

# GIANT

**Goldman Sachs Internet  
Conference 2008**  
May 2008

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**Company Overview**

**Myths of the Online Game Industry & of Giant Interactive**

**Market Opportunity**

**Product & Operational Highlights**

**Financial Highlights**

**Growth Strategy & Execution**



# Company Overview



<b>NYSE IPO:</b>	<b>November 1, 2007</b>
<b>Ticker:</b>	<b>GA</b>
<b>Market Cap:</b>	<b>US\$3.9B May 15, 2008</b>
<b>Outstanding Shares:</b>	<b>Approximately 240M</b>

<b><i>About Giant:</i></b>	
<b>Headquarters:</b>	Shanghai, China
<b>Employees:</b>	Over 4,000 including 3,000+ liaison personnel
<b>Investor Information:</b>	<a href="http://www.ga-me.com">www.ga-me.com</a>



# A Leading Developer and Operator of Online Games in China



## China's Leading Online Game Developer and Operator

- Flagship game ZT Online voted 2006's Most Popular Online Game in China<sup>1</sup>
- ZT Online achieved over 2.1 million Peak Concurrent Users (PCU) in second quarter 2008
- Giant Online achieved over 237,000 PCU during its open beta launch on March 28, 2008 and over 344,000 PCU in May 2008

## "Free-to-Play" Model Creates Large and Sticky In-Game Community

- Multiple monetization opportunities
- Potentially enhanced ARPU
- Extended game lifecycle

## "Gamer First" Ideology Results in Compelling and Fun Gameplay

- Comprehensive "Encyclopedia" game features enhance user experiences for all types of gamers
- State of the art server technology maximizes in-game interactivity
- "Online Game 2.0" – Continuous game design & enhancements evolving from gamers' feedback

## One of the Fastest Growing and the Most Profitable Online Game Companies in China

- Revenue growth of over 270% for FY 2007
- Net margin of over 70% for Q1 2008

<sup>1</sup> Source: IDC



## Key Senior Management Team



**Mr. Yuzhu Shi**  
*Founder, Chairman and CEO*

- Renowned entrepreneur
- Extensive IT and consumer product experience



**Ms. Wei Liu**  
*Director, President*

- 15 years of general management experience
- Extensive experience in sales and marketing



**Mr. Lu Zhang**  
*Director, COO*

- 23 years of software industry and consumer product experience



**Mr. Eric He**  
*CFO*

- 24 years of financial, accounting and investment experience



**Mr. Shiliang Song**  
*CTO*

- 7 years of software industry experience



**Mr. Hui Yuan**  
*Vice President of R&D*

- 13 years of software industry experience



**Mr. Yonghua Lu**  
*Vice President of Sales & Marketing*

- 14 years of sales and marketing experience

**Certain core members working together for 15 years**

**Proven track record in executing innovative business strategies**

**Elite and passionate game development talent**

**Intimate knowledge of the Chinese consumer market**



# Myths of the Online Game Industry & of Giant Interactive

1

**The success of an online game is purely hit or miss**

2

**Product diversification lowers risk  
Focused strategy raises risk**

3

**3D graphics are vital for success  
2D games cannot compete in China**

# Myth 1: Game Success is Hit or Miss by Nature



## Traditional Movie & Console Game Development Model

### Hit or Miss

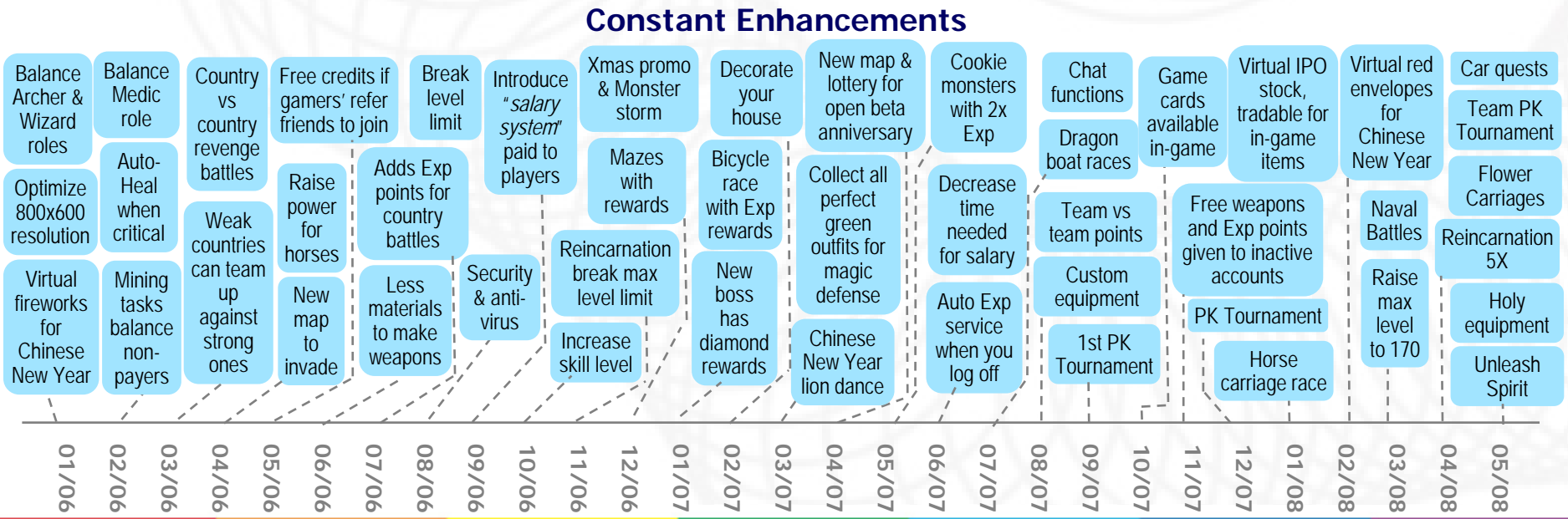
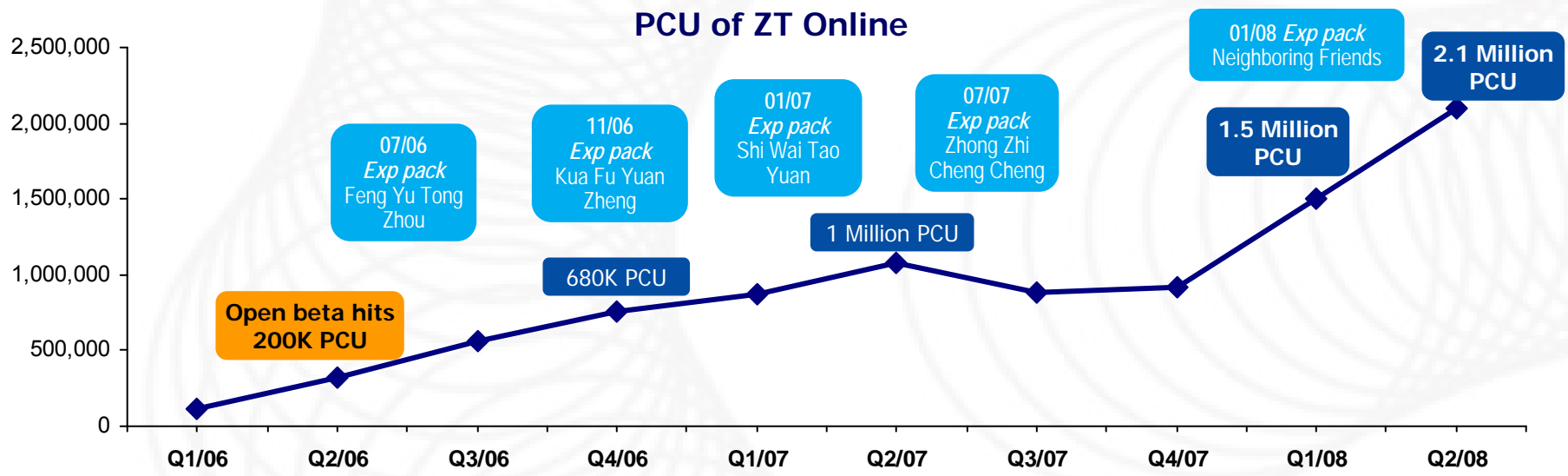


