SPARK NETWORKS PLC
Form S-1/A
November 07, 2005

As Filed With The United States Securities and Exchange Commission on November 7, 2005

Registration No. 333-123228

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2 to
Form S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

Spark Networks plc
(Exact name of Registrant as specified in its charter)

England and Wales	**7375**	**98-0200628**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(IRS Employer Identification Number)*

8383 Wilshire Boulevard, Suite 800
Beverly Hills, CA 90211
(323) 836-3000
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

David E. Siminoff
President and Chief Executive Officer
Spark Networks plc
8383 Wilshire Boulevard, Suite 800
Beverly Hills, California 90211
Telephone: (323) 836-3000
Fax: (323) 836-3333
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Thomas J. Poletti, Esq.
Katherine J. Blair, Esq.
Anh Q. Tran, Esq.
Kirkpatrick & Lockhart Nicholson Graham LLP
10100 Santa Monica Boulevard, 7th Floor
Los Angeles, California 90067
Telephone: (310) 552-5000
Fax: (310) 552-5001

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement is declared effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check following box: þ

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earliest effective registration statement for the same offering: o

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, check the following box: o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Ordinary Shares, par value 1p per share(3)	26,209,496	$7.12	$186,611,612	$21,964
Ordinary Shares, par value 1p per share(3)(4)	7,025,000	$7.12	$50,018,000	$5,887
Total Registration Fee				$27,851(5)

(1) In accordance with Rule 416(a), the Registrant is also registering hereunder an indeterminate number of additional shares of common stock that shall be issuable pursuant to Rule 416 to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(2) Estimated pursuant to Rule 457(c) of the Securities Act of 1933, as amended, solely for the purpose of computing the amount of the registration fee based on the average of the high and low sales prices of the ordinary shares traded in the form of Global Depositary Receipts, or GDRs, as reported by the Frankfurt Stock Exchange in Germany on September 15, 2005. For purposes of this calculation the sales price of the GDRs is converted into U.S. dollars at an exchange rate of 0.81413 per $1.00, which is based on the average bid and ask currency exchange price as reported by OANDA on September 15, 2005.

(3) Consists of ordinary shares that are to be offered and sold in the form of American Depositary Shares, or ADSs, by the selling shareholders identified in this prospectus and any prospectus supplement. The ADSs, each representing one ordinary share, evidenced by American Depositary Receipts, or ADRs, upon deposit of the ordinary shares registered hereby, are being registered under a separate registration statement on Form F-6.

(4) Represents shares of the Registrant s ordinary shares being registered for resale that have been or may be acquired upon the exercise of warrants or options issued to the selling stockholders named in this prospectus and any prospectus supplement.

(5) Previously paid. Pursuant to Rule 457(p), the registration fee was partially offset by a previously paid filing fee of $12,670 paid in connection with the filing on August 4, 2004 by MatchNet, Inc. of a registration statement on Form S-1 (file number 333-117940). In addition, $15,210 was also previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this

Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated November 7, 2005

33,234,496 American Depositary Shares
SPARK NETWORKS PLC
Representing 33,234,496 Ordinary Shares

The selling shareholders identified in this prospectus and any prospectus supplement are offering 33,234,496 ordinary shares in the form of American Depositary Shares, or ADSs. Each ADS represents the right to receive one ordinary share. We will not receive any proceeds from the sale of our shares by the selling shareholders, except for funds received from the exercise of warrants and options held by selling shareholders, if and when exercised.

No public market for our ordinary shares or ADSs currently exists in the United States of America.

Our ordinary shares in the form of Global Depositary Shares, or GDSs, currently trade on the Frankfurt Stock Exchange under the symbol MHJG. The last reported sales price of the GDSs on the Frankfurt Stock Exchange on November 3, 2005 was 5.65 per GDS, or $6.86 per GDS.

Proposed trading symbol for the ADSs: American Stock Exchange LOV.

