

Perfect World Co., Ltd.  
Form 6-K  
May 18, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**For the month of May 2009**

**Commission File Number: 001-33587**

**PERFECT WORLD CO., LTD.**

**8th Floor, Huakong Building, No. 1 Shangdi East Road,**

**Haidian District, Beijing 100085, People's Republic of China**

**(86 10) 5885-8555**

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(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Perfect World Co., Ltd.

By: /s/ Kelvin Wing Kee Lau  
Name: Kelvin Wing Kee Lau  
Title: Chief Financial Officer

Date: May 18, 2009

EXHIBIT INDEX

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**PERFECT WORLD ANNOUNCES FIRST QUARTER 2009**

**UNAUDITED FINANCIAL RESULTS**

(Beijing May 18, 2009) Perfect World Co., Ltd. (NASDAQ: PWRD) ( Perfect World or the Company ), a leading online game developer and operator based in China, today announced its unaudited financial results for the first quarter ended March 31, 2009.

**First Quarter 2009 Highlights<sup>1</sup>**

Total revenues were RMB425.1 million (USD62.2 million), an increase of 1.8% from 4Q08 and 40.2% from 1Q08

Gross profit was RMB368.7 million (USD54.0 million), an increase of 0.1% from 4Q08 and 38.8% from 1Q08

Operating profit was RMB230.4 million (USD33.7 million), an increase of 54.0% from 4Q08 and 42.6% from 1Q08. Non-GAAP operating profit<sup>2</sup> was RMB245.8 million (USD36.0 million), an increase of 0.4% from 4Q08 and 45.0% from 1Q08

Net income was RMB215.4 million (USD31.5 million), an increase of 72.6% from 4Q08 and 36.1% from 1Q08. Non-GAAP net income<sup>2</sup> was RMB230.9 million (USD33.8 million), an increase of 4.9% from 4Q08 and 38.8% from 1Q08

Basic and diluted earnings per ADS<sup>3</sup> were RMB4.14 (USD0.61) and RMB3.96 (USD0.58), respectively, as compared to RMB2.22 and RMB2.12, respectively, in 4Q08, and RMB2.83 and RMB2.67, respectively, in 1Q08. Non-GAAP basic and diluted earnings per ADS<sup>2</sup> were RMB4.43 (USD0.65) and RMB4.25 (USD0.62), respectively, as compared to RMB3.91 and RMB3.74, respectively, in 4Q08, and RMB2.97 and RMB2.81, respectively, in 1Q08

Rolled out the Battle Song of the Elves expansion pack for Perfect World II on March 25, 2009

Entered into a licensing agreement in January 2009 with HI-WIN Co., Ltd. to license Pocketpet Journey West in Korea

Launched Zhu Xian in Thailand in January 2009 and in Vietnam in February 2009 through Cubinet Interactive(s) Pte. Ltd.

Launched Pocketpet Journey West under the name Ether Saga Online in North America in March 2009 through the Company's wholly owned U.S. subsidiary, Perfect World Entertainment Inc.

<sup>1</sup> The U.S. dollar (USD) amounts disclosed in this press release, except for those transaction amounts that are actually settled in U.S. dollars, are presented solely for the convenience of the reader. The conversion of Renminbi (RMB) into USD in this release is based on the Federal Reserve Board certified exchange rate on March 31, 2009, which was RMB6.8329 to USD1.00. The percentages stated are calculated based on RMB.

<sup>2</sup> As used in this press release, non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per ADS are defined to exclude share-based compensation charge and a non-recurring charge related to the InterServ acquisition in October 2008 (which was recorded only in 4Q08) from operating profit, net income and earnings per ADS, respectively. See Non-GAAP Financial Measures and Reconciliation of GAAP and Non-GAAP Results at the end of this press release.

<sup>3</sup> Each ADS represents five ordinary shares.

Completed the acquisition of InterServ subsidiaries with research and development capabilities located in Shanghai and Chengdu for a total consideration of approximately USD23.2 million in February 2009

We are pleased to announce our first quarter results, commented Mr. Michael Chi, Chairman and Chief Executive Officer of Perfect World. We were faced with what we believed to be several operating challenges, such as the initial stages of the implementation of our fine-tuned strategy and the effects of the ongoing global economic slowdown. However, our strong execution and effective in-game promotions helped us exceed our previous expectations for the quarter.

Diversification continues to be our key to mitigating the risks of relying on a single game. Just a few weeks ago, we successfully launched our first 2.5D MMORPG, *Battle of the Immortals*, which helped to further diversify our rich portfolio. We have a strong pipeline of in-house developed MMORPGs for 2009 and beyond. We also obtained the license of *Torchlight*, an action-MMORPG that is being developed by Runic Games, Inc. ( Runic Games ), to further enhance our pipeline. With our extensive MMORPG development experience and strong marketing and operating capabilities, we aim to create a global title through our collaboration with Runic Games.

