



**GIANT**

# 14th CLSA China Forum 2009

September 14, 2009



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**Company Overview**

**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\$1.8B</b> <i>September 9, 2009</i>
<b>Fully Diluted Shares:</b>	<b>Approximately 234M</b>

<b><i>About Giant:</i></b>	
<b>Headquarters:</b>	Shanghai, China
<b>Employees:</b>	Over 3,100 including 1,600 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 344,000 PCU in second quarter 2008

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

- Multiple monetization opportunities
- 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 108% on CAGR basis from FY2006 to FY2008
- Net margin of 70% for FY2008

<sup>1</sup> Source: IDC



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# Product & Operational Highlights

# Our Flagship Game: ZT Online Overview



- 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 the second quarter of 2008



- Multiple 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

# Our Second Game: Giant Online Overview



- Open beta launch in March 2008



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



- Reached PCU of over 237,000 during open beta launch
- Achieved PCU of over 344,000 in the second quarter of 2008



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

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

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



Extensive R&D Department currently with approximately 845 Members

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 a 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

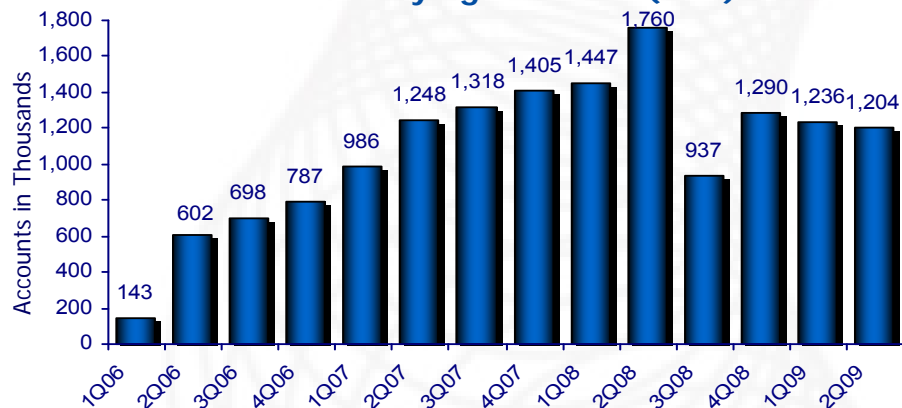
Complex Social Network

# A Growing Product Portfolio

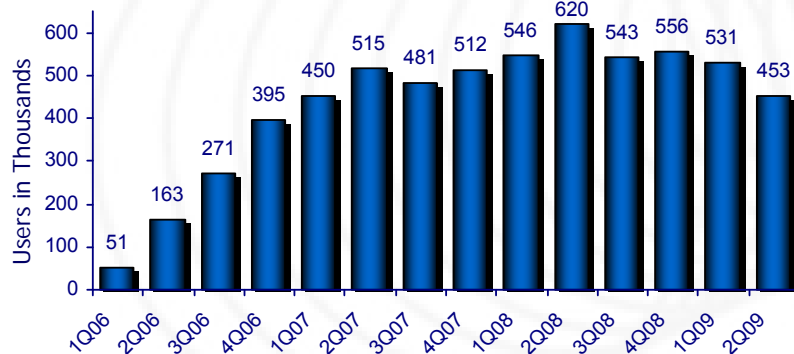
Games	Game History and Milestones	Planned Initiatives
<b>Giant Online</b> 	<ul style="list-style-type: none"> <li>Open beta testing launched at end of 1Q08</li> <li>Released a feature-set for exploration and pursuit of additional equipment in 2Q09</li> </ul>	Next military rank to be unlocked in 3Q09
<b>My Sweetie</b> 	<ul style="list-style-type: none"> <li>Part of our Win@Giant program from 1Q09</li> <li>2.5D free-to-play casual MMORPG involving virtual pets</li> </ul>	Currently under closed beta testing
<b>King of Kings III</b> 	<ul style="list-style-type: none"> <li>GA acquired rights to operate in China in 2007</li> <li>Limited closed beta testing in China in 1Q09</li> <li>Fine-tuning based on the feedback from 1<sup>st</sup> phase limited closed beta testing and 2<sup>nd</sup> phase limited closed beta testing in 3Q09</li> </ul>	Closed beta testing in 4Q09
<b>XT Online</b> 	<ul style="list-style-type: none"> <li>Part of our Win@Giant program from 2Q09</li> <li>2.5D ancient Chinese martial arts MMORPG</li> <li>Enriching content, artwork and various functions in 2Q09, now further fine-tuning</li> </ul>	Closed beta testing in 4Q09
<b>The Golden Land</b> 	<ul style="list-style-type: none"> <li>Our first self-developed webgame, with a medieval strategy theme</li> <li>Engineering testing began in 3Q09 and now further optimization</li> </ul>	Closed beta testing in 4Q09
<b>Dragon Soul</b> 	<ul style="list-style-type: none"> <li>3D ancient Chinese PK MMORPG</li> <li>Developed by our R&amp;D office in Chengdu, Sichuan</li> <li>Self-developed 3D engine</li> </ul>	Engineering testing in 4Q09
<b>Empire of Sports</b> 	<ul style="list-style-type: none"> <li>GA acquired rights to operate in China in early 2008</li> <li>Officially launched in Europe in December 08</li> <li>Commenced limited engineering testing in China in 2Q09</li> </ul>	Further localization for Chinese market