This investment involves risk. See Risk Factors beginning on page 6.
Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of anyone s investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005

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You should rely only on information contained in this prospectus. We have not authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information continued elsewhere in this prospectus and does not contain all the information you should consider in your investment decision. You should read this summary, which includes material information, with the more detailed information set out in this prospectus and the financial statements and related notes. You should carefully consider, among other things, the matters discussed in Risk Factors. We were incorporated in September 1998 under the laws of England and Wales as a public limited company. Throughout this prospectus, we refer to Spark Networks plc (known as MatchNet plc until January 10, 2005) and our subsidiaries as we, us, our, ou company, Spark Networks and MatchNet unless otherwise indicated. Spark Networks, MatchNet, JDate, AmericanSingles and MingleMatch are our trademarks. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

Our Business

We are a leading provider of online personals services in the United States and internationally. Our Web sites enable adults to meet online and participate in a community, become friends, date, form a long-term relationship or marry. We provide this opportunity through the many features on our Web sites, such as detailed profiles, onsite email centers, real-time chat rooms, and instant messaging services. According to comScore Media Metrix, we averaged approximately 3.6 million total unique visitors per month to our Web sites in the United States during the first six months of 2005, which ranked us as the third largest provider of online personals services in the United States in terms of total unique visitors. comScore Media Metrix defines total unique visitors as the estimated number of different individuals that visited any content of a Web site, a category, a channel, or an application during the reporting period. The number of total unique visitors to our Web sites as measured by comScore Media Metrix does not correspond to the number of members we have in any given period. Currently, our key Web sites are JDate.com and AmericanSingles.com. We operate several international Web sites and maintain operations in both the United States and Israel. Information regarding the geographical source of our revenues can be found in our Consolidated Financial Statements included in this prospectus. Membership on our sites is free and allows a registered user to post a personal profile and to access our searchable database of member profiles and our 24 hours a day, 7 days a week customer service. The ability to initiate most communication with other members requires the payment of a monthly subscription fee, which represents our primary source of revenue. Our subscription fees are charged on a monthly basis, with discounts for longer-term subscriptions ranging from three to twelve months, and subscriptions renew automatically for subsequent one-month periods until paying subscribers terminate them.

We believe that online personals fulfill significant needs for America s single adults who are looking to meet a companion or date. Traditional methods such as printed personals advertisements, offline dating services and public gathering places often do not meet the needs of time-constrained single people. Printed personals advertisements offer individuals limited personal information and interaction before meeting. Offline dating services are time-consuming, expensive and offer a smaller number of potential partners. Public gathering places such as restaurants, bars and social venues provide a limited ability to learn about others prior to an in-person meeting. In contrast, online personals services facilitate interaction between singles by allowing them to screen and communicate with a large number of potential companions. With features such as detailed personal profiles, email and instant messaging, this medium allows users to communicate with other singles at their convenience and affords them the ability to meet multiple people in a safe and secure online setting.

For the six month period ended June 30, 2005, we had approximately 219,200 average paying subscribers, representing an increase of 0.6% from the same period in 2004. Our JDate and AmericanSingles segments had approximately 69,300 and 115,300 average paying subscribers for the six months ended June 30, 2005, a decrease of 2.7% and 11.2%, respectively, compared to the same period in 2004.

We intend to grow our business in the following ways:

Increasing our base of members in the United States and internationally through consistent and targeted marketing efforts and geographic expansion. We define a member as an individual who has posted a personal profile during the immediately preceding 12 months or an individual who has previously posted a personal profile and has subsequently logged on to one of our Web sites at least once in the preceding 12 months. Members may or may not be paying subscribers which we define as individuals who have paid a monthly fee for access to communication and Web site features beyond those provided to our members. Accordingly, the number of members we have at any given time may not directly affect our revenue.

Increasing the number of our members who become paying subscribers by offering improved technology and communications features and by utilizing our strong customer service focus.

Extending into new vertical affinity markets that we believe will be receptive to paid online personals and are large enough to enable us to attain enough paying subscribers sufficient to support an online community. We view vertical affinity markets as identifiable groups of people who share common interests and the desire to meet companions or dates with similar interests, backgrounds or traits.

