

Giant Interactive Group Inc.
Form 6-K
February 26, 2008
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Form 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

REPORT OF FOREIGN ISSUER

**PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of February 2008

Commission File Number: 001-33759

GIANT INTERACTIVE GROUP INC.

2/F No. 29 Building, 396 Guilin Road

Shanghai 200233

People's Republic of China

(Address of principal executive office)

Edgar Filing: Giant Interactive Group Inc. - Form 6-K

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

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Giant Interactive Group Inc.

Form 6-K

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Exhibit 99.1 2007 Fourth Quarter and Fiscal Year Results Presentation dated February 21, 2008	4

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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.

Giant Interactive Group Inc.

By: /s/ Eric He

Name: Eric He

Title: Chief Financial Officer

Date: FEBRUARY 26, 2008

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HK000NN7
2007 Fourth Quarter and Fiscal
Year Results Presentation
February 21, 2008

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Safe Harbor Statement and Currency
Convenience Translation

Safe Harbor Statement

Statements in this slide presentation contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the 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 and among others, include our continued efforts to successfully develop and launch our new games and expand our distribution and marketing network.

These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. The financial information contained in this slide presentation should be read in conjunction with the consolidated financial statements and notes thereto included in our prospectus filed with the Securities and Exchange Commission on November 1, 2007, and is available on the Securities and Exchange Commission's website at www.sec.gov. For additional information on these and other important factors that could adversely affect our business, financial condition, results of operations and prospects, see "Risk Factors" beginning on page 12 of our prospectus. Our actual results of operations for the fourth quarter of 2007 are not necessarily indicative of our operating results for any future periods. Any projections in this slide presentation are based on limited information currently available to us, which is subject to change. Although such projections and the factors influencing them will likely change, we undertake no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this slide presentation. Such information speaks only as of the date of this slide presentation.

Currency Convenience Translation

This slide presentation contains translations of certain Renminbi (RMB) amounts into US dollars (US\$) at the rate of US\$1.00 to RMB7.2946, which was the noon buying rate as of December 31, 2007 in the City of New York for cable transfers in Renminbi per US dollar as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that the Renminbi or US dollar amounts referred to in this slide presentation could have been, or could be, converted into US dollars at such rate or at all.

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Giant Interactive Group
A Leading Online Game Developer & Operator
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Giant: NYSE Listed
Giant: NYSE Listed

NYSE IPO on November 1, 2007

Ticker: GA

Market Cap: US\$2.7B

Post IPO Shares/ADRs Outstanding: 241.27M

About Giant:

Headquarters: Shanghai, China

Employees: Approximately 3500, including
2,500 liaison personnel

Investor Information at: www.giantig.com

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A
Leading

Developer
and
Operator
of
MMORPGs

in
China

A
Leading
Developer
and
Operator

of
MMORPGs
in
China

A leading online game developer and operator in China

151.8%

net
revenues
increase

over
the
fourth
quarter

2006;

76.8%

net
income
margin

(1)

Uncompromising focus on game play

Strong product development and technology capabilities

Leverage deep understanding of the Chinese mass market
and extensive marketing and distribution network

Strong

combination of experienced game development

talent and consumer market expertise

(1) For the quarter ended December 31, 2007

Experienced management team

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Operational Metrics &
Business Updates
Operational Metrics &

Business Updates

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Rollout of New ZT Online Expansion Pack Neighboring Friends
Commenced Closed Beta Testing of Giant Online

King of Kings III Undergoing Engineering Testing

1

1

3

3

4

4

Entered Open Beta Testing of ZT PTP

2

2

Recent

Business

Highlights

Recent

Business

Highlights

Acquired Exclusive Licensing Rights to Empire of Sports

5

5

6

6

Announced and Completed Share Repurchase Program

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8
Average Revenue per User (ARPU)
Active Paying Accounts (APA)

Peak Concurrent Users (PCU)

Average Concurrent Users (ACU)

395
481
512
51
515
450
271
163
0
100
200
300
400
500
600
700
1Q06
2Q06
3Q06
4Q06
1Q07
2Q07
3Q07
4Q07
320
558
755
874
1,073
888
983
120
0
200
400
600
800
1,000
1,200
1,400
1,600
1,800
1Q06
2Q06
3Q06
4Q06
1Q07
2Q07

3Q07
4Q07
Q407
figures
include
ZT
Online,
ZT
Online
PTP
and
Giant
Online
Key
Quarterly
Operating
Metrics
Key
Quarterly
Operating
Metrics
305
309
295
320
220
220
117
84
0
50
100
150
200
250
300
350
400
450
500
1Q06
2Q06
3Q06
4Q06
1Q07
2Q07
3Q07
4Q2007
787
986

1,248
1,318
1,405
143
602
698
0
200
400
600
800
1,000
1,200
1,400
1,600
1,800
1Q06
2Q06
3Q06
4Q06
1Q07
2Q07
3Q07
4Q2007

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Expanded Marketing Penetration in Q4

Over 500 liaison offices

Over 2500 dedicated liaison personnel

Over 200 distributors

116,500 retail outlets

Penetration of all large cities and almost all provinces in China

Focus on penetrating medium / small cities with continued internet
and on-site promotional events