# Key Operating Metrics

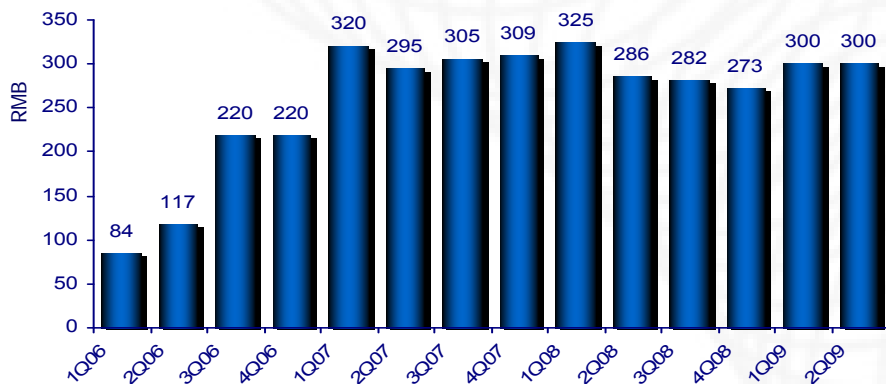
### Active Paying Accounts (APA)



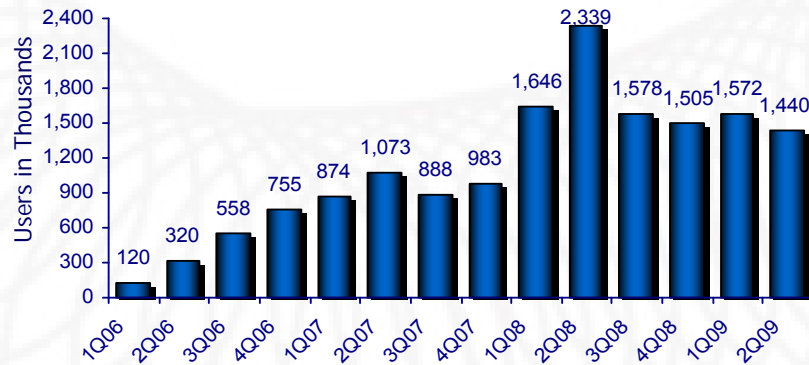
### Average Concurrent Users (ACU)



### Average Revenue per User (ARPU)



### Peak Concurrent Users (PCU)



- 3Q08 and newer figures include *ZT Online*, *ZT Online PTP*, *ZT Online Classic Edition*, and *Giant Online*
- 4Q07 to 2Q08 figures include *ZT Online*, *ZT Online PTP* and *Giant Online*
- Before 4Q07, all figures are *ZT Online* only

