management business, we currently conduct our insurance brokerage business, mutual fund distribution business and asset management business exclusively through Noah Investment and its subsidiaries. In particular, Gopher Asset Management Co., Ltd., or Gopher Asset, a subsidiary of Noah Investment, has grown to be the core of our asset management business, having become a leading asset management company in China focused on fund of funds in private equity, real estate, hedge funds, credit products and family office business. We exercise effective control over the operations of Noah Investment pursuant to a series of contractual arrangements, under which we are entitled to receive substantially all of its economic benefits. In 2012, 2013 and 2014, our variable interest entity and its subsidiaries contributed 8.3%, 21.2% and 37.1% of our net revenues, respectively. The increase in the percentage of revenue contribution by our variable interest entity and subsidiaries from 2012 to 2014 was primarily due to the rapid development of our asset management services since 2012, which were conducted by the subsidiaries of our variable interest entity. In addition, we primarily conduct our internet finance business through Shanghai Noah Yijie Finance Technology Co., Ltd.

## **Our Services**

We are a leading wealth management service provider with a focus on global wealth investment and asset allocation services for high net worth individuals and enterprises in China.

### ***Wealth Management***

Our wealth management business primarily involves our distribution of both wealth management products and asset management products which primarily include fixed income products, private equity fund products, mutual fund products, private securities investment funds products, short-term financing products, public equity products and high end insurance products. Through our rigorous product selection and risk management processes, we choose products from a wide array of third-party wealth management products and asset management products. To date, we have distributed the products of over 194 third-party product providers. In 2013, we started distributing high-end insurance policies and offering small short-term loans. Such services were designed to address the needs of our existing clients, provide new in-house expertise and improve client loyalty. From our inception in 2005 to December 31, 2014, we distributed RMB180.4 billion (US\$28.6 billion) worth of wealth management products in aggregate.

### ***Asset Management***

For our asset management business, we manage and distribute fund of funds, which includes fund of private equity funds, fund of real estate funds and fund of hedge funds, as well as real estate funds products and family office services to provide domestic and overseas asset allocation services. In May 2010, we started our fund of funds business by forming fund of private equity funds under our management. In the second half of 2012, we began managing and distributing real estate fund products of which we serve as the general partner. In 2013, we began managing and distributing funds of hedge funds, funds of fixed income funds, funds of real estate funds and fixed income funds denominated in U.S. dollars, of which we serve as the general partner through one of our subsidiaries in Hong Kong. In 2013, we also began distributing certain asset management plans sponsored by mutual fund

management companies, of which we serve as the investment adviser, exercising substantial management capability. In 2014, we developed our own fund management business by launching and managing contract-based private funds, which are new forms of funds and fund of funds. Such asset management business is subject to detailed regulations and implementing policies issued by CSRC. In addition, in 2014, in response to market demands, we limited the percentage of real estate related products we offered, gradually shifted away from residential real estate to commercial real estate in our real estate funds and funds of real estate funds, cooperated with more overseas partners, increased the number of overseas funds of funds offered (including real estate, private equity, secondary market equity and fixed income funds) and offered an increasing number of domestic secondary market equity funds of funds. As of December 31, 2014, compared to December 31, 2013, the aggregate value of our asset management products increased from RMB37.5 billion to RMB49.7 billion (US\$8.1 billion).

**Table of Contents****Internet Finance**

In 2014, we began providing a range of internet finance services and offered online private banking services for white-collar professionals, small short-term loans, online peer-to-peer lending and online payment and related services. As of December 31, 2014, we had established cooperative relationships with 205 China-based companies to offer financial products and services to white-collar professionals who work at these companies. The aggregate value of products distributed by us to white-collar professionals through our internet finance platform in 2014 was RMB1.4 billion (approximately US\$227.7 million).