## Giant's "Online Game 2.0" Development Model

### Reduces Risk



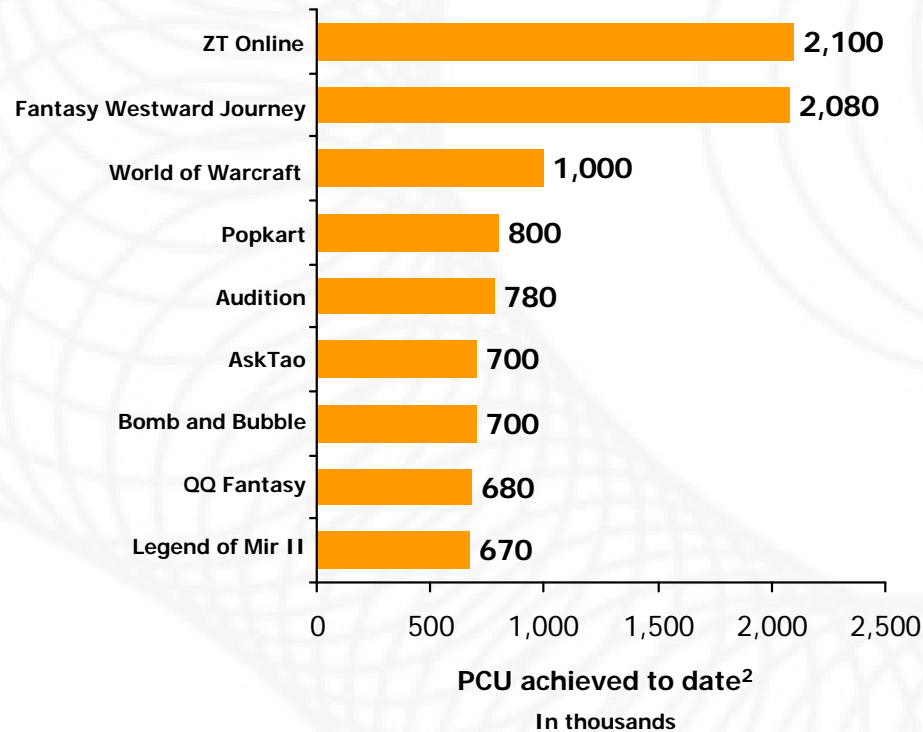
# Case Study: ZT Online's Continuous Development and Success



# Myth 2: Focused Strategy Raises Risk



In 2007, over 350 online games were released in China<sup>1</sup>.



**Most fail. So the larger the in-game community, the more likely an online game will succeed.**

<sup>1</sup> Source: IDC & GBC, 2007  
<sup>2</sup> Source: Company research

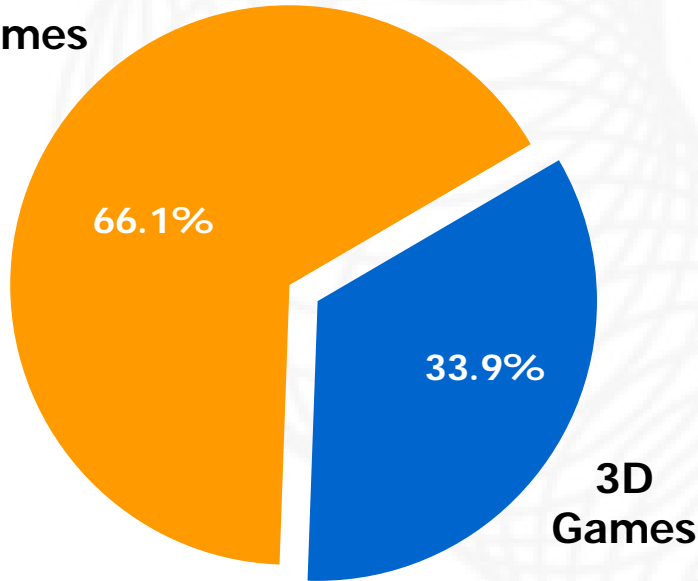
# Myth 3: 2D Games Cannot Compete in China