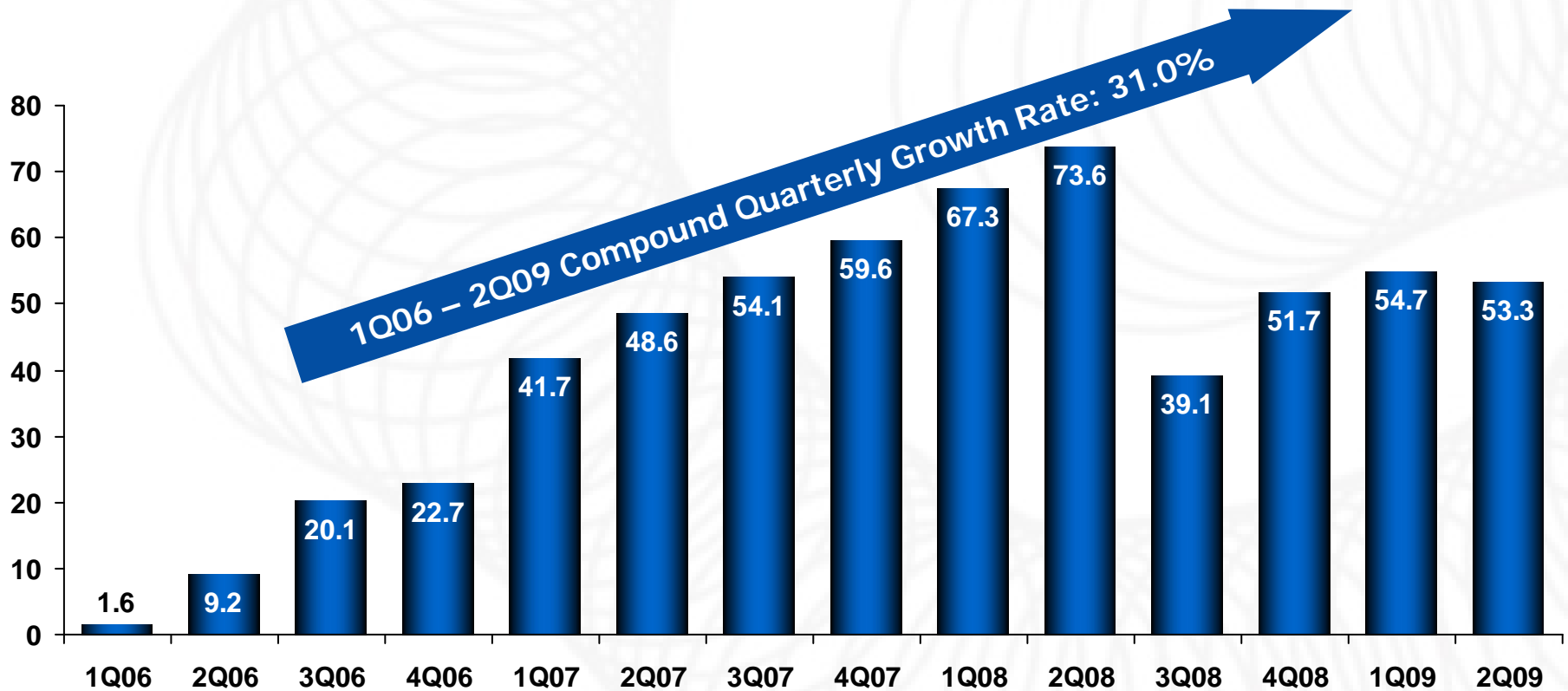


# Financial Highlights

# Solid Revenue Growth



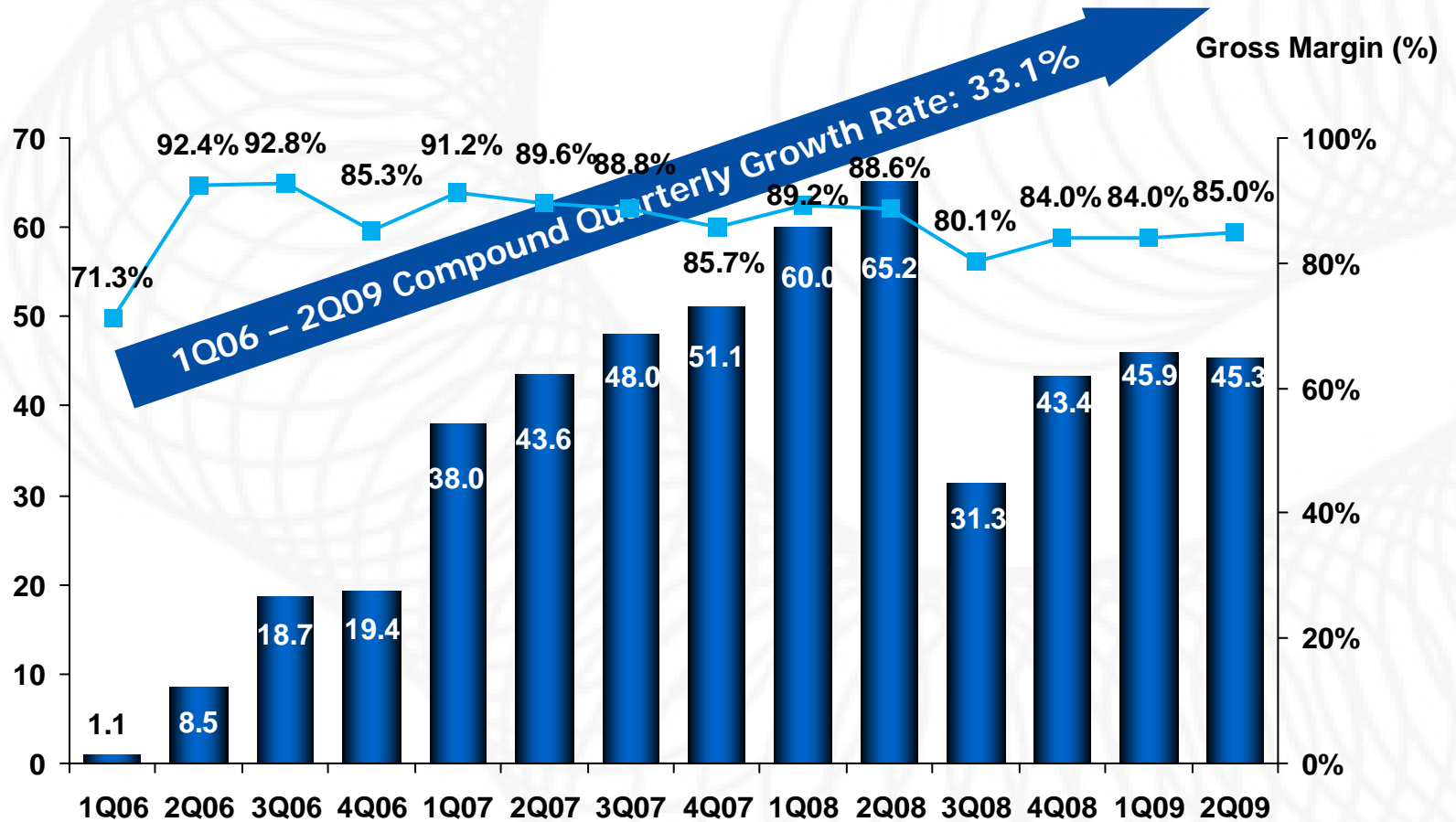
Total Net Revenues, USD millions