Expanded advertising initiatives

Marketing and Distribution Network

Maximize

Player

Awareness

and

Game

Recognition

to

Improve

Penetration

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Key Financial Highlights
Key Financial Highlights
©

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11
22.7
59.6

54.1
9.2
20.1
41.7
48.6
1.6
0
10
20
30
40
50
60
70
1Q06
2Q06
3Q06
4Q06
1Q07
2Q07
3Q07
4Q2007
Profitable Growth and High Margins
Profitable Growth and High Margins
Net Revenue
Net Income
45.8
11.3
38.7
-0.1
34.7
32.6
15.1
5.8
-10
0
10
20
30
40
50
1Q06
2Q06
3Q06
4Q06
1Q07
2Q07
3Q07
4Q2007
Gross Profit Margin

Net Income Margin

92.4%

92.8%

85.3%

91.2%

89.6%

88.8%

85.7%

71.3%

1Q06

2Q06

3Q06

4Q06

1Q07

2Q07

3Q07

4Q2007

62.6%

74.9%

49.9%

78.2%

71.4%

71.6%

76.8%

-4.3%

1Q06

2Q06

3Q06

4Q06

1Q07

2Q07

3Q07

4Q2007

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2007 Key Financial Highlights
2007 Key Financial Highlights

US\$
US\$
RMB
RMB
330.3%
0.72
5.25
-
3.6%
0.18
1.33
Diluted EPS
343.3%
148.0
1,079.8
-
3.7%
38.2
278.9
Income from Operations
272.4%
208.6
1,521.4
7.3%
59.4
433.6
Online Game
N.A.
0.8
6.1
4.5%
0.2
1.3
Overseas Licensing
1,136.3
273.7
1,353.5
174.1
1,527.5
For The Year Ended
December 31, 2007
333.8
93.9
372.8
62.0
434.8
For The Three Month
Period Ended
December 31, 2007
45.8

12.9
51.1
8.5
59.6
155.8
37.5
185.5
23.9
209.4
364.5%
15.0%
Net Income
128.6%
33.9%
Operating Expenses
272.5%
3.6%
Gross Profit
285.2%
36.5%
Cost of Services
273.9%
7.3%
Total Net Revenue
Change
From
Previous
Year
Change
From
Previous
Quarter
(In millions, except EPS data)

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13
Solid Balance Sheet
Solid Balance Sheet

1,040.2
864.4
175.8
175.8
1,040.2
1,010.8
1,000.1
December 31,
2007
US\$
7,587.7
6,305.5
1,282.2
1,282.2
7,587.7
7,373.5
7,295.5
December 31,
2007
RMB
249.9
Shareholders
Equity
504.8
Total Liability and Shareholders
Equity
254.9
Total Liabilities
238.9
Current Liabilities
504.8
Total Assets
466.7
Current Assets
451.4
Cash
December 31,
2006
RMB
(In millions)

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Business Outlook

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Expand and Enhance Our Product Offerings
Expand Our Player Base in China and Internationally

Strengthen Our Technology and Operational Platforms
Continue to Attract and Retain Quality Development Talent
Pursue Opportunities for Acquisitions, Strategic Joint Ventures
and Opportunistic Investments

1
1
3
3
5
5
6
6
4
4

Growth Strategies
To Become the Largest Online Game Developer and Operator in Asia
Enhance Interactive Community Features to Attract New
Players and Increase Player Loyalty

2
2

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Appendices
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History and Key Milestones
Commenced
operation through
Shanghai Zhengtu

Network
Commercially
launched the first
MMO game, ZT
Online
Established Offshore
Company, Giant
Interactive Group Inc.
Commenced engineering
testing for the second
MMO game, Giant Online
Peak Concurrent
User of ZT Online
reached one million
Acquired the
intellectual property
rights of King of
Kings III
Commercially
launch Giant
Online
Secured
Exclusive
License
to
Operate
Empire of Sports
2004
2004
January
January
2006
2006
September
September
2006
2006
May
May
2007
2007
May
May
2007
2007
3Q
3Q
2007
2007
4Q

4Q
2007
2007
1Q
1Q
2008
2008
NYSE IPO on November 1, 2007
2008
2008
Commercially
launch King of
Kings III
Commenced official
closed beta testing
for Giant Online on
Dec. 29, 2007

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Further enhanced
interactivity based on

physical locations of
players
Encourages users to
form local bonds, and
face foreign friends or
foes together
Social networking
features with new in-
game virtual products
and services
Full 3D MMORPG with
multiple sports
Train your character in
football, basketball,
tennis, skiing, and track
& field
Compete with other
players in tournaments
or play together as a
team and start a club
Free-to-play 3D
MMORPG with
medieval magical
theme
Third edition in the
popular King of Kings
series
Developed by Lager
Networks in Taiwan
Free-to-play 2.5D
MMORPG with modern-
era military theme
Target to position as
the most affordable
free-to-play game in
China
Advanced server
technology intended to
enable up to 1 million
concurrent players in a
single shard
ZT Online
ZT Online
Neighboring Friends
Neighboring Friends
(Expansion Pack)
(Expansion Pack)
Giant Online
Giant Online
Empire of Sports

Empire of Sports
King of Kings III
King of Kings III
2008
2008
2008
2008
Focused Product Pipeline

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Giant Online
Giant Online is one of the first modern-era military-themed MMO games developed in

China.