**Our Clients**

We define our addressable high net worth markets as the following categories of clients: (i) high net worth individuals, (ii) enterprises affiliated with high net worth individuals and (iii) wholesale clients. Our primary business is distribution to high net worth individual clients, which contributed to approximately 84.3%, 77.2% and 77.9% of our total revenues in 2012, 2013 and 2014, respectively. Our distribution to enterprise clients accounted for 14.1%, 22.8% and 22.1%, respectively, of our total revenues in 2012, 2013 and 2014, while distribution through wholesale clients accounted for 1.6%, nil and nil, respectively, of our total revenues in the same periods. In addition, through our recently launched internet finance business, we also serve white-collar professionals.

The table below sets forth selected statistics of our three primary categories of clients for or at the end of the periods indicated:

	Number of Registered Clients as of December 31,			Number of Active Clients for Years Ended December 31,			Total Transaction Value for Years Ended December 31, (US\$ in millions)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Individual clients	38,833 <sup>(1)</sup>	51,278 <sup>(1)</sup>	67,724	3,820	5,998	8,643	2,994	5,386	7,771
Enterprise clients	1,365 <sup>(2)</sup>	2,106 <sup>(2)</sup>	2,714	317	447	367	893	1,850	2,515
Wholesale clients	107 <sup>(3)</sup>	117 <sup>(3)</sup>	119	5			95		
Total	40,305	53,501	70,557	4,152	6,445	9,010	3,982	7,236	10,286

(1) Represents the aggregate number of our registered high net worth individual clients. This figure does not include white-collar professionals served by our internet finance business.

(2) Represents the aggregate number of our registered enterprise clients.

(3) Represents the number of wholesale clients that have entered into cooperation agreements with us.

**Individual Clients****High Net Worth Individuals**

We accept high net worth individuals with investable assets (excluding primary residence) in excess of RMB3.0 million (US\$0.5 million) interested in receiving our services as our registered individual clients, although our registered individual clients often have a higher level of wealth. In recent years, we have been raising the required

level of investable assets when we target high net worth individuals in order to focus our resources on serving the high-end segment of China's high net worth population.

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The number of our registered individual clients increased from 38,833 as of December 31, 2012 to 51,278 as of December 31, 2013 and to 67,724 as of December 31, 2014. The number of registered individual clients who have purchased products distributed by us increased from 8,597 as of December 31, 2012 to 11,128 as of December 31, 2013 and to 15,494 as of December 31, 2014. In 2014, registered individual clients purchased RMB49.4 billion (US\$8.1 billion) worth of wealth management products through us, accounting for 77.9% of the aggregate value of wealth management products that we distributed during the same period.

*White-collar Professionals*

Benefitting from our internet finance platform and our asset management capability, we further diversified our client base when we introduced Yuan Gong Bao, an internet finance platform that provides financial products and services to white-collar professionals in China, in the second quarter of 2014.

*Enterprise Clients*

We also extend the distribution of wealth management products to enterprises, primarily SMEs. We define SMEs as enterprises/institutions that generate annual revenues of no more than RMB300.0 million (US\$50 million). The number of our registered enterprise/institutional clients has increased in recent years and reached 7,714 as of December 31, 2014. In 2014, registered enterprise/institutional clients purchased RMB14.0 billion (US\$2.3 billion) worth of wealth management products through us, accounting for 22.1% of the aggregate value of wealth management products that we distributed during the same period.

In early 2014, we established the Nord Institutional Wealth Management, which is a new brand and team focused on serving institutional clients, primarily insurance companies, commercial banks and publicly listed companies, by providing them with tailor-made products. Institutional clients contributed approximately 1% of total transaction value and purchased about RMB0.1 billion in financial products in 2014.

**Our Coverage Network**

As of December 31, 2014, our extensive coverage network consisted of 779 relationship managers and 94 branch offices, which receive operational support from our headquarters in Shanghai.

*Branch Offices and Headquarters*

Our branch offices are strategically located in 63 cities in China, covering multiple economically developed regions in China, including the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. Our strategy is to open branch offices at locations with concentrated high net worth population and active private sectors. The cities where we have opened branch offices include national economic centers such as Beijing, Shanghai and Guangzhou and some of the regional cities known for their well-developed private sectors and wealthy entrepreneurs, such as Wenzhou and Yiwu in Zhejiang province.