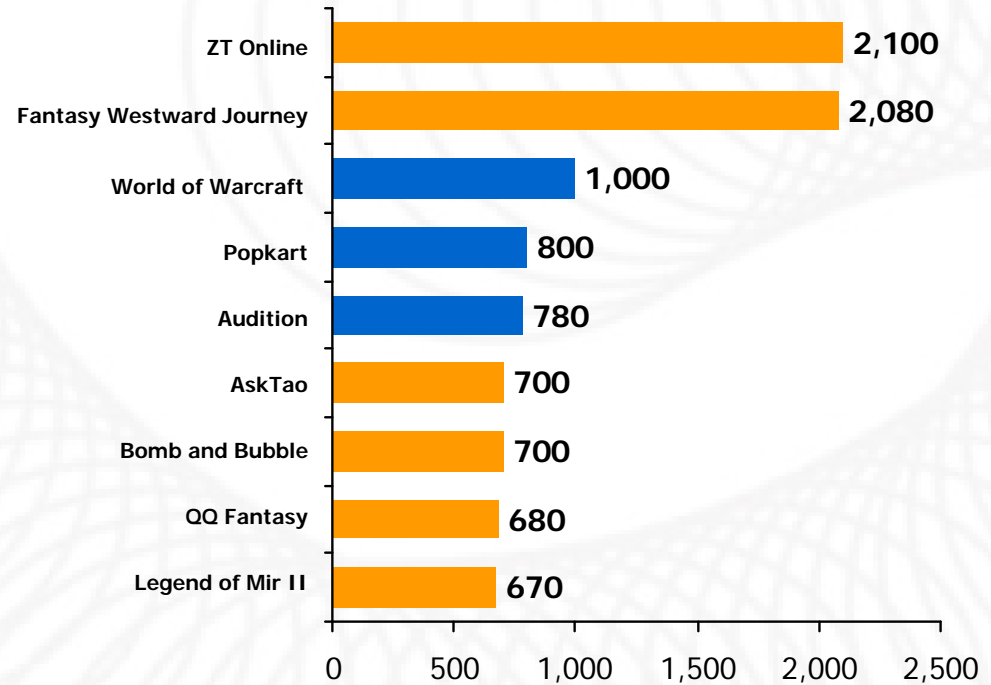
2D/2.5D Games Have Larger Market Share

Top 9 Online Games in China  
Based on PCU

2D/2.5D  
Games



1H 2007



PCU Achieved to Date  
In thousands

2D Games 3D Games

Source: iResearch

Source: Company research



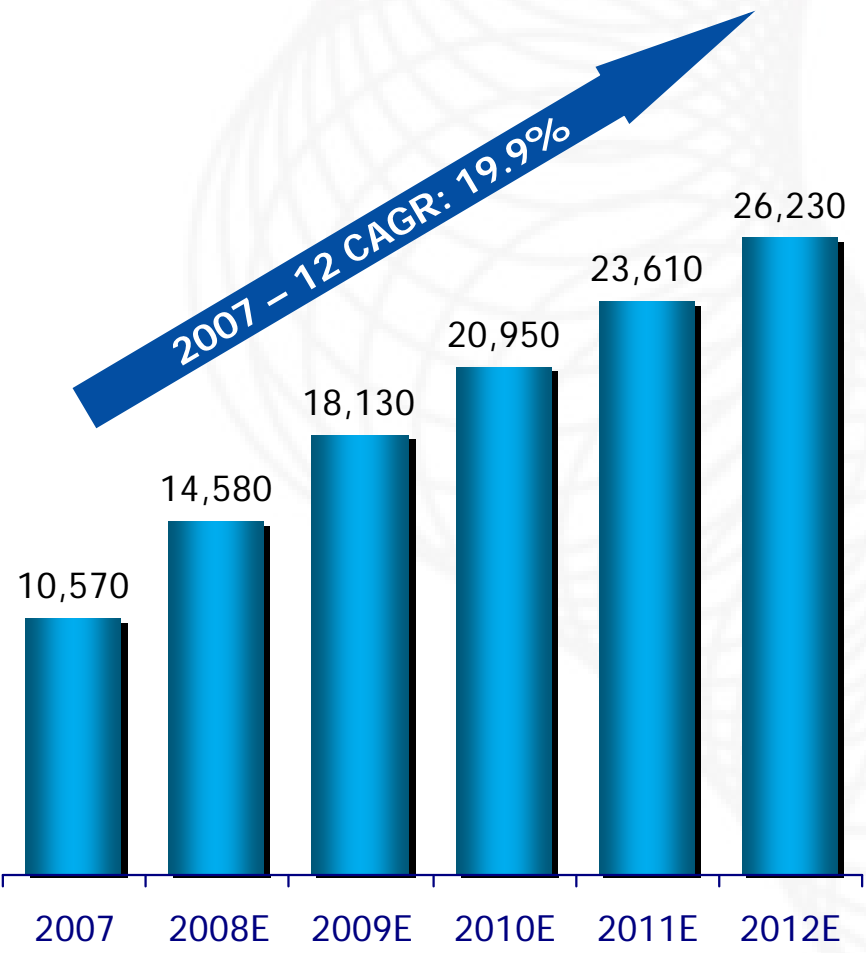
# Market Opportunity

# Accelerating Growth in China's Market



## Robust Growth of China's Online Game Market

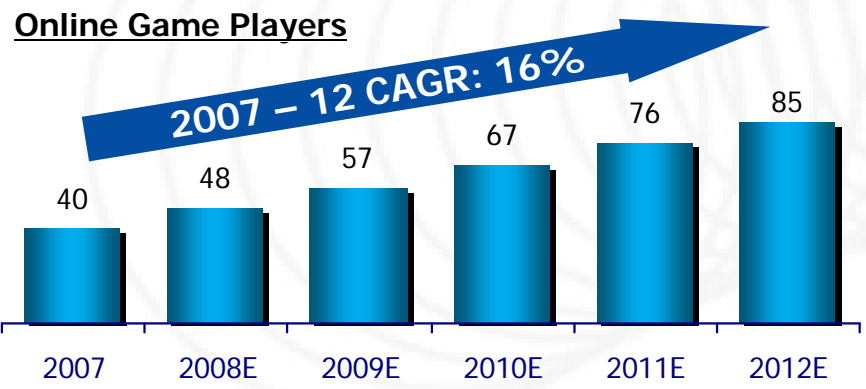
(RMB ¥ in millions)