Office Location

Our principal executive offices are located at 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211. Our telephone number at that location is (323) 836-3000. Our registered office is located at 24/26 Arcadia Avenue, N3 2JU, England. Our corporate Web site address is www.spark.net. This is a textual reference only. We do not incorporate the information on our Web site into this prospectus, and you should not consider any information on, or that can be accessed through, our Web site as part of this prospectus.

Our Securities

Our ordinary shares currently trade on the Frankfurt Stock Exchange in the form of Global Depositary Shares, or GDSs, each of which represents the right to receive one ordinary share. The selling shareholders identified in this prospectus and any prospectus supplement are offering 33,234,496 ordinary shares in the form of American Depositary Shares, or ADSs, each of which represents the right to receive one ordinary share. ADSs may be issued to persons located in the United States and the selling shareholders may sell their ordinary shares in the form of ADSs after this registration statement is declared effective by the Securities and Exchange Commission except during any time with respect to which we inform those shareholders that this registration statement may not be relied upon. Selling shareholders that hold their ordinary shares in the form of GDSs may offer and sell their shares in the United States by surrendering those GDSs to our depositary bank, The Bank of New York, and requesting the depositary bank to deliver ADSs to the order of the purchaser. Once GDSs have been surrendered for ordinary shares, the shares may not be re-deposited for GDSs because the GDS facility has been closed to such re-deposits of shares, and if and when all GDSs have been surrendered, we intend to terminate our GDS deposit agreement such that our ordinary shares will only be publicly traded in the form of ADSs.

We are registering the ordinary shares in the form of ADSs, and not directly as ordinary shares, because an acquisition or transfer of an ordinary share in the United States will trigger a United Kingdom stamp duty, and such stamp duty is generally not triggered when the sale or transfer of the ordinary shares is effected in the form of ADSs. See Taxation on page 108 for additional information regarding taxation of our ordinary shares and ADSs.

The Offering

ADSs offered by selling shareholders	33,234,496 ADSs[1]
Total ordinary shares outstanding after the offering, including ordinary shares underlying ADSs and GDSs	26,209,496 Ordinary Shares[2]
Use of Proceeds	We will not receive any of the net proceeds from the sale of shares by the selling shareholders. See Use of Proceeds.
Proposed American Stock Exchange symbol	LOV

[1] Consists of 26,209,496 ordinary shares, 6,595,000 ordinary shares underlying options and 430,000 ordinary shares underlying warrants. The ordinary shares are to be offered and sold in the form of American Depositary Shares, or ADSs. The ADSs, each representing one ordinary share, evidenced by American Depositary Receipts, or ADRs, upon deposit of the ordinary shares registered hereby, are being registered under a separate registration statement on Form F-6.

[2] The total number of ordinary shares to be outstanding immediately after this offering is based on 26,209,496 ordinary shares outstanding as of October 19, 2005. This information excludes:

8,760,688 ordinary shares issuable upon the exercise of outstanding options as of October 19, 2005, with exercise prices ranging from $0.88 to $9.44 per share and a weighted average exercise price of $3.96 per share;

430,000 ordinary shares issuable upon the exercise of warrants outstanding as of October 19, 2005, with an exercise price an exercise price of $2.49 per share; and

14,372,562 ordinary shares available for issuance under our share option schemes.

Summary Consolidated Financial Data

The following summary consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, related notes, and other financial information included herein.