The table below sets forth selected statistics of our coverage network by regions in China as of December 31, 2014:

	<b>Number of Cities In Our Network</b>
Yangtze River Delta	29

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Pearl River Delta	8
Bohai Rim	10
Other Regions	16
Total	63

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### ***Relationship Managers***

We have relied on, and expect to continue to rely on, organic growth in the expansion of our coverage network. We believe our corporate culture is one of our competitive strengths, and in order to preserve this, our relationship managers are recruited as our employees rather than external agents. Our relationship managers are an inherent part of our institutionalized client service structure and play critical roles in our building and maintaining long-term relationships with clients. Our relationship managers maintain relationships with clients through both in-person meetings and through our official WeChat account and mobile application. Our relationship managers act as asset allocation financial advisors. We place a significant emphasis on recruiting, training and motivating our relationship managers. The number of our relationship managers has increased as a result of the growth of our business and expansion of our coverage network. As of December 31, 2014, we had 779 relationship managers nationwide, compared to 569 as of December 31, 2013 and 459 as of December 31, 2012.

### ***Mobile Customer Service Channels***

To better serve our expanding client base, we maintain an official WeChat account and launched a brand-new Noah mobile application in the third quarter of 2014. The WeChat account allows us to continually update the online community of our high net worth clients and provides a convenient and efficient platform for these clients to communicate directly with our relationship managers and other members of our team. We also conduct product roadshow and provide product information to existing and potential clients through our mobile application platform.

### **Our Products and Services**

Our product offerings currently consist primarily of OTC wealth management and OTC asset management products, mutual fund products and asset management plans originated in China and designed to cater to the needs of China's high net worth population. To cater to the growing demand for international assets, we also offer wealth management and asset management products and services through our wholly owned subsidiaries in Hong Kong.

### **Wealth Management Products**

We market, distribute or manage the following categories of wealth management products based on the underlying asset classes:

Fixed income products, mainly including (i) asset management plans sponsored by mutual fund management companies or securities companies, (ii) real estate funds managed by us and (iii) collateralized fixed income products sponsored by trust companies, all of which provide investors with prospective fixed rates of return, which is not guaranteed under PRC laws;

Private equity fund products, including investments in (i) various private equity funds sponsored by domestic and international asset/fund management firms, (ii) real estate funds and fund of funds managed by us, and (iii) asset management plans sponsored by mutual fund management companies or securities companies, the underlying assets of which are portfolios of equity investments in unlisted private enterprises;



Other products, including mutual fund products, private securities investment funds which are privately raised funds investing in publicly traded stocks, high-end insurance products, short-term financing products, online private banking services to white-collar professionals clients, peer-to-peer lending for high net worth individuals through the internet, and online payment and product information systems.

As the wealth management industries in China develop, relevant PRC authorities may adopt new rules and regulations to allow more entities to conduct wealth management business. For example, in late 2012 and early 2013, relevant PRC supervisory authorities adopted a series of rules and regulations, which provided new ways for securities companies, mutual fund management companies and insurance asset management companies to engage in asset management business and since the adoption of the Interim Measures, more and more fund managers have been engaged in asset management business. As a result, we may have more extensive product choices provided by securities companies, mutual fund management companies and insurance asset management companies.

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In 2014, approximately 63.5% of the products we distributed consisted of fixed income products designed to achieve financial security and capital preservation for our clients. The table below summarizes certain information relating to the transaction value of the different types of wealth management products that we distributed during the periods indicated:

Product type	2012		Year Ended December 31,				
	2013		2013		2014		
	RMB in millions	%	RMB in millions	%	RMB in millions	US\$ in millions	%
Fixed income products	17,199	68.4	35,709	80.3	40,212	6,527	63.5
Private equity fund products	7,051	28.1	6,426	14.4	11,971	1,943	18.9
Other products, including mutual fund products*, private securities investment funds and insurance products	872	3.5	2,352	5.3	11,188	1,816	17.6
<b>All products</b>	<b>25,122</b>	<b>100.0</b>	<b>44,487</b>	<b>100.0</b>	<b>63,371</b>	<b>10,286</b>	<b>100.0</b>

\* Mutual fund products refer to the incremental value of mutual fund products we distributed.