Source: IDC, 2008

## Rapid Growth of Online Game Players with Increasing Paying Player Penetration

(In millions)



Source: IDC, 2008

**Total Addressable Market 2007 - 12  
CAGR: 17.6%**

### Paying Player Penetration

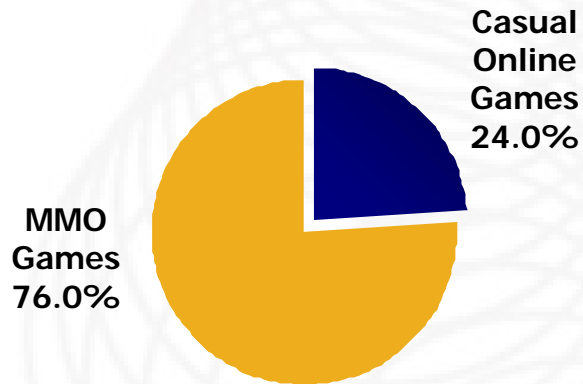


Source: IDC, 2008

# Well Positioned to Capitalize on Market Opportunities

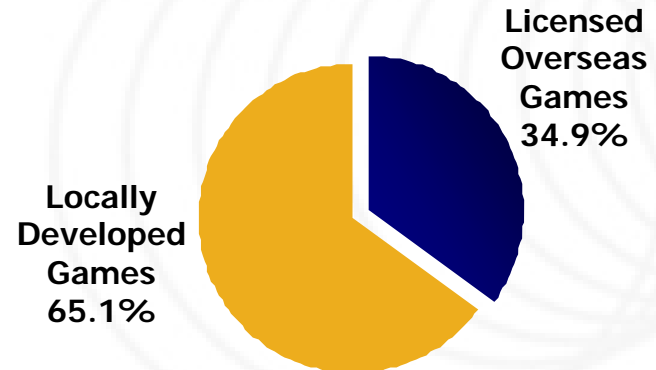


## MMO Games Have Dominant Market Share



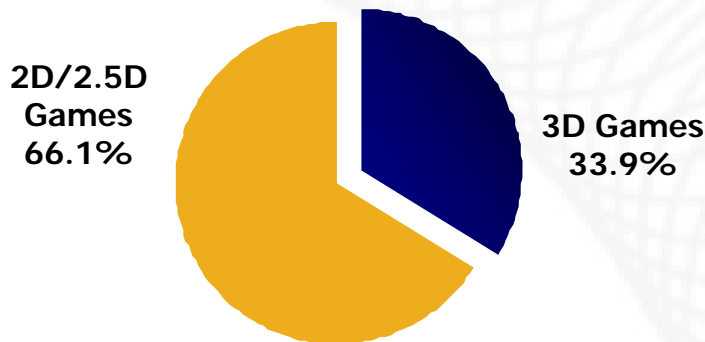
Source: IDC, 2008, based on 2007 revenues

## Locally-Developed Games Prevail



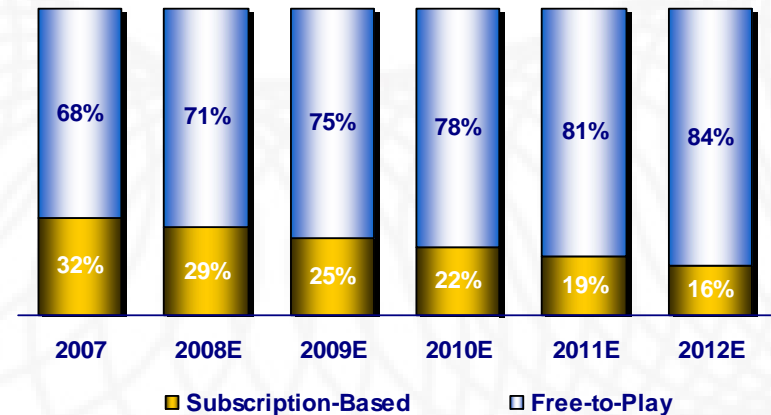
Source: IDC, 2008, based on 2007 revenues

## 2D/2.5D Games Have Larger Market Share



Source: iResearch, based on 1H 2007 MMORPG revenues in China

## Dominance of Free-to-Play Games



Source: IDC, 2008, based on 2007 revenues



**GIANT**

# Product & Operational Highlights



- Commercial service began January 2006



- Free of charge to play
- Revenues derived from in-game purchases of virtual items and services



- Voted 2006's Most Popular Online Game in China in its first year of operation<sup>1</sup>
- Achieved PCU of over 2.1 million in April 2008



- Five expansion packs since commercial launch
- Players remain engaged by continually updated content

- Proprietary technology allows over 40,000 gamers to play together in a single shard

<sup>1</sup> Source: IDC

# Newest Game: Giant Online

The EA logo, consisting of the letters 'EA' in a bold, metallic, 3D font.

- Open beta launch in March 2008



- Free of charge to play
- Revenues derived from in-game purchases of virtual items and services



- Achieved PCU of over 237,000 during its open beta launch in March 2008
- Achieved PCU of over 344,000 in May 2008



- Modern military theme MMORPG blended with hundreds of casual game elements
- 14 innovative roles and hundreds of modern weapons

- Proprietary technology allows 1 million gamers to play together in a single shard

# Focused Game Pipeline

## ZT Online Neighboring Friends (Expansion Pack)



- Further enhanced interactivity based on physical locations of players
- Encourage players to form local bonds, and face foreign friends or foes together
- Social networking features with new in-game virtual products and services

## Giant Online



- Free-to-play 2.5D MMORPG with modern-era military theme
- 14 innovative roles, coupled with hundreds of casual game elements
- Advanced server technology intended to enable 1 million concurrent players in a single shard

## Empire of Sports



- 3D multi-sports MMORPG with football, basketball, tennis, skiing, track & field
- Compete with other players in tournaments, play together as a team, or start a club
- Developed by Infront Sports & Media and F4

