

Alyst Acquisition Corp.

Form 425

November 14, 2008

**China's Emerging TV Advertising Network**

**November 2008**

Filed by China Networks International Holdings Ltd.

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Subject Company: Alyst Acquisition Corp.

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The information contained in this presentation is intended solely for the benefit of investors interested in the proposed acquisition of China Networks Media Ltd. (China Networks) by Alyst Acquisition Corp. (Alyst). Except where otherwise indicated, the information in this presentation has been provided solely by China Networks and Chardan Capital Markets.

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**Important Notice**

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**Who We Are**

*China Networks is a fast-growing TV advertising network in China*

*China Networks operates as the exclusive advertising arm for TV stations within its network*

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**The Company**

**China Networks**

Founded in October 2007

63 employees

Consolidated stations as of November 2008:

I.

50% of Yellow River TV Station

II.

50% of Kunming TV Station

**Audited 2007**

**Revenue**

**(100%  
consolidation)**

**Net Income**

**(50%  
consolidation)**

**Audience**

**Coverage**

**(population)**

**Number of**

**TV Channels**

**Programming**

**Hours per Day**

**ARPA\***

**Yellow River**

\$5.3mm

\$1.7 mm

30 mm

1

20

\$0.18

**Kunming**

\$15.4mm

\$5.0 mm

6.2 mm

6

130

\$2.48

**TOTAL**

**\$20.7 mm**

**\$6.7 mm**

**36.2 mm**

7

**150**

**NA**

Source: Yellow River and Kunming Stations

\* Average revenue per audience coverage

## **Growth Strategy**

### **1. Improve core profitability – Organic Growth**

Increase revenue ~20+% per annum through: ad sales effectiveness, network leveraged pricing, assisting the TV stations on improving their programming acquisition strategy

Reduce costs of ad delivery through storage/transmission technologies and economies of scale, holding net margins at 68 – 70%

### **2. Extend offering in network – Organic Growth**

Expand full-service offering to include media planning and creative services

Leverage buying power by advising network stations on their programming acquisition

Develop new channel offerings in partnership with partners, e.g. Home Shopping

### **3. Expand network – M&A Growth**

Acquire additional TV advertising network stakes: pipeline of >10 deals already prioritized from field of >350 potential broadcaster partners

Opportunity to build affiliate network with agency deals to sell partial ad inventory

## **Revenue**

**100%**

**consolidation**

## **EBITDA**

**50%**

**consolidation**

## **Net Income**

**50%**

**consolidation**

## **ARPA**

## **Audience**

**coverage**

**(population)**

## **No. of**

**Channels**

## **Company A**

\$7.5 mm

\$3.0 mm

\$3.0 mm

\$0.53

10 mm

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*Profile of Typical Add-on Acquisition*

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**The Company**

**Current Network:**

**Kunming TV**

**Yellow River**

ARPA: \$2.48

Channels: 6 TV

Coverage: 6.2 mm

2007 Revenue: \$15.4 mm\*

2007 Net Income: \$5.0 mm\*

**Near-term Potential Add-on Acquisitions:**

ARPA range: \$0.53 to \$9.5 each

Coverage range: 2 mm – 10 mm each

Revenue range: \$5 mm - \$17 mm each\*

Net Income range: \$2 mm - \$7 mm each\*

ARPA: \$0.18

Channels: 1 TV, 1 Radio

Coverage: 30 mm

2007 Revenue: \$5.3 mm\*

2007 Net Income: \$1.7 mm\*

*\* Under US GAAP, China Networks consolidates 100% of all income statement items less 50% minority interest which reduces net income by that amount and does not impact the revenue line.*

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**Business Opportunity**

**Chinese TV industry is decentralized and highly fragmented**

296 broadcasters operating over 2,983 channels, reaching 96% of the population through terrestrial and cable<sup>1</sup>

National and Provincial SARFT<sup>2</sup> who own all assets currently are keen to see performance and monetization

**Huge growth in advertising spending**

Advertising growth set to continue at 17.33% per annum<sup>3</sup>

China will become the 4<sup>th</sup> largest advertising economy in the world in 2010 worth \$24bn<sup>4</sup>

TV advertising is largest (~40%) and fastest growing medium in the market<sup>4</sup>

**Deregulation just beginning**

Industry has been highly regulated which has limited private investment and virtually precluded foreign investment to date

Deregulation (in advertising initially) creates significant opportunities for companies that can improve the profitability and efficiency of broadcasters

China Network's model builds and innovates on tested JV models

<sup>1</sup> *National Statistics Bureau 2006*

<sup>2</sup> *China's media regulator: State Administration for Radio Film & Television*