As a part of our stated strategy, we continuously monitor the market for strategic acquisitions and alliance opportunities. I'm pleased to announce that we recently made a minority investment of RMB15 million in Chengdu Ye Net Science and Technology Development Co., Ltd. ( Ye Net ), a web game developer and operator. Ye Net has a record of success in the emerging web game business and has promising growth potential. I believe this strategic investment will complement our core business. It will also help us grow our online community and generate synergies with our existing business. Meanwhile, we will leverage our broad marketing channels and resources to boost Ye Net's development in this up-and-coming market.

I'm also pleased to announce that we recently invested an aggregate of RMB70 million in Beijing Perfect World Cultural Communication Co., Ltd. ( PW Cultural ) to increase this company's registered capital and increase our effective equity stake to 89%. After obtaining majority control of this media and entertainment company, we believe we now have more flexibility in terms of content generation and co-promotion. As the entertainment industry develops in China, such investment will allow us to capture the growth of the broader entertainment industry, while creating synergies with our core business.

We will continue to execute our corporate strategy of enhancing the sustainability of our business by devoting further resources to longer-term projects. We think the steps we have taken over the past few months have already given us a good start, and our deep and well planned pipeline will allow us to roll out the newest games at a consistent pace, which should help continue to drive the strong growth of our Company.

## **First Quarter 2009 Financial Results**

### ***Total Revenues***

Total revenues were RMB425.1 million (USD62.2 million) in 1Q09, an increase of 1.8%, or RMB7.3 million, from RMB417.8 million in 4Q08 and an increase of 40.2%, or RMB122.0 million, from RMB303.2 million in 1Q08.

Online game operation revenues were RMB377.2 million (USD55.2 million) in 1Q09, an increase of 4.0%, or RMB14.6 million, from RMB362.6 million in 4Q08 and an increase of 42.6%, or RMB112.7 million, from RMB264.5 million in 1Q08. Despite undergoing the transitional period to implement the fine-tuned strategy and facing the adverse seasonality factors, the Company managed to deliver sequential growth in online game operation revenues through a series of successful marketing activities and in-game promotions.

The aggregate average concurrent users (ACU) for games under operation in mainland China was approximately 615,000 in 1Q09, as compared to 690,000 in 4Q08 and 660,000 in 1Q08. The active paying customers (APC) for games operated in mainland China under the item-based revenue model was approximately 1,464,000 in 1Q09, as compared to 1,546,000 in 4Q08 and 1,701,000 in 1Q08. The average revenue per active paying customer (ARPU) for games operated in mainland China under the item-based revenue model was RMB244 in 1Q09, an increase of 8.4%, or RMB19, from RMB225 in 4Q08 and an increase of 61.6%, or RMB93, from RMB151 in 1Q08. The increase in ARPU from 4Q08 was mainly due to a series of successful promotions. The decrease in ACU and APC from 4Q08 was mainly due to negative seasonality factors and the underperformance of a newly launched game. The decrease in ACU and APC from 1Q08 was mainly due to more aggressive anti-cheating efforts.

Overseas licensing revenues were RMB48.0 million (USD7.0 million) in 1Q09, a decrease of 13.1%, or RMB7.2 million, from RMB55.2 million in 4Q08 and an increase of 24.0%, or RMB9.3 million, from RMB38.7 million in 1Q08. The decrease from 4Q08 was mainly due to a decrease in initial license fees.

### ***Cost of Revenues***

The cost of revenues was RMB56.4 million (USD8.3 million) in 1Q09, an increase of 14.4%, or RMB7.1 million, from RMB49.3 million in 4Q08 and an increase of 50.3%, or RMB18.9 million, from RMB37.5 million in 1Q08. The increase from 4Q08 was mainly due to an increase in staff costs.

### ***Gross Profit and Gross Margin***

Gross profit was RMB368.7 million (USD54.0 million) in 1Q09, an increase of 0.1%, or RMB0.2 million, from RMB368.5 million in 4Q08, and an increase of 38.8%, or RMB103.1 million, from RMB265.6 million in 1Q08. Gross margin was 86.7% in 1Q09, as compared to 88.2% in 4Q08 and 87.6% in 1Q08.

### ***Operating Expenses***

Operating expenses were RMB138.3 million (USD20.2 million) in 1Q09, a decrease of 36.8%, or RMB80.6 million, from RMB218.9 million in 4Q08, and an increase of 33.0%, or RMB34.3 million, from RMB104.0 million in 1Q08. The decrease from 4Q08 in operating expenses was mainly attributed to a decrease in R&D expenses and sales and marketing expenses.



R&D expenses decreased by 54.7%, or RMB68.9 million, from RMB125.9 million in 4Q08 to RMB57.0 million (USD8.3 million) in 1Q09. The decrease from 4Q08 was primarily due to the non-recurring charge of approximately RMB78.4 million resulting from the October 2008 InterServ acquisition that was recorded in 4Q08.

Sales and marketing expenses decreased by 13.1%, or RMB7.7 million, from RMB58.6 million in 4Q08 to RMB50.9 million (USD7.5 million) in 1Q09. This was primarily attributable to a reduction in advertising and promotional expenses associated with a more effective marketing strategy.