	Year ended December 31,[1]			Six months ended June 30,[1]	
	2002	2003	2004	2004	2005
				(unaudited)	(unaudited)
	(in thousands, except per share and paying subscriber data)				
Consolidated Statements of Operations Data:					
Net revenues	$ 16,352	$ 36,941	$ 65,052	$ 30,862	$ $31,990
Direct marketing expenses	5,396	18,395	31,240	15,864	11,279
Contribution margin	10,956	18,546	33,812	14,998	20,711
Operating expenses:					
Indirect marketing	403	907	2,451	1,051	503
Customer service	1,207	2,536	3,379	1,878	1,137
Technical operations	1,587	4,341	7,162	3,318	2,950
Product development	603	959	2,013	871	1,890
General and administrative (excluding share-based compensation)[2]	7,996	16,885	27,727	12,078	12,512
Share-based compensation		1,871	1,704	2,401	(28)
Amortization of goodwill and intangible assets	524	555	860	482	411
Impairment of long-lived assets and goodwill		1,532	208		
Total operating expenses	12,320	29,586	45,504	22,079	19,375
Operating income (loss)	(1,364)	(11,040)	(11,692)	(7,081)	1,336
Interest (income) and other expenses, net	(840)	(188)	(66)	32	144
(Loss) income before income taxes	(524)	(10,852)	(11,626)	(7,113)	1,192
Provision for income taxes			1	1	64
Net (loss) income	$ (524)	$ (10,852)	$ (11,627)	$ (7,114)	$ 1,128
Net (loss) income per share basic and diluted[3]	$ (0.03)	$ (0.57)	$ (0.51)	$ (0.33)	$ 0.04
	18,460	18,970	22,667	21,521	25,389

Weighted average shares outstanding basic[3]					
Weighted average shares outstanding diluted[3]					29,080
Other Financial Data:					
Depreciation	$ 874	$ 1,441	$ 3,065	$ 1,369	$ 1,767
Additional Information:					
Average paying subscribers[4]	58,700	125,800	226,100	217,900	219,200

	December 31,			
	2002	2003	2004	June 30, 2005
Consolidated Balance Sheet Data:				
Cash, cash equivalents and marketable securities	$ 7,755	$ 5,815	$ 7,423	$ 8,292
Total assets	17,461	16,969	27,359	41,485
Deferred revenue	1,535	3,232	3,933	3,925
Capital lease obligations and notes payable		487	1,873	11,978
Total liabilities	3,998	11,659	16,872	26,340
Shares subject to rescission[5]			3,819	3,819
Accumulated deficit	(21,156)	(32,008)	(43,635)	(42,507)
Total shareholders equity	13,463	5,310	6,668	11,326

[1] Refer to Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of certain asset and business acquisitions.

[2] In 2004, general and administrative expenses included an expense of approximately $2.4 million related to an employee severance, $2.1 million related to the United States initial public offering of MatchNet, Inc. that was planned for mid-2004, but which was withdrawn shortly after the related registration statement was filed in the third quarter of 2004, as well as one legal settlement resulting in the recognition of $900,000 in expenses in the third quarter and two legal settlements resulting in the recognition of $2.1 million in expenses in the fourth quarter of 2004. In 2003, general and administrative expenses included a charge of $1.7 million primarily related to a settlement with Comdisco.

[3] For information regarding the computation of per share amounts, refer to note 1 of our consolidated financial statements.

[4] Average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and the end of the month, divided by two. Average paying subscribers for periods longer than one month are calculated as the sum of the average paying subscribers for each month, divided by the number of months in such period. Additionally, refer to Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of other business metrics we use to evaluate our business.

[5] Under our 2000 Executive Share Option Scheme (2000 Option Scheme), we granted options to purchase ordinary shares to certain of our employees, directors and consultants. The issuances of securities upon exercise of options granted under our 2000 Option Scheme may not have been exempt from registration and qualification under federal and California state securities laws, and as a result, we may have potential liability to those employees, directors and consultants to whom we issued securities upon the exercise of these options. In order to address that issue, we may elect to make a rescission offer to those persons who exercised all, or a portion, of those options and continue to hold the shares issued upon exercise, to give them the opportunity to rescind the issuance of those shares. However, the staff of the Securities and Exchange Commission is of the opinion that a rescission offer will not bar or extinguish any liability under the Securities Act of 1933 with respect to these options and shares, nor will a rescission offer extinguish a holder s right to rescind the issuance of securities that were not registered or exempt from the registration requirements under the Securities Act of 1933. As of June 30, 2005, assuming every eligible person that continues to hold the securities issued upon exercise of options granted under the 2000 Option Scheme were to accept a rescission offer, we estimate the total cost to us to complete the rescission would be approximately $3.8 million including statutory interest at 7% per annum, accrued since the date of exercise of the options. The

rescission acquisition price is calculated as equal to the original exercise price paid by the optionee to our company upon exercise of their option.