<sup>3</sup> *China Advertising Industry Forecast Report, 2007-2010*

<sup>4</sup> *Advertising Expenditure Forecasts, ZenithOptimedia, March 2008*

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**China Advertising Growth**

**China Total Annual Advertising Revenue**

**Highlights**

China is currently the 5th largest market in the world in 2008, projected to become the 4<sup>th</sup> by 2010  
 Greatest growth rates projected in second and third-tier cities from 2005

*Source: Advertising Expenditure Forecasts, ZenithOptimedia, March 2008*

**Spend per Capita US\$**

**Spend per GDP %**

**2007 China Annual Advertising Spending**

Despite rapid growth, Chinese advertising market is still small by international standards relative to the size of the economy

China's per capita advertising expenditure was \$11.30 compared to \$589.60 in US in 2007

China's advertising expenditure only represented 0.2% of GDP compared to 1.3% in US in 2007

- 8,114
- 9,063
- 10,586
- 12,694
- 15,023
- 18,867
- 21,186
- 24,266
- 0
- 5,000
- 10,000
- 15,000
- 20,000
- 25,000
- 30,000
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008E
- 2009E
- 2010E
- (US\$ million)
- 11.3
- 50.5
- 198.0
- 327.0
- 382.3
- 589.6
- 1.3%
- 1.1%



0.2%  
0.5%  
0.8%  
1.0%  
0  
250  
500  
750  
1,000  
China  
Brazil  
South Korea  
Japan  
United  
Kingdom  
United States  
0.0%  
0.4%  
0.8%  
1.2%  
1.6%

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**China Advertising Growth**

**China Annual Advertising Spending**

**US\$ Million**

**Highlights**

TV advertising is the fastest growing advertising category. Despite rapid growth, the Chinese advertising market is still small by international standards.

TV Advertising accounts for over 39.3% of total market share of advertising in 2007.

2nd and 3rd tier market shows large growth potential.

Target regions' ratio of TV and radio ad income to total

GDP is lower than the national average.

*Source: ZenithOptimedia Advertising Expenditure Forecasts, March 2008*

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**Mr. Li Shuangqing: Chairman and CEO**

2007 to present, Co-Chairman and CEO of China Networks Media Limited

2006 to 2007, Chairman of Shandong Huashi Media & Technology, a leading Electronic Program Guide provider in China

2001 to 2006, General Manager of Huicong Advertising, a leading Chinese internet and TV advertising company

1997 to 2001, Director of Advertising Department of Qilu TV Station

1980 to 1997, management and TV production roles with Shandong and Qilu TV Stations

Graduated from Guanghua School of Management, Peking University, Executive MBA program

**Mr. Zhou Chuansheng: VP Sales/Marketing**

2007 to present, VP Sales/Marketing of China Networks Media Limited

2006 to 2007, General Manager of Shandong Huashi Media & Technology, a leading Electronic Program Guide provider in China

2003 to 2006, General Manager of Jinan Huamei Media Advertising

2001 to 2003, General Manager of Zhengzhou Branch of Huamei Media Advertising

**CN Management Team**

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**Ms. Guan Yong: VP Business Development**

2007 to present, VP Business Development of China Networks Media Limited

2006 to 2007, Director of Greater China Sales Department, Zhuhai Cosmedia, branch of Hongkong Cosmedia Holding Ltd., a London AIM listed company, focusing on developing and implementing a multi-platform advertising and distribution network in mainland China and Hong Kong

2004 to 2006, Director of Advertising Department of Economy & Life Channel in Henan TV Station

2000 to 2004, Key Account Manager, Huicong Advertising

1995 to 2000, Manager of East China region of Shandong Qilu TV Station Advertising Department

1988 to 1995, Shandong Linyi TV Station

**Mr. Liu Rui: Head of Media Planning**

2007 to present, Head of Media Planning of China Networks Media Limited

2006 to present, Director of Strategy, at Daqi ([www.daqi.com](http://www.daqi.com)) web 2.0 site

2002 to 2006, Vice President of Huamei Meidia, subsidiary of Huicong Advertising, specializing in advertising sales and planning

1998 to 2002, Sichuan Gaoyang Advertising, media buying and data analysis for SCTV, CDTV & CQTV

1996 to 1998, Institute of Classics, Sichuan University, engaged in editing classical literature

**CN Management Team**

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**Capitalization Tables**

Primary Share Basis Pre Business Combination

Fully Diluted Post Business Combination

<sup>1</sup> Includes as-converted preferred shareholders

<sup>2</sup> Upon cash conversion of all outstanding warrants less \$24,922,100 to be paid to holders of pre-business combination China Networks capital stock