The fixed income products we distributed that have real estate or real estate-related business as their underlying assets accounted for 61.3%, 75.3% and 72.0% of the total transaction value of all fixed income products we distributed in 2012, 2013 and 2014, respectively. The private equity fund products we distributed that have real estate or real estate-related business as their underlying assets accounted for 34.0%, 52.4% and 26.0% of the total transaction value of all private equity fund products we distributed in 2012, 2013 and 2014, respectively.

While OTC products will remain the core products we distribute, we have diversified our product choices to include non-OTC products, such as mutual funds or other publicly traded wealth management products. In February 2012, Noah Upright received a license for distributing mutual funds from the CSRC and altered its scope of business to include mutual fund distribution.

**Asset Management Products**

Further to the distribution of third-party wealth management products, we launched fund of funds products managed by us in 2010 and real estate fund products managed by us in 2012. We successfully raised approximately RMB6.4 billion (US\$1.0 billion), RMB26.9 billion (US\$4.4 billion) and RMB35.0 billion (US\$5.7 billion) for our proprietary asset management products in 2012, 2013 and 2014, respectively, of which the real estate funds we raised and managed amounted to RMB5.6 billion (US\$894.9 million), RMB20.2 billion (US\$3.3 billion) and RMB23.4 billion (US\$3.8 billion) in 2012, 2013 and 2014, respectively.

We offer the following categories of asset management products across different types of asset classes:

Real estate funds and real estate funds of funds, including funds and funds of funds for residential as well as commercial real estate properties such as office buildings and retail property in China and overseas;

Private equity funds of funds, including investments in the top domestic private equity funds in China. We rank among the largest private equity funds of funds in China;

Secondary market equity funds of funds and other fixed income funds of funds, including secondary market private equity funds, public equity funds, international funds, U.S. dollar-denominated hedge funds, multi-strategy hedge funds, investment funds, core fund of funds and funds with certain types of credit asset classes in China and overseas, as well as customized manager of manager services.

Our total assets under management as of December 31, 2014 were RMB49.7 billion (approximately US\$8.1 billion), compared with RMB31.3 billion (approximately US\$5.1 billion) as of December 31, 2013.

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The table below summarizes AUM of the different types of assets management products that we managed as of December 31, 2013 and 2014, respectively:

<b>Product type</b>	<b>2013</b>		<b>As of December 31, 2014</b>		
	<b>RMB in billions</b>	<b>%</b>	<b>RMB in billions</b>	<b>US\$ in billions</b>	<b>%</b>
Real estate funds and real estate funds of funds	23.9	76.5	31.0	5.0	62.4
Private equity funds of funds	4.0	12.8	10.4	1.7	20.9
Secondary market equity funds of funds and other fixed income funds of funds	3.4	10.7	8.3	1.4	16.7
<b>All products</b>	<b>31.3</b>	<b>100.0</b>	<b>49.7</b>	<b>8.1</b>	<b>100.0</b>

The table below summarizes the increase of the different types of assets management products from 2012 to 2014:

<b>Product type</b>	<b>Year Ended December 31,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RMB in billions</b>	<b>RMB in billions</b>	<b>RMB in billions</b>
Real estate funds and real estate funds of funds	5.6	20.2	23.4
Private equity funds of funds	0.7	3.3	6.4
Secondary market equity funds of funds and other fixed income fund of funds		3.4	5.1
<b>All products</b>	<b>6.4</b>	<b>26.9</b>	<b>35.0</b>

The table below summarizes the maturity of the different types of assets management products from 2012 to 2014:

<b>Product type</b>	<b>Year Ended December 31,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RMB in billions</b>	<b>RMB in billions</b>	<b>RMB in billions</b>
Real estate funds and real estate funds of funds		3.5	16.3
Private equity funds of funds			
Secondary market equity funds of funds and other fixed income fund of funds			0.3
<b>All products</b>		<b>3.5</b>	<b>16.6</b>

***Internet Finance Services***

At the end of 2013, we began providing small short-term loans, which now constitutes a part of our internet finance business. In addition, in the second quarter of 2014, we launched Yuan Gong Bao, an internet finance platform that provides financial products and services to white-collar professionals in China. Our internet finance business now serves high net worth individuals, white collar professionals and enterprise clients through a range of products and services. In 2014, the aggregate transaction value of our internet finance business amounted to approximately RMB1.4 billion (US\$227.7 million).