# Outstanding Profitability



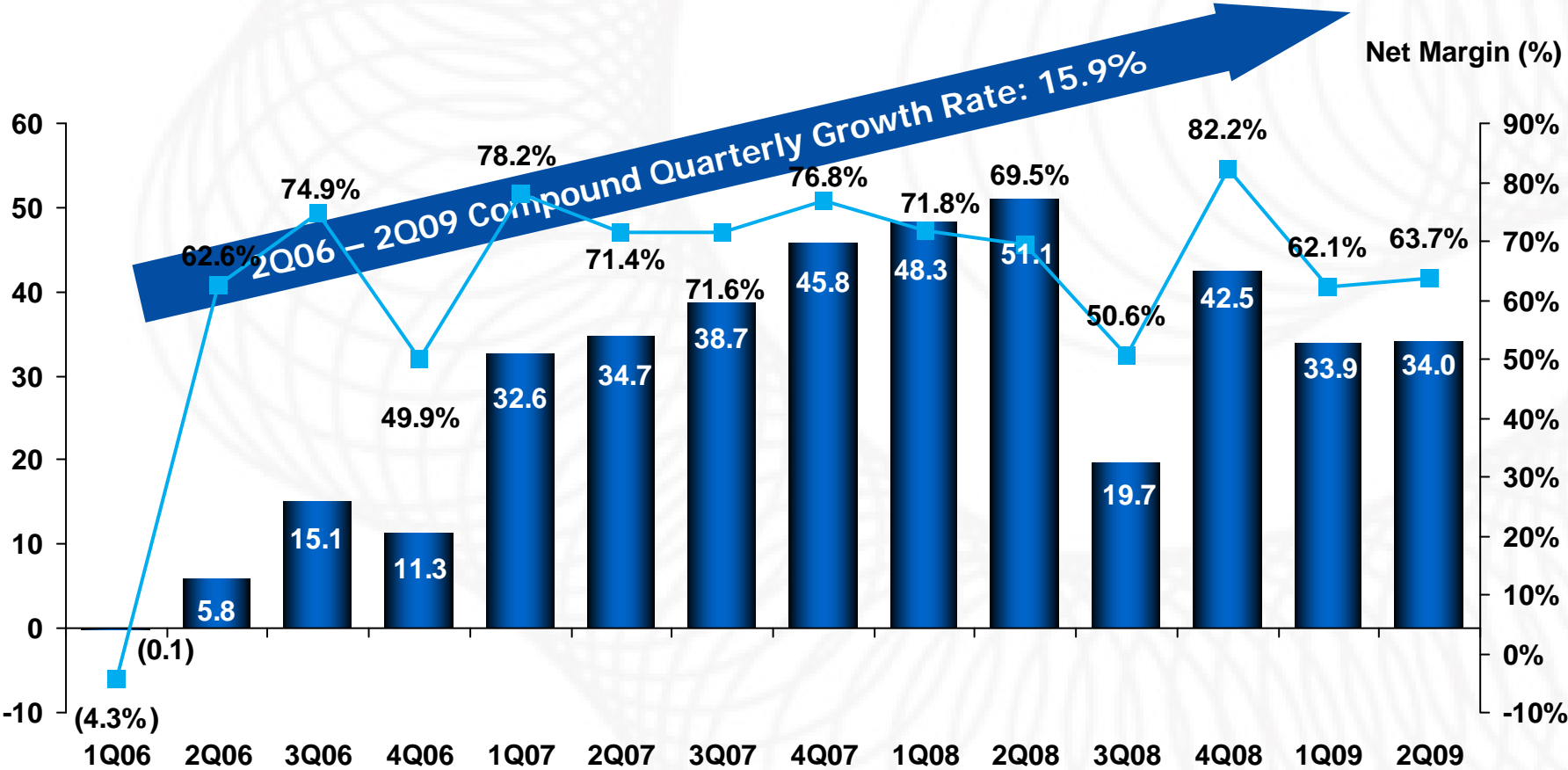
## Gross Profit, USD millions



# Efficient Operation



Net Income, USD millions





# Growth Strategy & Execution

**1**

**Player Segmentation Based on Game Features and Spending Preferences to Increase Player Loyalty and to Extend Game Lifecycles**