### ***Operating Profit***

Operating profit was RMB230.4 million (USD33.7 million) in 1Q09, an increase of 54.0%, or RMB80.8 million, from RMB149.5 million in 4Q08, and an increase of 42.6%, or RMB68.8 million, from RMB161.6 million in 1Q08. Non-GAAP operating profit was RMB245.8 million (USD36.0 million) in 1Q09, an increase of 0.4%, or RMB1.1 million, from RMB244.7 million in 4Q08, and an increase of 45.0%, or RMB76.3 million, from RMB169.5 million in 1Q08.

### ***Income Tax Expense***

Income tax expense was RMB19.9 million (USD2.9 million) in 1Q09, as compared to RMB33.6 million in 4Q08 and RMB5.6 million in 1Q08. Income tax expense in 1Q09 was composed of three components. A withholding tax of RMB6.7 million (USD1.0 million) on overseas licensing revenues was recorded in 1Q09. A withholding tax of 5%, or RMB7.9 million (USD1.2 million), on earnings made in 1Q09 from Beijing Perfect World Software Co., Ltd. ( *PW Software* ), the Company's wholly-owned subsidiary, was accrued, as all undistributed earnings are presumed to be transferred to the parent company under U.S. GAAP and are subject to withholding tax. Beijing Perfect World Network Technology Co., Ltd. ( *PW Network* ), the Company's controlled entity, started to enjoy a 50% tax deduction starting from 2009, as such, an RMB5.4 million (USD0.8 million) income tax was prepaid in 1Q09.

### ***Net Income***

Net income was RMB215.4 million (USD31.5 million) in 1Q09, an increase of 72.6%, or RMB90.6 million, from RMB124.8 million in 4Q08, and an increase of 36.1%, or RMB57.1 million, from RMB158.4 million in 1Q08. Non-GAAP net income was RMB230.9 million (USD33.8 million) in 1Q09, an increase of 4.9%, or RMB10.9 million, from RMB220.0 million in 4Q08, and an increase of 38.8%, or RMB64.6 million, from RMB166.3 million in 1Q08.

Basic and diluted earnings per ADS were RMB4.14 (USD0.61) and RMB3.96 (USD0.58), respectively, in 1Q09, as compared to RMB2.22 and RMB2.12, respectively, in 4Q08, and RMB2.83 and RMB2.67, respectively, in 1Q08. Non-GAAP basic and diluted earnings per ADS were RMB4.43 (USD0.65) and RMB4.25 (USD0.62), respectively, in 1Q09, as compared to RMB3.91 and RMB3.74, respectively, in 4Q08, and RMB2.97 and RMB2.81, respectively, in 1Q08.

### ***Cash and Cash Equivalents***

As of March 31, 2009, the Company had RMB986.4 million (USD144.4 million) of cash and cash equivalents, as compared to RMB1.3 billion as of December 31, 2008. The decrease was mainly due to the payment to SB Asia Investment Fund II, L.P. ( *SAIF* ) and an affiliate of SAIF in January 2009 for the repurchase of the Company's Class A ordinary shares, and to a lesser extent, the payment for the repurchase of the Company's ADSs from the open market, partially offset by the net cash inflow generated from the Company's online game operations.

***Restricted Cash***

As of March 31, 2009, the Company had RMB15.0 million (USD2.2 million) of restricted cash, as compared to RMB150.4 million as of December 31, 2008. The decrease was mainly because a total of approximately USD22.0 million related to the acquisition of InterServ's subsidiaries was paid to InterServ from the escrow account upon the completion of the acquisition in February 2009. The balance of restricted cash as of March 31, 2009 is related to the strategic investment in Ye Net. RMB15.0 million related to this investment had been deposited into an escrow account and recorded as restricted cash as of March 31, 2009.

**Recent Developments**

***Open Beta Testing for Battle of the Immortals***

The Company launched open beta testing for *Battle of the Immortals*, a 2.5D mysterious adventure MMORPG on April 2, 2009.

***New Expansion Pack***

The Company rolled out *Hot Dance Party 3.0 Baby Plan* expansion pack for *Hot Dance Party* on April 7, 2009.

***New Overseas Launches***

The Company launched *Hot Dance Party* in Malaysia and Singapore through Cubinet Interactive(s) Pte. Ltd. in April 2009.

***Closed Beta Testing for Zhu Xian in North America***

The Company scheduled to launch closed beta testing for *Zhu Xian* in North America under the name *Jade Dynasty* through its wholly owned U.S. subsidiary on May 26, 2009.

***Publishing Agreement with Runic Games, Inc.***

The Company entered into a publishing agreement with Runic Games, a specialized developer of PC-based entertainment software in the United States, for the exclusive license to publish, throughout the world, *Torchlight*, an action-MMORPG that is being developed.

Leveraging Runic Games professionals' expertise in designing high-quality games and Perfect World's extensive R&D and operation experience with MMORPGs, *Torchlight* is expected to cater to the tastes of both Western and Eastern players and further diversify the Company's portfolio.