Presentation of Financial Information

We report our financial statements in U.S. dollars and prepare our financial statements in accordance with generally accepted accounting principles in the United States. In this prospectus, except where otherwise indicated, references to $ or U.S. dollars are to the lawful currency of the United States, references to or euro are to the single currency o European Union, and references to £ or pound sterling are to the currency of the United Kingdom. Unless otherwise noted, the exercise prices of options and warrants as outstanding on June 30, 2005 noted in this prospectus are presented on an as converted basis into U.S. dollars at an exchange rate of 0.82898 per $1.00 or £ 0.55426 per $1.00, each of which is based on the average bid and ask exchange price as reported by OANDA for the day June 30, 2005. The exercise prices of options and warrants as outstanding on August 31, 2005 utilize the exchange rate as of October 19, 2005, which as 0.83612 per $1.00.

RISK FACTORS

You should carefully consider the risks described below together with all of the other information included in this prospectus and the related registration statement before making an investment decision. The risks described below are the material risks that we are currently aware of that are facing our company. In addition, other sections of this prospectus may include additional factors that could adversely impact our business and operating results. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our ordinary shares, in the form of ADSs, would decline and you may lose all or part of your investment.

Risks Related To Our Business

We have significant operating losses and we may incur additional losses in the future.

We have historically generated significant operating losses. As of June 30, 2005, we had an accumulated deficit of approximately $42.5 million. We had net income of approximately $1.1 million for the six months ended June 30, 2005 and a loss of $11.6 million for the fiscal year ended December 31, 2004. We also had negative operating cash flow in 2004. We expect that our operating expenses will continue to increase during the next several years as a result of the promotion of our services, the hiring of additional key personnel, the expansion of our operations, including the launch of new Web sites, and entering into acquisitions, strategic alliances and joint ventures. If our revenues do not grow at a substantially faster rate than these expected increases in our expenses or if our operating expenses are higher than we anticipate, we may not be profitable and we may incur additional losses, which could be significant.

Our limited operating history and relatively new business model in an emerging and rapidly evolving market makes it difficult to evaluate our future prospects.

We derive nearly all of our net revenues from online subscription fees for our services, which is an early-stage business model for us that has undergone, and continues to experience, rapid and dramatic changes. As a result, we have very little operating history for you to evaluate in assessing our future prospects. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company in a new and rapidly evolving market. Our performance will depend on the continued acceptance and evolution of online personal services and other factors addressed herein. We may not be able to effectively assess or address the evolving risks and difficulties present in the market, which could threaten our capacity to continue operations successfully in the future.

If our efforts to attract a large number of members, convert members into paying subscribers and retain our paying subscribers are not successful, our revenues and operating results would suffer.

Our future growth depends on our ability to attract a large number of members, convert members into paying subscribers and retain our paying subscribers. This in turn depends on our ability to deliver a high-quality online personals experience to these members and paying subscribers. As a result, we must continue to invest significant resources in order to enhance our existing products and services and introduce new high-quality products and services that people will use. If we are unable to predict user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, we may lose existing members and paying subscribers and may fail to attract new members and paying subscribers. Our revenue and expenses would also be adversely affected if our innovations are not responsive to the needs of our members and paying subscribers or are not brought to market in an effective or timely manner.

Our subscriber acquisition costs vary depending upon prevailing market conditions and may increase significantly in the future.

Costs for us to acquire paying subscribers are dependent, in part, upon our ability to purchase advertising at a reasonable cost. Our advertising costs vary over time, depending upon a number of factors, many of which are beyond our control. Historically, we have used online advertising as the primary means of marketing our services.