**2**


**Introduce Different Genres of Games and Expand Geographical Coverage to Grow Our Player Base**

**3**

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

# Flagship Game Segmentation Strategy



Games	Game History and Milestones	Planned Initiatives
<p>ZT Online</p> 	<ul style="list-style-type: none"> <li>• Launched in January 2006</li> <li>• Self-developed Free-to-Play 2D MMORPG</li> <li>• Multiple expansion packs introduced since launch</li> <li>• Monetization restructuring in 3Q08</li> <li>• Now also available in Vietnam</li> </ul>	<p>“Parenthood Simulation” expansion pack began testing in July 2009 and to complete roll out in Sept 2009</p>
<p>ZT Online Classic</p> 	<ul style="list-style-type: none"> <li>• Open beta testing launched at end of 3Q08</li> <li>• Original ZT Online features but eliminated all promotional items</li> <li>• Designed to target former ZT Online players and enhance player loyalty</li> </ul>	<p>“Unparalleled Martial Arts” expansion pack rolling out in Sept 2009</p>
<p>ZT Online Green</p> 	<ul style="list-style-type: none"> <li>• Original ZT Online gameplay with enhanced in-game economy benefiting lower spending and non-paying players for further in-game diversity</li> <li>• New maps, skills, items, and other game features</li> </ul>	<p>Limited closed beta testing to begin in Oct 2009</p>
<p>ZT Online II</p> 	<ul style="list-style-type: none"> <li>• Sequel to ZT Online, brand new Free-To-Play 2D MMORPG</li> <li>• Revised economic system targeting lower spending gamers to attract more players</li> <li>• Basic game design completed with enhanced graphics, sound effects, # of professions, animation, etc.</li> </ul>	<p>Engineering testing to begin toward end of 2009</p>



- Goal: capture gamers with a broader array of preferences
- Initiative: Utilize innovation and creativity derived from Win@Giant Incubation Program to bring games in new genres to market

**Existing Genres of Giant Games**

**Hardcore, combat-centric PK MMORPGs**

*ZT Online and Giant Online*



**Expanding into new genres with the help of Win@Giant**

**Hardcore, combat-centric PK MMORPGs**  
*ZT Online, Giant Online, King of Kings III, XT Online, ZT Online II, and Dragon Soul*

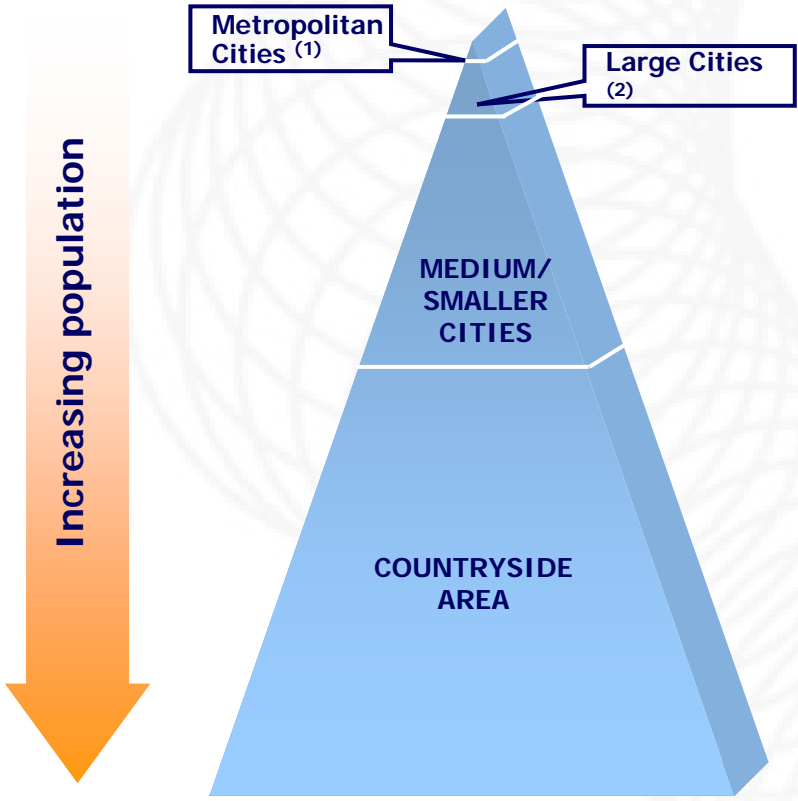
**Casual MMORPGs**  
*My Sweetie and Empire of Sports*