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### **Our Relationships with Product Providers and Corporate Borrowers**

We have established extensive business relationships with reputable third-party product providers and corporate borrowers in China in connection with our distribution of wealth management products and also with the asset management products we manage.

#### ***Product Providers***

We define product providers as the issuers of wealth management products with which our clients enter into contractual arrangements to purchase products. The product providers we deal with encompass a variety of institutions and companies, mainly including mutual fund management companies, private equity firms, real estate fund managers, securities investment fund managers, trust companies and insurance companies. To date, we have distributed products provided by over 194 product providers in China.

Among the various third-party product providers, mutual fund management companies supplied a significant portion of the wealth management products distributed by us in 2013 and 2014. Mutual fund management companies in China are not considered a type of financial institution, and instead, they are regulated by the CSRC and provide wealth management products mostly in the form of asset management plans. See Item 4. Information on the Company B. Business Overview Regulations Regulations on Asset Management Plans.

We also distributed our own funds of funds and real estate funds products which were originated and managed by us. In May 2010, we started our fund of funds business by forming a fund of private equity funds under our management. In the second half of 2012, we began raising and managing real estate fund products. We serve as the general partner for these funds.

#### ***Corporate Borrowers***

In distributing fixed income products, we often have relationships with the ultimate corporate borrowers, which receive proceeds from the relevant product providers. Although the product providers are the issuers of the fixed income products, the origination of these products is often driven by the fund raising plans of the ultimate corporate borrowers. In order to source tailor-made wealth management products to enhance our product choices, we often work directly with companies in need of debt financing and assist them in designing fixed income products, which are ultimately issued by product providers. Although we do not directly generate revenues from providing such assistance to corporate borrowers, we believe our relationships with them are important for enhancing our product sourcing capability.

#### ***Distribution Arrangements***

Our distribution of wealth management products and asset management products are typically governed by service agreements entered into with the product providers or corporate borrowers, depending on the nature of the wealth management products and asset management products being distributed and the specific situation.

We enter into service agreements with the product providers for the majority of the products we distribute. For a small portion of these products, we enter into service agreements with the ultimate corporate borrowers.

Our service agreements usually expire upon the expiration of the underlying wealth management products and asset management products. Under these agreements, we typically undertake to provide the counterparty with services relating to our clients' purchase of the relevant products. Such services typically include providing our clients with

information on the relevant products, evaluating the financial condition and risk profiles of those clients who desire to purchase the relevant products, assessing their qualification for the purchase, educating them on the documentation involved in the purchase as well as furnishing other assistance to facilitate their transactions with the product providers.

Under our services agreements with respect to private equity fund products and certain private securities investment fund products, we also undertake to assist the product providers to maintain investor relationships by providing our clients who have purchased the relevant products with various post-purchase services.

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For all wealth management products and asset management products, we are entitled to receive one-time commissions, calculated as a percentage of the total value of products purchased by our clients, from the counterparties under the relevant service agreements.

Except for collateralized fixed income products sponsored by trust companies and most insurance products, we generally also receive recurring services fees in addition to one-time commissions for the products distributed by us where we are engaged by the product providers to provide recurring services to our clients who have purchased the relevant products. In the case of private equity fund products and real estate funds managed by us, we receive recurring service fees over their life cycle, calculated as a percentage of the total value of investments in the underlying funds distributed by us to our clients. For asset management plans sponsored by mutual fund management companies or securities companies and investment-linked insurance products, our recurring service fees are typically calculated as a percentage of the net asset value of the portfolio underlying the products purchased by our clients at the time of calculation, which is generally done on a daily basis.