Giant Online is a free-to-play game, which enables players, and groups of players, to purchase a wide range of virtual products and services.

Giant
Online

is

a

2.5
dimensional

game,
meaning
that

all
the
characters,

items
and

the background in the game are depicted three dimensionally, while the camera angle is fixed.

Giant Online players may assume one of 14 different roles, such as detectives and spies.

Players

can
equip

their
characters

with

a

range
of

modern
weaponry.

Apart
from

waging war, characters can also engage in various forms of in-game social interaction, such as friendship and even romance.

Giant
Online

is
divided

into
numerous
regions.

Each
player

must
guide

his

or her character to develop skills and cooperate with other players to fight against players from other regions.

Giant Online will feature multiple shards, and will also enable players to travel between different shards. It will enable up to 1,000,000 players to concurrently play in the same shard.

We commenced our official closed beta testing for Giant Online in December 2007, and expect to commercially launch Giant Online in the first quarter of 2008.

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Empire of Sports
Empire of Sports is a 3D MMORPG with multiple sports.

Empire of
Sports
will
allow
players
to
customize
their
characters
physical
talents
by
undergoing different training regiments.

Players will
be
able
to
compete
against
or
form
teams
with
other
players
in
a
wide
variety of
sports,
such
as
basketball,
football,
tennis,
skiing,
track
&
field,
and
bobsleigh.

We obtained the license for Empire of Sports from Switzerland-based Empire of Sports Ltd. Empire of Sports Ltd., a joint venture between Infront Sports and Media and F4.

Adding to the realism and authenticity
Adding to the realism and authenticity
of the games, real referees and sports
of the games, real referees and sports
experts were consulted during the
experts were consulted during the

design
design
of
of
the
the
game
game
to
to
incorporate
incorporate
real-
world
sports regulations.
sports regulations.
We expect
We expect
to
launch
Empire
of
Sports
in 2008.

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King of Kings III
King of Kings III

King of Kings III is a three-dimensional online role-playing experience set in a European-style magical world.

Players assume the roles of King of Kings III heroes as they explore across a virtual world of forests and medieval cities and castles.

King of Kings III is the third installment of the King of Kings series of MMO games, which was launched in Taiwan in 1999, and which we believe was the first MMO game series to be operated in greater China.

We acquired the intellectual property rights to King of Kings III from Lager Network in the third quarter of 2007.

Our product development team is presently in the process of working with Lager Network to further develop the game and tailor it to the Chinese market.

We currently expect to commercially launch the game in the second half of 2008.

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Deepen Penetration into Medium
to Smaller Cities

Deepen Penetration into Medium
to Smaller Cities

Unique

Unique

and

and

Effective

Effective

Grassroots

Grassroots

Strategy

Strategy

Leads

Leads

to

to

Expansion

Expansion

of

of

Distribution

Distribution

Points

Points

480.6

502.1

523.8

542.8

562.1

577.1

37.7%

39.1%

40.5%

41.8%

43.0%

43.9%

0

100

200

300

400

500

600

700

2001

2002

2003

2004

2005

2006

30%

40%

50%

Urban population

% of total population

Increasing Urbanization Rate

Increasing Urbanization Rate

Medium/

Smaller Cities

Countryside Area

Metropolitan

Cities

(1)

Large Cities

(2)

Medium / smaller cities and countryside area accounted for

59.2% of national GDP in 2006

2001

2006

CAGR

of

12.0%

Robust Economic Growth in Medium / Small Cities

and Countryside Area

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 r

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Regulations
Online

game
operators
in
China
are
required
to
hold
a
variety
of
permits
and
licenses:
ICP license
Internet Culture Operating license
Internet Publishing license
Online Bulletin Board Service approval
Regulation of Internet content
Specifically prohibit obscenity, gambling, violence, crimes, undermining public moral or the cultural traditions of China, etc.
Regulation of information security
Subject to criminal punishment in China if engaged in:
Improper entry into a computer or system of strategic importance
Disseminate politically disruptive information
Leak state secrets
Spread false commercial information
Infringe intellectual property rights

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Regulations (continued)
Import regulation

Required registration with MOFCOM when importing/exporting online game software into/out of China

Ministry of Culture requires content review and approval of any imported online game

State Copyright Bureau requires registration of copyright agreements for imported software

Ministry of Information Industry requires registration of imported online games into China

Internet Cafe regulation

Require Internet Culture Operation license from MOC

Require registration with SAIC

Fatigue System adopted by all Chinese game operators to curb addictive behavior by minors

3

hours

or

less

of

continuous

play

by

minors

is

considered

healthy

3 to 5 hours of continuous play by minors is considered fatiguing

5 hours or more of continuous play by minors is considered unhealthy