***Investment in Chengdu Ye Net Science and Technology Development Co., Ltd.***

Chengdu Perfect World Network Technology Co., Ltd. ( Chengdu PW Network ), an entity controlled by the Company, made an RMB15.0 million strategic investment in Ye Net and took a minority stake. Chengdu PW Network will have an option to acquire an additional stake.

Ye Net is a web game developer and operator, and has successfully developed a large platform for web games. Presently, Ye Net is operating a number of classical web games, including Wizard, The Heroines and Guns and Roses.

The Company will leverage its broad marketing channels and resources to support Ye Net, while growing the online community and creating synergies with its existing operations.

***Investment in Beijing Perfect World Cultural Communication Co., Ltd.***

PW Network, an entity controlled by the Company, invested an aggregate of RMB70.0 million in PW Cultural, a media and entertainment company, to acquire additional equity in and increase the registered capital of PW Cultural. Following the completion of the transaction, PW Network holds 89% equity in PW Cultural.

Such investment in PW Cultural provides the Company with enhanced control and greater flexibility over content generation and co-promotion. It is also expected to allow the Company to capture the growth of the broader entertainment industry, while creating synergies with the core business.

**ADS and Share Repurchases**

In October 2008, the Company's Board authorized an ADS repurchase program to repurchase up to USD100 million of the Company's ADSs from October 2008 to October 2009. As of May 17, 2009, the Company had repurchased an aggregate of 1,683,192 ADSs on the open market.

In addition to and separate from the above ADS repurchase program, in January 2009, the Company completed a repurchase of 18,750,000 shares of the Company's Class A ordinary shares for approximately USD56.6 million from SAIF and an affiliate of SAIF.

**Additional Updates on the Preliminary Results for the Fourth Quarter of 2008 and for the Fiscal Year of 2008**

The Company's announcement on March 2, 2009 for its preliminary results for the fourth quarter of 2008 and for fiscal year of 2008 included a disclosure on commitment in connection with the agreement that the Company entered into in December 2008 to repurchase a total of 18,750,000 shares of the Company's Class A ordinary shares for approximately USD56.6 million from SAIF and an affiliate of SAIF. The agreement was not accounted for as liability and equity on the unaudited consolidated financial statements for the fourth quarter of 2008 and for the fiscal year of 2008. After further review of the agreement and relevant supporting documents, the Company has recently determined that in accordance with US GAAP, the agreement should be treated similar to an executed treasury-stock purchase contract after the agreement was signed by all the parties thereto on December 29, 2008 without closing conditions that cannot be met by relevant parties. Accordingly, the unaudited consolidated financial statements as of and for the three months ended December 31, 2008 have been adjusted to give effect to the agreement as a repurchase of 18,750,000 shares of the Company's Class A ordinary shares from SAIF and an affiliate of SAIF as of December 29, 2008. As a result, basic and diluted earnings per ADS of the Company for 4Q08 were RMB2.22 and RMB2.12, respectively, as compared to RMB2.21 and RMB2.12, respectively, disclosed in our prior earnings release on March 2, 2009.

**Business Outlook**

Based on the Company's current operations, total revenues for the second quarter of 2009 are expected to be between RMB417 million and RMB434 million, representing a decline of 2% to an increase of 2% compared to the first quarter of 2009. This takes into consideration the additional revenue contribution from the newly launched Battle of the Immortals. However, in order to lengthen the life cycle of the Company's existing games to maintain sustainable growth, the Company decided to decelerate some of the in-game promotions and monetization activities in the second quarter to further nurture the games and grow user base.

In addition, the Company has incurred and expects to continue to incur additional operating expenses in the second quarter of 2009, including increase in operating expenses in connection with the integration of the newly acquired InterServ subsidiaries and marketing expenses in connection with the launch of Battle of the Immortals, which will put pressure on operating margin and net margin for the second quarter.

#### **Non-GAAP Financial Measures**

To supplement the financial measures prepared in accordance with generally accepted accounting principals in the United States, or GAAP, this press release presents non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per ADS by excluding share-based compensation charge and a non-recurring charge related to the InterServ acquisition in October 2008 (which was recorded only in 4Q08) from operating profit, net income and earnings per ADS, respectively. The Company believes these non-GAAP financial measures are important to help investors understand the Company's operating and financial performance, compare business trends among different reporting periods on a consistent basis and access the Company's core operating results, as they exclude certain expenses that are (i) not expected to result in cash payments or (ii) non-recurring in nature. The use of the above non-GAAP financial measures has certain limitations. Share-based compensation charge has been and will be incurred and is not reflected in the presentation of the non-GAAP financial measures. It should be considered in the overall evaluation of our results. None of the non-GAAP measures is a measure of net income, operating profit, operating performance or liquidity presented in accordance with GAAP. We compensate for these limitations by providing the relevant disclosure of our share-based compensation charge and a non-recurring charge related to the InterServ acquisition in October 2008 in our reconciliations to the GAAP financial measures, which should be considered when evaluating our performance. These non-GAAP financial measures should be considered in addition to financial measures prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, financial measures prepared in accordance with GAAP. Reconciliation of each of these non-GAAP financial measures to the most directly comparable GAAP financial measure are set forth at the end of this release.