## King of Kings III

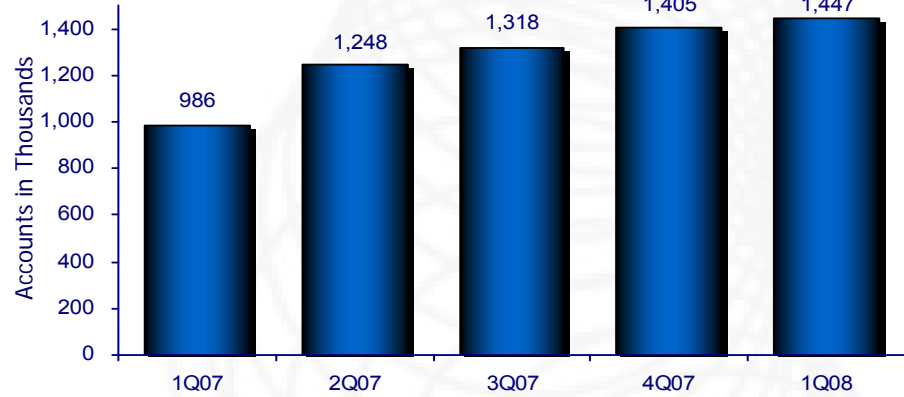


- Free-to-play 3D MMORPG with medieval magical theme
- Second sequel in the King of Kings series, first MMORPG developed in Greater China
- Developed by Lager Network in Taiwan