## **IT Infrastructure**

We have developed our integrated IT infrastructure that provides technology support to all aspects of our business, from product development, product management and sales and marketing process management to client management and client service. At the application level, the infrastructure consists of two key components: our client relationship management system, which allows us to collect and analyze our clients' personal and transaction information, and our wealth management product database, which includes a proprietary database containing information on a broad range of OTC wealth management products as well as mutual fund products in China.

## **Marketing and Brand Promotion**

Word-of-mouth is one of the most effective marketing tools for our business. We intend to continue to focus on referrals as the major avenue of new client development by further improving client satisfaction. We also intend to enhance our brand recognition and attract potential high net worth clients through a variety of marketing methods. We organize frequent and targeted events, such as high-profile investor seminars and workshops, where we present our market outlook and product choices, industry conferences and other investor education and social events. These events are often organized in cooperation with chambers of commerce, distinguished alumni associations, luxury and fashion brands and high-profile entrepreneurs. In addition, we promote ourselves and our brand to financial institutions by providing assistance in staff training and risk management.

## **Seasonality**

Our revenues, operating expenses and operating cash flow have historically been lower during the first quarter than other quarters. This results from the relatively low level of fund raising activities by corporate borrowers during the Chinese New Year holiday period, which falls within the first quarter each year. In addition, because fund raising activities gradually pick up after the Chinese New Year holiday, we recognize a significant portion of revenues derived from sales of newly launched wealth management products and asset management products in March, which in turn increases our accounts receivables in the first quarter of each year. Such accounts receivables have historically been collected in the second quarter of each year.

## **Competition**

The wealth management industry, asset management industry and internet finance industry in China are all at a relatively early stage of development and undergoing rapid growth. We operate in an increasingly competitive



environment and compete for clients on the basis of product choices, client services, reputation and brand names. Our principal competitors include:

***Commercial banks.*** Many commercial banks rely on their own wealth management arms and sales force to distribute their products, such as China Merchants Bank, China Minsheng Bank and China Everbright Bank. We believe that we can compete effectively with commercial banks due to a number of factors, including our undiluted focus on the high net worth market, our client-centric culture and institutionalized services and our independence, which positions us better to provide wealth management recommendations and services and to gain our clients' trust.

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***Trust companies.*** Because a portion of products that we distribute are fixed income trust products, we compete with trust companies with in-house distribution functions. We believe that we can compete effectively with trust companies due to our broader product choices, wider coverage network, independent perspective and more comprehensive client services.

***Independent wealth management service providers.*** A number of independent wealth management service providers have emerged in China in recent years. We believe that we can compete effectively because of our track record, reputation, product sourcing and established risk management systems. We are also significantly larger in terms of scale of operations and we have a more extensive coverage network and professional services.

***Insurance companies.*** Many insurance companies, such as PingAn Insurance, rely on their own wealth management teams and sales forces to distribute their products. We believe that we can effectively compete with insurance companies due to a number of factors, including our undiluted focus on the high net worth market, our client-centric culture, our institutionalized services and our independence, which position us better to provide insurance products recommendations and services and to gain our clients' trust.

***Asset management service providers.*** A number of mutual fund management companies, security companies and other fund managers which registered with AMAC have emerged in the asset management business in China in recent years. We believe that we can compete effectively because of our track record, reputation, product sourcing and established risk management systems.

***Internet finance companies.*** As the wealth management industry develops, we may face competition from new market entrants. For example, an increasing portion of wealth management products are distributed through online or mobile platforms, and such trend is expected to continue.

Relevant PRC authorities may adopt new rules and regulations to allow more entities to conduct wealth management, asset management and internet finance businesses. For example, in late 2012 and early 2013, relevant PRC supervisory authorities adopted a series of rules and regulations, which provided new ways for securities companies, mutual fund management companies and insurance asset management companies to engage in asset management business and since the adoption of the Interim Measures, more and more fund managers have been engaged in asset management business. As a result, we may face competitions from securities companies, mutual fund management companies, insurance asset management companies and other fund managers established under the Interim Measures when they start raising funds for their clients and providing asset management services.

## **Insurance**