### Conference Call

Perfect World will host a conference call and live webcast at 8:00 a.m. Eastern Daylight Time (EDT) (8:00 p.m., Beijing time) on Monday, May 18, 2009.

The dial-in details for the live conference call are as follows:

- U.S. Toll Free Number: 1-866-519-4004
  - International Dial-in Number: +65-6735-7955
  - Mainland China Toll Free Number: 10-800-819-0121
  - Hong Kong Toll Free Number: 80-093-3053
  - U.K. Toll Free Number: 080-8234-6646
- Conference ID: PWRD

A live and archived webcast of the conference call will be available on the Investor Relations section of Perfect World's website at <http://www.pwr.com>.

A telephone replay of the call will be available after the conclusion of the conference call through 10:00 a.m. Eastern Daylight Time, May 25, 2009.

The dial-in details for the replay are as follows:

- U.S. Toll Free Number: 1-866-214-5335
  - International Dial-in Number: +61-2-8235-5000
- Conference ID: 7973 (PWRD)

**About Perfect World Co., Ltd. (<http://www.pwr.com>)**

Perfect World Co., Ltd. (NASDAQ: PWRD) is a leading online game developer and operator based in China. Perfect World primarily develops online games based on proprietary game engines and game development platforms. The Company's strong technology and creative game design capabilities, combined with extensive local knowledge and experience, enable it to frequently and rapidly introduce popular games that are designed to cater to changing customer preferences and market trends in China. The Company's current portfolio of self-developed online games includes massively multiplayer online role playing games (MMORPGs): Perfect World, Legend of Martial Arts, Perfect World II, Zhu Xian, Bi, Pocketpet Journey West and Battle of the Immortals; and an online casual game: Hot Dance Party. While a substantial portion of the revenues are generated in China, the Company's games have been licensed to leading game operators in a number of countries and regions in Asia, Europe and South America. The Company also generates revenues from game operation in North America. The Company plans to continue to explore new and innovative business models and remains deeply committed to maximizing shareholder value over time.

**Safe Harbor Statements**

This press release contains forward-looking statements. These statements constitute forward-looking statements under the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as will, expects, anticipates, future, intends, plans, believes, estimates and similar statements. Among other things, the management's quotations and Business Outlook contain forward-looking statements. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, our limited operating history, our ability to develop and operate new games that are commercially successful, the growth of the online game market and the continuing market acceptance of our games and in-game items in China and elsewhere, our ability to protect our intellectual property rights, our ability to respond to competitive pressure, our ability to maintain an effective system of internal control over financial reporting, changes of the regulatory environment in China, and economic slowdown in China and/or elsewhere. Further information regarding these and other risks is included in Perfect World's filings with the U.S. Securities and Exchange Commission, including its annual report on Form 20-F. All information provided in this press release and in the attachments is as of May 18, 2009, and Perfect World does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

**For further information, please contact**

Perfect World Co., Ltd.

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## Perfect World Co., Ltd.