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**Equity Earn-out Targets**

Owners of China Networks, on an all-or-none basis each year, will be issued shares of common stock upon achieving net income<sup>1</sup> in the following amounts for each year from 2009 to 2011:<sup>2</sup>

<sup>1</sup>Net Income means the net income of the China Networks Surviving Corporation and its subsidiaries as determined in accordance with U.S. generally accepted accounting principles (“GAAP”), **excluding equity-based compensation charges,**

**extraordinary one-time charges and charges related to the Business Combination or impairment of goodwill.**

<sup>2</sup>Owners of China Networks will also receive additional cash consideration of \$3 million per annum for achieving net income

targets of \$15 million and \$25 million in years 2009 and 2010, respectively.

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**Comparable Analysis**

Source: Capital IQ as of August 14, 2008

\$ in millions

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## **Takeaway Points**

### **China's First TV Advertising Network**

#### **Profitable established business with significant scale**

China Network's initial acquisitions provide a historically stable profit base with a large platform of established audiences in each market.

#### **Rapidly growing market**

China's advertising market was already large (\$15bn) in 2007 and growing rapidly (17.33% CAGR) and will become the 4<sup>th</sup> largest in the world in 2010, with TV advertising consisting of 40% share.<sup>1</sup>

#### **Unique and advantageous structural position**

By securing exclusive contracts to provide advertising in multiple territories in partnership with SARFT, China Network enters the market with a unique and sustainable competitive advantage, and a highly scalable business model.

#### **Strong growth prospects**

In addition to expanding the core ad-sales business through operational improvements and market development, and growing the network through acquiring stakes in additional territories, China Network has a rich set of growth options including building an affiliate network of partner-channels and additional content provision.

#### **Seasoned management team**

China Network has attracted a highly-experienced team with solid experience and proven track record in the TV and advertising industry in China and internationally, as well as established relationships with national and local governments.

<sup>1</sup> *Advertising Expenditure Forecasts, ZenithOptimedia, March 2008*





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**December 31,  
2007**

**December 31,  
2006**

**December 31,  
2005**

USD

USD

USD

**Assets**

Current Assets: -

    Cash  
    \$ 116,055  
\$ 450,501  
    \$ 493,544  
    Accounts Receivables, Net  
    1,677,703  
1,978,314  
    1,788,481  
    Receivables from Television Stations  
    1,963,941  
-  
-  
    Other Receivables  
    17,684  
-

Total Current Assets

3,775,383  
    2,428,815  
    2,282,025

**TOTAL ASSETS**

\$3,775,383  
\$2,428,815  
\$2,282,025

**Liabilities and Invested**

**Equities**

Current Liabilities: -

    Accounts Payables  
-  
    \$ 24,257  
    \$ 23,691  
    Accrued Expenses  
    410,376  
    54,147  
    60,524  
    Due to Television Station  
-  
    27,089

	1,165,403
Customer Deposits	2,584,941
	2,071,783
	892,332
Total Liabilities	2,995,317
	2,177,276
	2,141,950
Total Equity	780,066
	251,539
	140,075
TOTAL LIABILITIES AND EQUITY	
	\$3,775,383
	\$ 2,428,815
	\$2,282,025

**KUNMING AND YELLOW RIVER: COMBINED BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

**Audited Financials**

**Balance Sheet**

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**Audited Financials****Income Statement****Year ended****December 31, 2007****Year ended****December 31, 2006****Year ended****December 31, 2005**

USD

USD

USD

Revenue

\$ 20,684,055

\$ 16,350,638

\$15,528,457

Sales Tax

(1,696,906)

( 1,199,132)

( 1,122,206)

Cost of Revenue

(3,960,725)

( 3,757,422)

(1,925,034)

Gross Profit

15,026,424

11,394,084

12,481,217

Other Income

28,802

102,261

10,337

Sales, General and

Administrative Expenses

( 1,712,931)

( 1,607,264)

(1 ,376,299)