**Web Games**  
*The Golden Land*

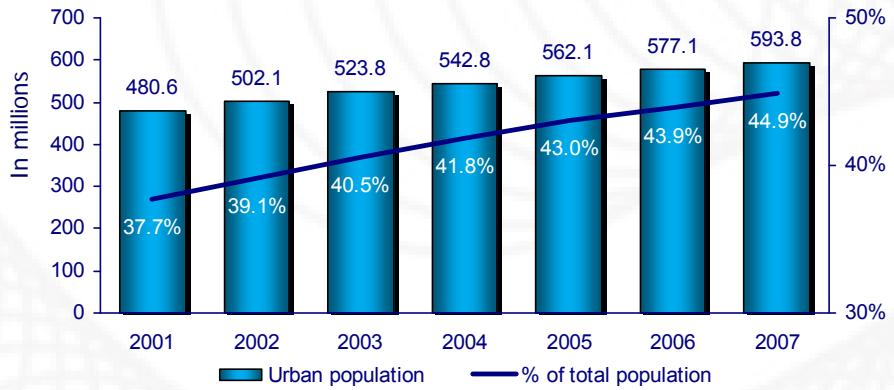
# Deepened Penetration in Medium/Smaller Cities and in Countryside



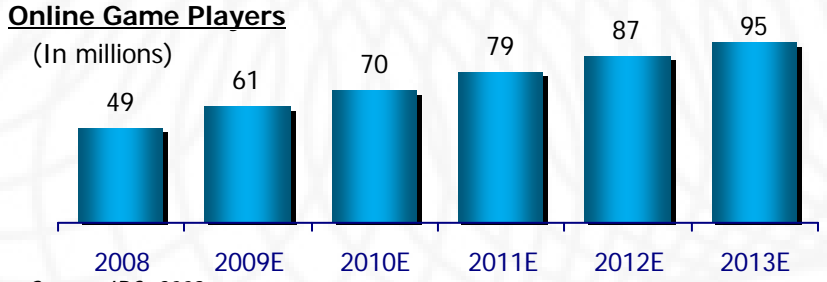
Unique and Effective Grassroots Strategy Leads to Expansion of Distribution Points



## Increasing Urbanization Rate



## Rapid Growth of Online Game Players



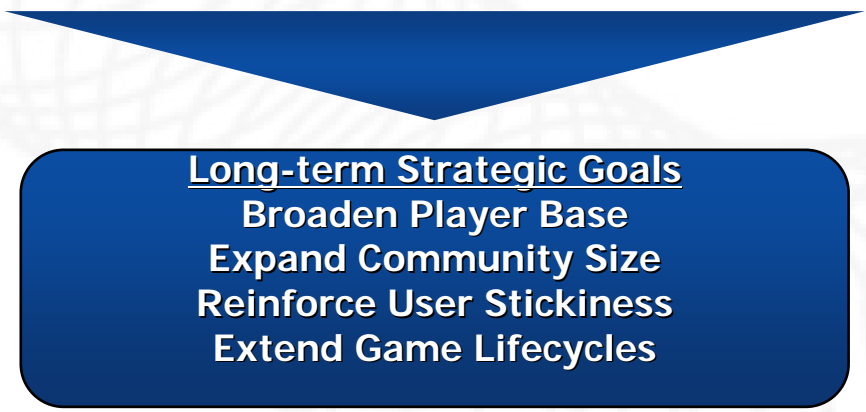
Source: China Statistics Yearbook 2008  
 1 Include Beijing, Shanghai and Guangzhou  
 2 Include Chongqing, Tianjin, Shenzhen, Qingdao, Xiamen, Ningbo, Dalian and capital cities of all provinces and autonomous regions

Source: IDC, 2009



- ▶ Leading Chinese online game developer and operator
- ▶ PCU of 1.4 million and ACU of 453 thousand
- ▶ RMB300 ARPU with 1.2 million APA
- ▶ Proven revenue model with high profitability

- ▶ Leading Chinese online social networking service provider with large community
- ▶ 120 million registered users
- ▶ 39 million monthly unique visitors
- ▶ 350 million average daily page views



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



**GIANT**

**NYSE: GA**  
**Thank you**

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