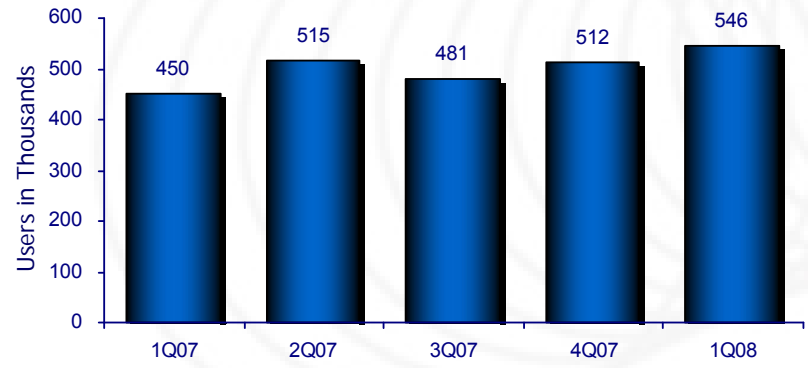
# Key Operating Metrics



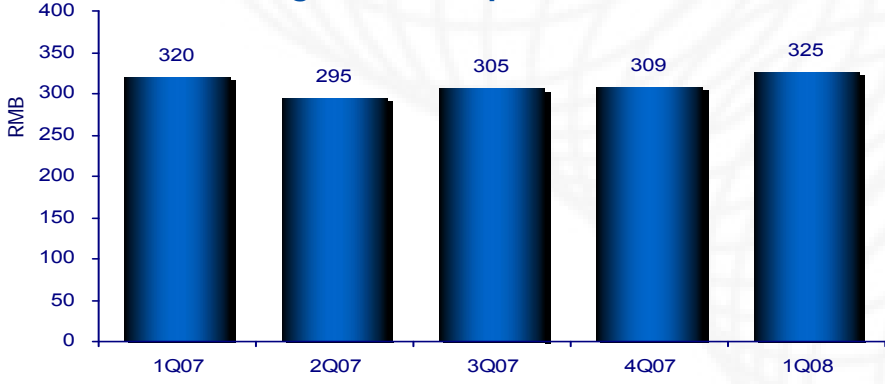
**Active Paying Accounts (APA)**



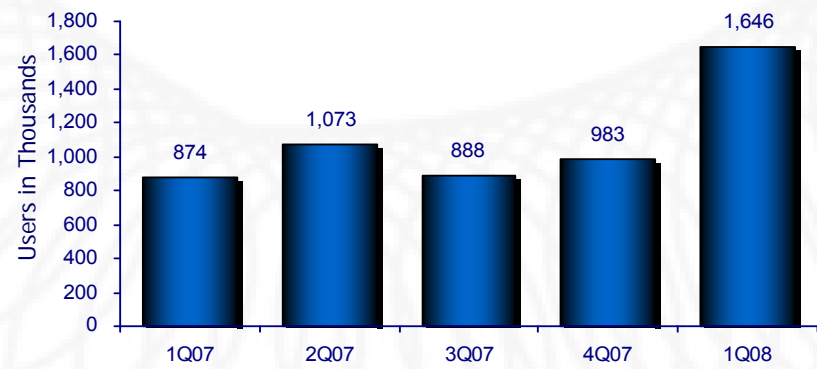
**Average Concurrent Users (ACU)**



**Average Revenue per User (ARPU)**



**Peak Concurrent Users (PCU)**



4Q07 and onward figures include *ZT Online*, *ZT Online PTP* and *Giant Online*

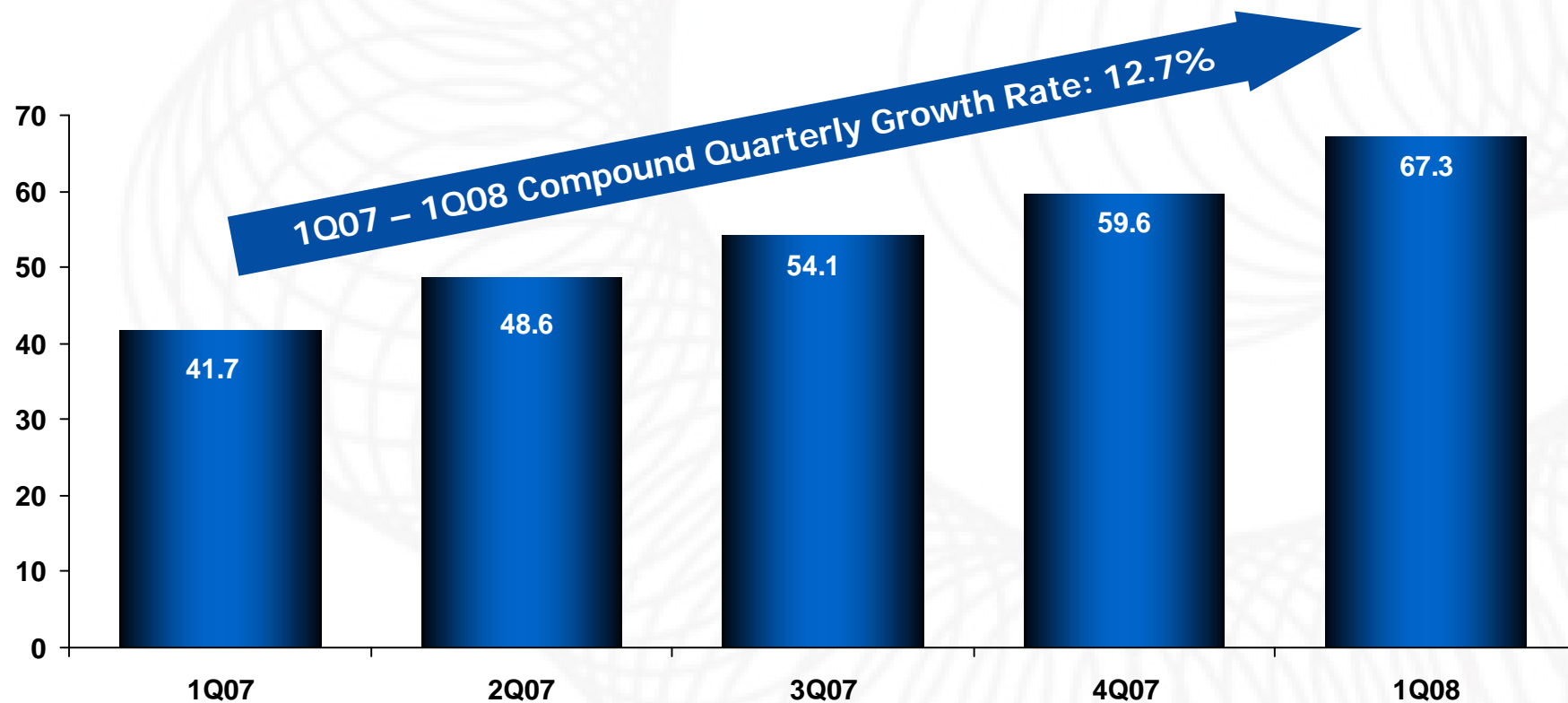