## Unaudited Consolidated Balance Sheets

|   | December 31,<br>2008<br>RMB | March 31,<br>2009<br>RMB | March 31,<br>2009<br>USD |
|---|-----------------------------|--------------------------|--------------------------|
| <b>Assets</b>   |                             |                          |                          |
| <b>Current assets</b>   |                             |                          |                          |
| Cash and cash equivalents   | 1,333,075,731               | 986,442,407              | 144,366,580              |
| Restricted cash   | 150,361,200                 | 15,000,000               | 2,195,261                |
| Short-term investments  | 50,000,000                  | 90,000,000               | 13,171,567               |
| Accounts receivable   | 38,822,355                  | 57,699,369               | 8,444,346                |
| Prepayment and other assets   | 36,269,524                  | 43,629,315               | 6,385,183                |
| Deferred tax assets   | 1,734,207                   | 1,895,307                | 277,380                  |
| <b>Total current assets</b>   | <b>1,610,263,017</b>        | <b>1,194,666,398</b>     | <b>174,840,317</b>       |
| <b>Non current assets</b>   |                             |                          |                          |
| Equity investments  | 22,559,975                  | 21,934,930               | 3,210,193                |
| Property, equipment, and software, net  | 169,399,817                 | 178,525,653              | 26,127,362               |
| Construction in progress  | 714,083,386                 | 715,716,646              | 104,745,664              |
| Intangible assets, net  | 26,188,873                  | 63,535,931               | 9,298,531                |
| Goodwill  |                             | 110,606,000              | 16,187,270               |
| Prepayments and other assets  | 18,702,700                  | 20,607,443               | 3,015,915                |
| Deferred tax assets   | 1,090,526                   | 977,337                  | 143,034                  |
| <b>Total assets</b>   | <b>2,562,288,294</b>        | <b>2,306,570,338</b>     | <b>337,568,286</b>       |
| <b>Liabilities and Shareholders Equity</b>  |                             |                          |                          |
| <b>Current liabilities</b>  |                             |                          |                          |
| Accounts payable  | 13,629,262                  | 55,333,818               | 8,098,147                |
| Advances from customers   | 78,388,312                  | 76,054,541               | 11,130,639               |
| Salary and welfare payable  | 61,907,164                  | 37,351,728               | 5,466,453                |
| Taxes payable   | 20,771,786                  | 56,712,054               | 8,299,851                |
| Accrued expenses and other liabilities  | 24,813,169                  | 30,757,690               | 4,501,411                |
| Share repurchase liability  | 386,648,554                 |                          |                          |
| Deferred revenues   | 223,352,994                 | 248,534,097              | 36,373,150               |
| Deferred tax liabilities  | 26,000,000                  | 7,860,908                | 1,150,450                |
| Deferred government grants  | 620,000                     | 620,000                  | 90,737                   |
| <b>Total current liabilities</b>  | <b>836,131,241</b>          | <b>513,224,836</b>       | <b>75,110,838</b>        |
| Deferred revenues   | 32,554,670                  | 33,751,751               | 4,939,594                |
| Other long-term payable   | 28,000,000                  |                          |                          |
| <b>Total liabilities</b>  | <b>896,685,911</b>          | <b>546,976,587</b>       | <b>80,050,432</b>        |
| <b>Commitments</b>  |                             |                          |                          |
| <b>Shareholders Equity</b>  |                             |                          |                          |
| Ordinary shares (US\$0.0001 par value, 10,000,000,000 shares authorized, 72,385,480 Class A ordinary shares issued and outstanding, 210,350,565 Class B ordinary shares issued and 210,147,840 Class B ordinary shares outstanding as of December 31, 2008; 10,000,000,000 shares authorized, 51,921,193 Class A ordinary shares issued and outstanding, 203,764,842 Class B ordinary shares issued and outstanding as of March 31, 2009) | 223,481                     | 202,986                  | 29,707                   |
| Additional paid-in capital  | 1,177,967,483               | 665,527,755              | 97,400,482               |

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|  |                      |                      |                    |
|--|----------------------|----------------------|--------------------|
| Treasury stock                                   | (391,224,203)        |                      |                    |
| Statutory reserves                               | 94,945,533           | 94,945,533           | 13,895,349         |
| Accumulated other comprehensive loss             | (65,577,655)         | (65,795,319)         | (9,629,194)        |
| Retained earnings                                | 849,267,744          | 1,064,712,796        | 155,821,510        |
| <b>Total Shareholders Equity</b>                 | <b>1,665,602,383</b> | <b>1,759,593,751</b> | <b>257,517,854</b> |
| <b>Total Liabilities and Shareholders Equity</b> | <b>2,562,288,294</b> | <b>2,306,570,338</b> | <b>337,568,286</b> |