Income before Taxes

13,342,295

9,889,081

11 ,115,255

Income Taxes

-

-

-

Net Income

\$ 13,342,295

\$ 9,889,081

\$ 11,115,255

**KUNMING AND YELLOW RIVER: COMBINED STATEMENT OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**



19  
(11,115,255)  
(9,889,081)  
(13,342,295)  
**Cash flows from financing activities:**  
Distribution to Television Stations  
11,416,211  
9,734,574  
12,479,322  
**Net cash provided by operating activities**  
**Dec 31<sup>st</sup> 2007**  
**USD**  
**Dec 31<sup>st</sup> 2006**  
**USD**  
**Dec 31<sup>st</sup> 2005**  
**USD**  
**Cash flows from operating activities:**  
Net income  
\$ 13,342,295  
\$ 9,889,081  
\$ 11,115,255  
**Changes in assets and liabilities:**  
Accounts receivables, Net  
300,611  
(189,833)  
(1,743,722)  
Receivable from Television Station  
(1,963,941)  
-  
-  
Other Receivables  
(17,684)  
-  
-  
Accounts payables  
(24,257)  
566  
690,459  
Accrued expenses  
356,229  
(6,377)  
59,883  
Due to Television Station  
(27,089)  
(1,138,314)  
751,765  
Customer Deposits  
513,158  
1,179,451  
542,571

**Net cash used in financing activities**

(13,342,295)

(9,889,081)

(11,115,255)

**Effect of foreign exchange rate changes**

528,527

111,464

140,075

**Net (decrease) / increase in cash**

(334,446)

(43,043)

441,031

Cash, beginning of period

450,501

493,544

52,513

Cash, end of period

\$ 116,055

\$ 450,501

\$ 493,544

**Audited Financials**

**Statement of Cash Flows**

**KUNMING AND YELLOW RIVER: COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

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Kunming TV Station

Founded March 1985

Coverage: 6.2 million population in 5 areas, 8 counties and Kunming itself

Kunming City TV – General Channel ranked in the Top 3 audience rating stations in Kunming city in 2006

6 TV channels:

Terrestrial and Cable: General Channel, Movies Channel

Cable Only: Entertainment Channel, Living Channel, Economic Channel and News Channel

More than 130 hours/day of programming including drama, documentary, news, and entertainment of which 7 hours/day

produced in-house

KMTV studio facilities include office space of more than 33,000 square meters, including one large broadcast studio of

1,000 square meters and 9 mid- and small-sized studios

Advertisers include:

Proctor & Gamble

Samsung

McDonald's Corp.

KFC

Audi

Chery Automotive

**Company Details**

**Kunming**



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**Top 10 TV Channels by Average Rating in Kunming (4+, whole day, 2006)**

Ranking

Channel

Rating(%)

Share(%)

1

**CCTV General Channel**

2.2

14.9

2

**Yunnan TV City Channel(TV2)**

1.8

12.2

3

**Kunming TV General Channel**

1.5

9.8

4

**Kunming TV Movies Channel**

0.8

5.6

5

**CCTV-6**

0.8

5.1

6

**Yunnan TV Movies Channel(TV5)**

0.8

5.0

7

**CCTV-5**

0.6

4.1

8

**CCTV-3**

0.6

4.0

9

**CCTV-8**

0.6

4.0

10

**Yunnan TV Satellite Channel(TV1)**

0.4

2.8

**Data Source: CSM Media Research 2007, China TV Rating Yearbook 2007**

Kunming TV Station

**Company Details**

**Kunming Station Ratings**

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China Yellow River TV Station

Founded in July 1991, and has been broadcasting both domestically and internationally for 16 years

1 Domestic TV channel: Yellow River Minsheng Channel

Coverage: Shanxi Province, 30 million population

Broadcasting Time: 20 hours per day, including 2.5 hours self-produced programs, 17.5 hours purchased programs

1 Radio Station: Art & Entertainment Radio

Coverage: Shanxi Province, 20 million population

2 International Channels: (not for profit)

SCOLA Channel: Satellite TV, 24 hour broadcasting 3 channels

International Channel: cooperation with ECHO Star, Chinese language and culture learning channel, 50,000 subscribers

Advertisers include:

China Mobile

HPGC

Arche

**Company Detail**

**Yellow River**

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**Chinese 4 level TV System**

Source: Chinese Media University Publishing  
House, Report on the development of Chinese City  
TV station, 2007; Skillnet MI, 2008

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**TV Station Revenue Structure**

*In USD bn*

**Ad Revenue**

**CATV Subscription**

**Fee**

**Other Operating**

**Revenue\***

**Total Operating**

**Revenue**

Central Level

1.63 (21.8%)

0.43

0.09

2.15

Provincial Level

3.56 (47.6%)

0.65

1.74

5.95

City Level

1.77 (23.7%)

0.49

1.02

3.28

Country Level

0.52 (6.95%)

0.97

0.36

1.85

Total

**7.48**

**2.54**

**3.2**

**13.22**

\*Other operating revenue:

such as events sponsoring

Source: SARFT statistic 2007, Skillnet MI, 2008

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Contact

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