# Financial Highlights

# Solid Revenue Growth



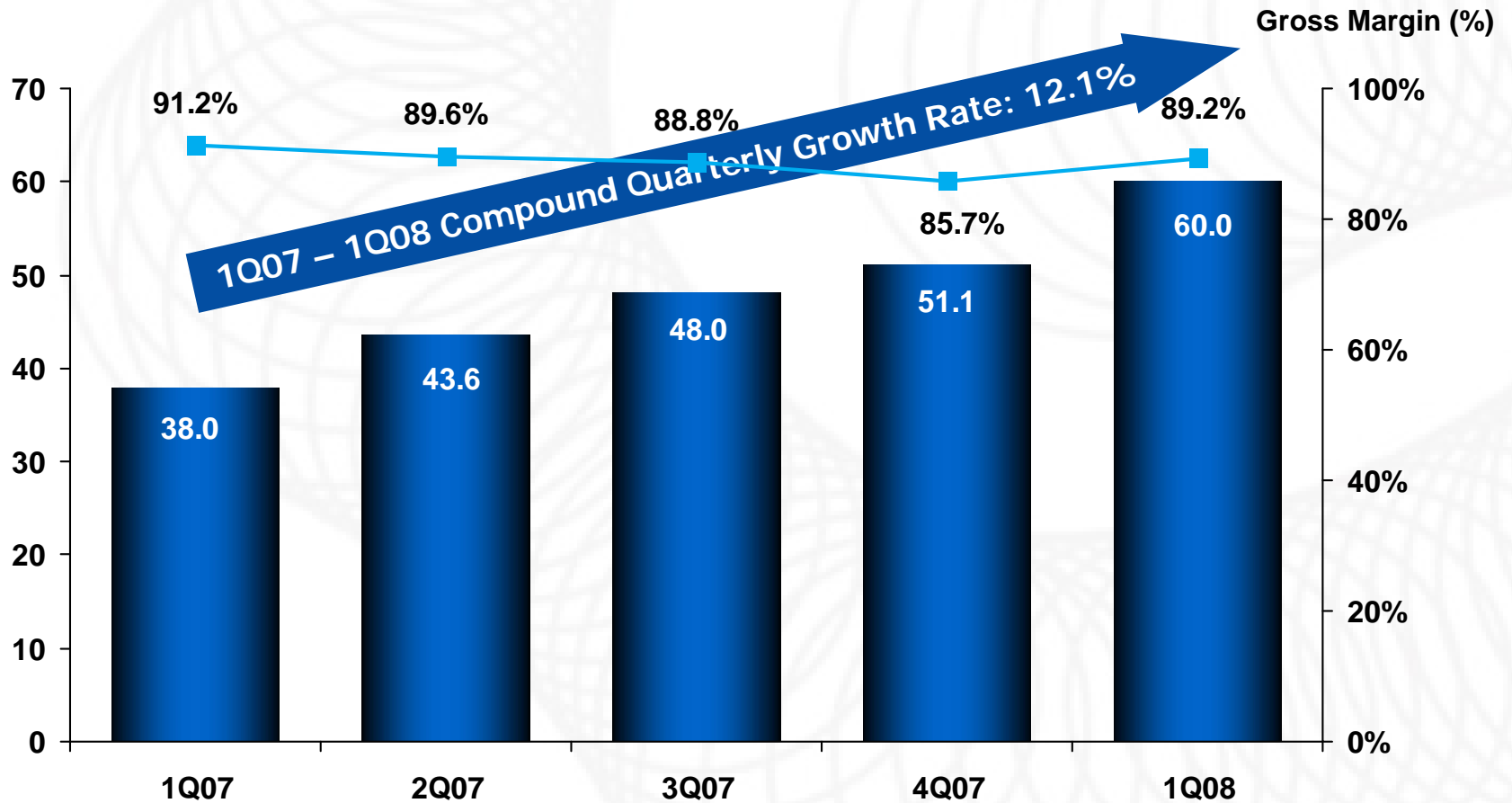
Total Net Revenues, USD millions



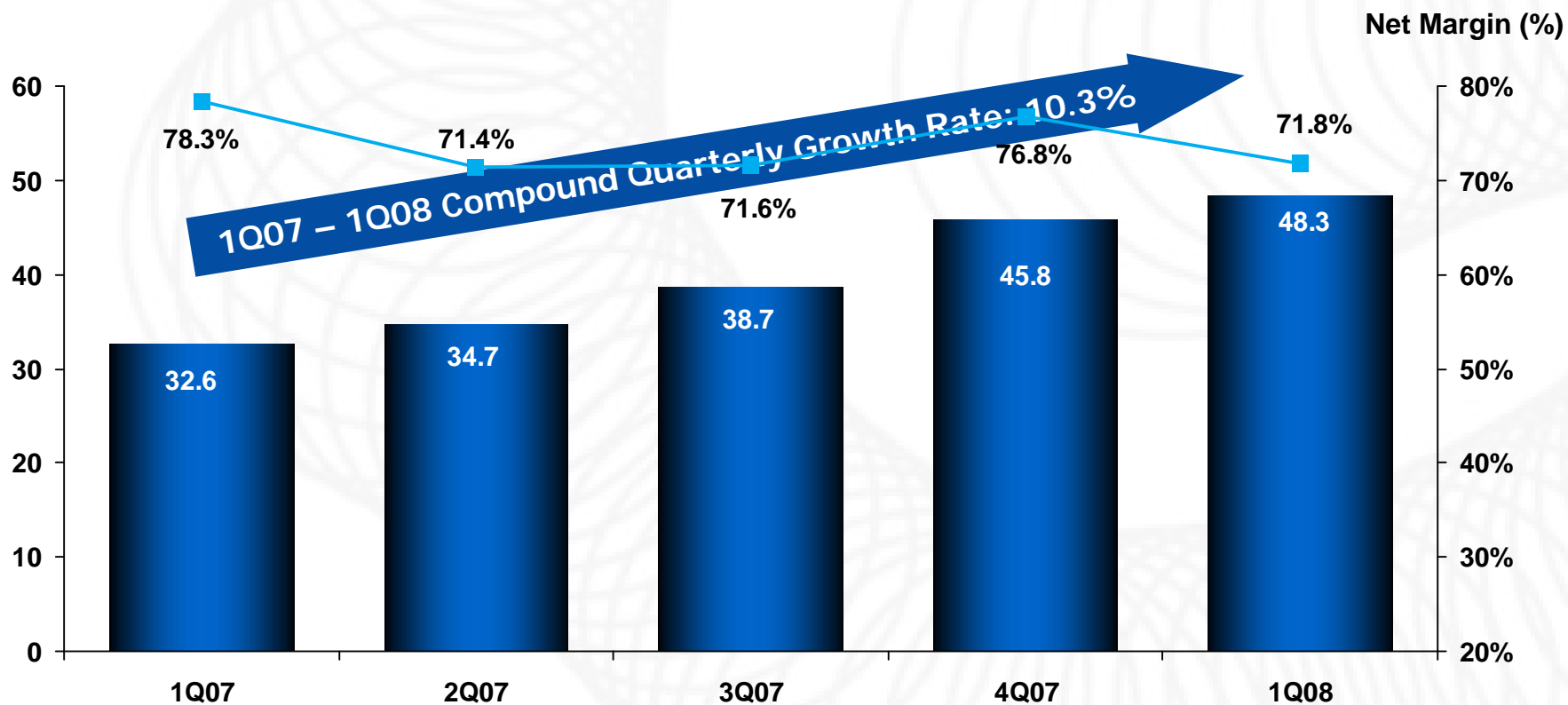
# Outstanding Profitability



## Gross Profit, USD millions



## Net Income, USD millions





# Growth Strategy & Execution

1

**Increase Player Loyalty and Enhance Online Community to Grow Our Player Base**

2

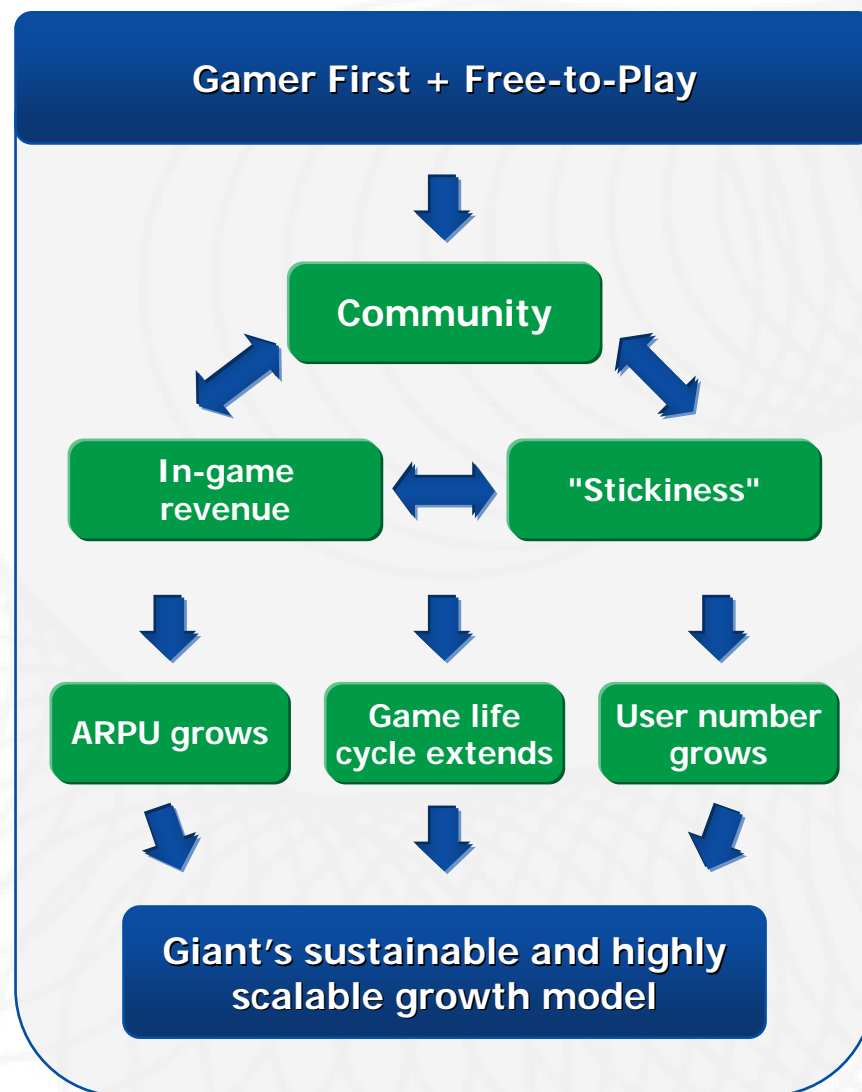
**Strengthen Our Technology and Product Development Platforms**