## Perfect World Co., Ltd.

## Unaudited Consolidated Statements of Operations

|   | March 31,<br>2008<br>RMB | Three months ended<br>December 31,<br>2008<br>RMB | March 31,<br>2009<br>RMB | March 31,<br>2009<br>USD |
|---|--------------------------|---|--------------------------|--------------------------|
| <b>Revenues</b>   |                          |   |                          |                          |
| Online game operation revenues                            | 264,480,379              | 362,597,634                                       | 377,173,678              | 55,199,648               |
| Overseas licensing revenues                               | 38,680,078               | 55,205,269  | 47,968,592               | 7,020,239                |
| Total revenues  | 303,160,457              | 417,802,903                                       | 425,142,270              | 62,219,887               |
| <b>Cost of revenues</b>                                   | (37,541,866)             | (49,344,155)                                      | (56,442,843)             | (8,260,452)              |
| <b>Gross profit</b>                                       | <b>265,618,591</b>       | <b>368,458,748</b>                                | <b>368,699,427</b>       | <b>53,959,435</b>        |
| <b>Operating expenses</b>                                 |                          |   |                          |                          |
| Research and development expenses                         | (23,418,800)             | (125,870,657)                                     | (56,958,268)             | (8,335,885)              |
| Sales and marketing expenses                              | (60,666,589)             | (58,622,311)                                      | (50,924,583)             | (7,452,851)              |
| General and administrative expenses                       | (19,943,688)             | (34,416,638)                                      | (30,438,140)             | (4,454,644)              |
| Total operating expenses                                  | (104,029,077)            | (218,909,606)                                     | (138,320,991)            | (20,243,380)             |
| <b>Operating profit</b>                                   | <b>161,589,514</b>       | <b>149,549,142</b>                                | <b>230,378,436</b>       | <b>33,716,055</b>        |
| <b>Other income / (expenses)</b>                          |                          |   |                          |                          |
| Investment loss   |                          | (468,736)   | (625,045)                | (91,476)                 |
| Interest income   | 11,647,866               | 7,915,676   | 3,274,619                | 479,243                  |
| Others, net   | (9,236,970)              | 1,430,694   | 2,359,971                | 345,384                  |
| Total other income, net                                   | 2,410,896                | 8,877,634   | 5,009,545                | 733,151                  |
| <b>Profit before tax</b>                                  | <b>164,000,410</b>       | <b>158,426,776</b>                                | <b>235,387,981</b>       | <b>34,449,206</b>        |
| Income tax expense  | (5,646,822)              | (33,617,364)                                      | (19,942,929)             | (2,918,663)              |
| <b>Net income</b>   | <b>158,353,588</b>       | <b>124,809,412</b>                                | <b>215,445,052</b>       | <b>31,530,543</b>        |
| Net earnings per share, basic                             | 0.57                     | 0.44  | 0.83                     | 0.12                     |
| Net earnings per share, diluted                           | 0.53                     | 0.42  | 0.79                     | 0.12                     |
| Net earnings per ADS, basic                               | 2.83                     | 2.22  | 4.14                     | 0.61                     |
| Net earnings per ADS, diluted                             | 2.67                     | 2.12  | 3.96                     | 0.58                     |
| Shares used in calculating basic net earnings per share   | 279,610,748              | 281,427,327                                       | 260,412,419              | 260,412,419              |
| Shares used in calculating diluted net earnings per share | 296,103,511              | 293,724,147                                       | 271,768,450              | 271,768,450              |
| <b>Total share-based compensation cost included in:</b>   |                          |   |                          |                          |
| Cost of revenues  | (388,707)                | (1,082,339)                                       | (1,079,899)              | (158,044)                |
| Research and development expenses                         | (2,840,305)              | (8,472,731)                                       | (6,976,521)              | (1,021,019)              |
| Sales and marketing expenses                              | (729,651)                | (1,496,651)                                       | (1,595,196)              | (233,458)                |
| General and administrative expenses                       | (3,956,386)              | (5,717,413)                                       | (5,766,248)              | (843,895)                |

## Perfect World Co., Ltd.

## Unaudited Consolidated Statements of Cash Flows

|  | Three months ended       |                             |                          |                          |
|--|--------------------------|-----------------------------|--------------------------|--------------------------|
|  | March 31,<br>2008<br>RMB | December 31,<br>2008<br>RMB | March 31,<br>2009<br>RMB | March 31,<br>2009<br>USD |
| <b>Cash flows from operating activities:</b>                 |                          |                             |                          |                          |
| Net income   | 158,353,588              | 124,809,412                 | 215,445,052              | 31,530,543               |
| Adjustments for:   |                          |                             |                          |                          |
| Share-based compensation cost                                | 7,915,049                | 16,769,134                  | 15,417,864               | 2,256,416                |
| Depreciation and amortization expense                        | 4,304,116                | 6,670,886                   | 9,370,560                | 1,371,388                |
| In-process research and development acquired from InterServ  |                          | 78,417,506                  |                          |                          |
| Exchange loss / (gain)                                       | 10,345,689               | (114,698)                   | 49,792                   | 7,287                    |
| Investment loss  |                          | 468,736                     | 625,045                  | 91,476                   |
| Loss from disposal of property, equipment, and software      |                          | 176,354                     | 67,569                   | 9,889                    |
| Changes in assets and liabilities:                           |                          |                             |                          |                          |
| Accounts receivable  | (1,268,558)              | (4,485,757)                 | (19,038,659)             | (2,786,321)              |
| Current prepayments and other assets                         | (2,070,147)              | 2,129,563                   | (6,622,458)              | (969,202)                |
| Deferred tax assets  | (26,987)                 | (569,103)                   | (75,319)                 | (11,023)                 |
| Non-current prepayments and other assets                     | (1,589,347)              | (16,217,564)                | 1,050,366                | 153,722                  |
| Accounts payable   | 13,281,828               | 5,912,994                   | 11,651,065               | 1,705,142                |
| Advances from customers                                      | 66,227,911               | 2,280,085                   | (2,690,605)              | (393,772)                |
| Salary and welfare payable                                   | (13,992,464)             | 18,314,010                  | (25,700,751)             | (3,761,324)              |
| Taxes payable  | 2,733,489                | 632,322                     | 35,855,955               | 5,247,546                |
| Accrued expenses and other liabilities                       | 6,410,124                | (4,410,129)                 | 5,868,313                | 858,832                  |
| Deferred revenues  | 45,138,179               | 23,553,120                  | 26,784,532               | 3,919,936                |
| Deferred tax liabilities                                     |                          | 26,000,000                  | (18,139,092)             | (2,654,670)              |
| Deferred government grants                                   |                          | (980,000)                   |                          |                          |
| <b>Net cash provided by operating activities</b>             | <b>295,762,470</b>       | <b>279,356,871</b>          | <b>249,919,229</b>       | <b>36,575,865</b>        |
| <b>Cash flows from investing activities:</b>                 |                          |                             |                          |                          |
| Purchase of property, equipment, and software                | (166,168,554)            | (18,767,278)                | (14,221,383)             | (2,081,310)              |
| Purchase of intangible assets                                |                          | (1,351,351)                 |                          |                          |
| Cash paid for the assets acquired from InterServ             |                          | (102,852,002)               |                          |                          |
| (Increase) / decrease of restricted cash                     |                          | (150,361,200)               | 135,361,200              | 19,810,212               |
| Purchase of short-term investments                           |                          |                             | (40,000,000)             | (5,854,030)              |
| Cash paid for business acquisitions, net of cash acquired    |                          |                             | (154,554,000)            | (22,619,093)             |
| <b>Net cash used in investing activities</b>                 | <b>(166,168,554)</b>     | <b>(273,331,831)</b>        | <b>(73,414,183)</b>      | <b>(10,744,221)</b>      |
| <b>Cash flows from financing activities:</b>                 |                          |                             |                          |                          |
| Proceeds from exercises of share options                     | 790,616                  | 1,393,628                   | 334,433                  | 48,945                   |
| Repurchase of Company shares                                 |                          | (4,575,649)                 | (523,583,215)            | (76,626,793)             |
| <b>Net cash provided by / (used in) financing activities</b> | <b>790,616</b>           | <b>(3,182,021)</b>          | <b>(523,248,782)</b>     | <b>(76,577,848)</b>      |
| Effect of exchange rate changes on cash and cash equivalents | (38,362,024)             | 424,155                     | 110,412                  | 16,159                   |
| <b>Net increase / (decrease) in cash</b>                     | <b>92,022,508</b>        | <b>3,267,174</b>            | <b>(346,633,324)</b>     | <b>(50,730,045)</b>      |
| Cash and cash equivalents, beginning of the period           | 1,496,032,993            | 1,329,808,557               | 1,333,075,731            | 195,096,625              |

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|  |               |               |             |             |
|--|---------------|---------------|-------------|-------------|
| Cash and cash equivalents, end of the period | 1,588,055,501 | 1,333,075,731 | 986,442,407 | 144,366,580 |
|--|---------------|---------------|-------------|-------------|

**Supplemental schedule of non-cash financing activities:**

|                            |               |
|----------------------------|---------------|
| Share repurchase from SAIF | (386,648,554) |
|----------------------------|---------------|

**Supplemental disclosures of cash flow information:**

|  |             |             |             |           |
|--|-------------|-------------|-------------|-----------|
| Cash paid during the period for income taxes | (5,508,722) | (7,814,467) | (2,575,784) | (376,968) |
|--|-------------|-------------|-------------|-----------|

## Perfect World Co., Ltd.

## Reconciliation of unaudited GAAP and Non-GAAP Results

|   | March 31,<br>2008<br>RMB | Three months ended<br>December 31,<br>2008<br>RMB | March 31,<br>2009<br>RMB | March 31,<br>2009<br>USD |
|---|--------------------------|---|--------------------------|--------------------------|
| <b>GAAP operating profit</b>  | <b>161,589,514</b>       | <b>149,549,142</b>                                | <b>230,378,436</b>       | <b>33,716,055</b>        |
| Share based compensation charge   | 7,915,049                | 16,769,134  | 15,417,864               | 2,256,416                |
| Non-recurring charge related to the InterServ acquisition in October 2008 |                          | 78,417,506  |                          |                          |
| <b>Non-GAAP operating profit</b>  | <b>169,504,563</b>       | <b>244,735,782</b>                                | <b>245,796,300</b>       | <b>35,972,471</b>        |
| <b>GAAP net income</b>  | <b>158,353,588</b>       | <b>124,809,412</b>                                | <b>215,445,052</b>       | <b>31,530,543</b>        |
| Share based compensation charge   | 7,915,049                | 16,769,134  | 15,417,864               | 2,256,416                |
| Non-recurring charge related to the InterServ acquisition in October 2008 |                          | 78,417,506  |                          |                          |
| <b>Non-GAAP net income</b>  | <b>166,268,637</b>       | <b>219,996,052</b>                                | <b>230,862,916</b>       | <b>33,786,959</b>        |
| <b>GAAP net earnings per ADS</b>  |                          |   |                          |                          |
| - Basic   | 2.83                     | 2.22  | 4.14                     | 0.61                     |
| - Diluted   | 2.67                     | 2.12  | 3.96                     | 0.58                     |
| <b>Non-GAAP net earnings per ADS</b>                                      |                          |   |                          |                          |
| - Basic   | 2.97                     | 3.91  | 4.43                     | 0.65                     |
| - Diluted   | 2.81                     | 3.74  | 4.25                     | 0.62                     |
| <b>ADSs used in calculating net earnings per ADS</b>                      |                          |   |                          |                          |
| - Basic   | 55,922,150               | 56,285,465  | 52,082,484               | 52,082,484               |
| - Diluted   | 59,220,702               | 58,744,829  | 54,353,690               | 54,353,690               |