3

**Pursue Opportunities for Acquisitions, Strategic Joint Ventures and Opportunistic Investments**

# Grow Our Player Base

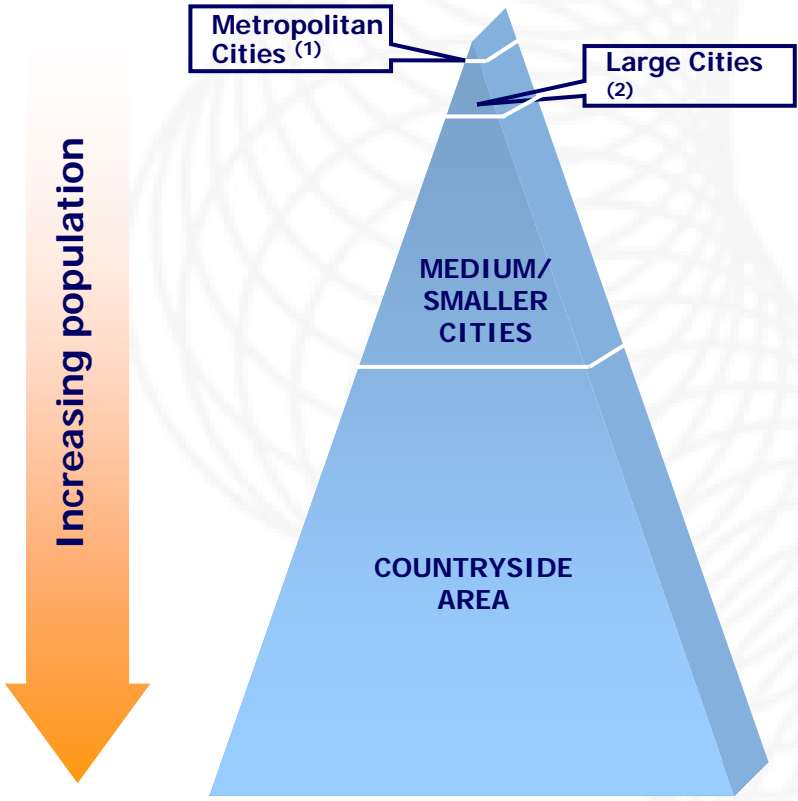
- **Gamer First ideology and Free-To-Play model**
  - Comprehensive features for all types of gamers
    - Hardcore MMORPG with casual game elements
    - Attract both male and female gamers
- **Community and game “stickiness”**
  - Group activities and team play rewards
  - Players grab their friends to join
- **Players feel more “invested” in game**
  - In-game revenue opportunities grow
- **Players conduct “viral” marketing for Giant**
  - Blogs
  - Message boards
  - Videos



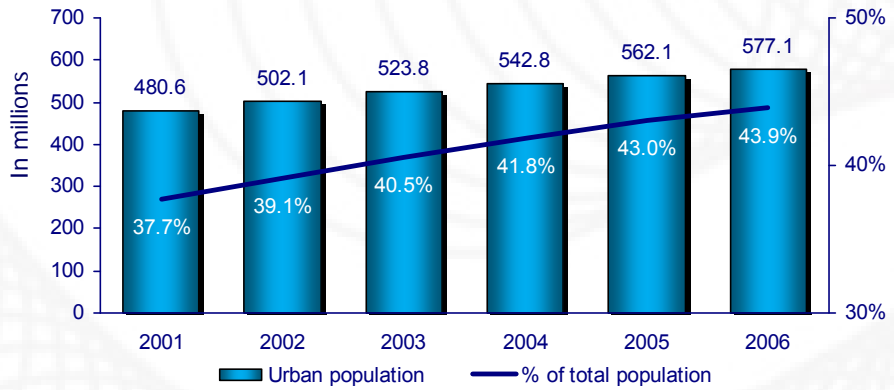
# Deepened Penetration in Medium/Smaller Cities and in Countryside



Unique and Effective Grassroots Strategy Leads to Expansion of Distribution Points



## Increasing Urbanization Rate



## Robust Economic Growth in Medium / Small Cities and Countryside Area

- Medium / smaller cities and countryside area accounted for 59.2% of national GDP in 2006
- 2001 – 2006 CAGR of 12.0%

Source: China Statistics Yearbook 2007  
 1 Include Beijing, Shanghai and Guangzhou  
 2 Include Chongqing, Tianjin, Shenzhen, Qingdao, Xiamen, Ningbo, Dalian and capital cities of all provinces and autonomous regions

# Giant's R&D and State of the Art Server Technology



Increase R&D Department to Over 800 Members by Year End

Advanced and Reliable Server Technology and Operational Infrastructure



ZT Online

- ▶ Over 40,000 players can simultaneously interact in the same game shard
- ▶ Concurrent user capacity is larger than most other MMO games currently operating in China



Giant Online

- ▶ Advanced server technology intended to enable 1 million concurrent players in a single shard
- ▶ Will have the largest concurrent user capacity in a single shard among all MMO games in China

Enhanced Playability

More Intense Interaction

Complex Social Network

**To Develop and Operate the Largest Online Game Network in Asia by Providing the Most Compelling Games and Community Experiences**