In general, the costs of online advertising have recently increased substantially and we expect those costs to continue to increase as long as the demand for online advertising remains robust. If we are not able to reduce our other operating costs, increase our paying subscriber base or increase revenue per paying subscriber to offset these anticipated increases, our profitability will be adversely affected.

Competition presents an ongoing threat to the performance of our business.

We expect competition in the online personals business to continue to increase because there are no substantial barriers to entry. For example, an article in the USA Today stated that there are signs of fierce competition among online personals sites, and that an Internet tracking firm found that the number of online personals sites it monitors had reached 836 in February 2005, up from 611 in January 2004. We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- the size and diversity of our member and paying subscriber bases;
- the timing and market acceptance of our products and services, including the developments and enhancements to those products and services relative to those offered by our competitors;
- customer service and support efforts;
- selling and marketing efforts; and
- our brand strength in the marketplace relative to our competitors.

We compete with traditional personals services, as well as newspapers, magazines and other traditional media companies that provide personals services. We compete with a number of large and small companies, including Internet portals and specialty-focused media companies that provide online and offline products and services to the markets we serve. Our principal online personals services competitors include Yahoo! Personals, Match.com, a wholly-owned subsidiary of InterActiveCorp., and eHarmony, all of which operate primarily in North America. In addition, we face competition from social networking Web sites such as MySpace and Friendster. Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to respond more quickly than we can to new or emerging technologies and changes in customer requirements. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies which may allow them to build larger member and paying subscriber bases than we have. Our competitors may develop products or services that are equal or superior to our products and services or that achieve greater market acceptance than our products and services. These activities could attract members and paying subscribers away from our Web sites and reduce our market share.

In addition, current and potential competitors are making, and are expected to continue to make, strategic acquisitions or establishing cooperative and, in some cases, exclusive relationships with significant companies or competitors to expand their businesses or to offer more comprehensive products and services. To the extent these competitors or potential competitors establish exclusive relationships with major portals, search engines and Internet service providers, or ISPs, our ability to reach potential members through online advertising may be restricted. Any of these competitors could cause us difficulty in attracting and retaining members and converting members into paying subscribers and could jeopardize our existing affiliate program and relationships with portals, search engines, ISPs and other Web properties.

Our efforts to capitalize upon opportunities to expand into new vertical affinity markets may fail and could result in a loss of capital and other valuable resources.

One of our strategies is to expand into new vertical affinity markets to increase our revenue base. We view vertical affinity markets as identifiable groups of people who share common interests and the desire to meet companions or dates with similar interests, backgrounds or traits. Our planned expansion into such vertical affinity markets will occupy our management s time and attention and will require us to invest significant capital resources. The results of our expansion efforts into new vertical affinity markets are unpredictable, and there is no guarantee that our efforts will have a positive effect on our revenue base. We face many risks associated with our planned expansion into new vertical affinity markets, including but not limited to the following:

competition from pre-existing competitors with significantly stronger brand recognition in the markets we enter;

our improper evaluations of the potential of such markets;

diversion of capital and other valuable resources away from our core business and other opportunities that are potentially more profitable; and

weakening our current brands by over expansion into too many new markets.

If we fail to keep pace with rapid technological change, our competitive position will suffer.

We operate in a market characterized by rapidly changing technologies, evolving industry standards, frequent new product and service announcements, enhancements and changing customer demands. Accordingly, our performance will depend on our ability to adapt to rapidly changing technologies and industry standards, and our ability to continually improve the speed, performance, features, ease of use and reliability of our services in response to both evolving demands of the marketplace and competitive service and product offerings. There have been occasions when we have not been as responsive as many of our competitors in adapting our services to changing industry standards and the needs of our members and paying subscribers. Our industry has been subject to constant innovation and competition. Historically, new features may be introduced by one competitor, and if they are perceived as attractive to users, they are often copied later by others. Over the last few years, such new feature introductions in the industry have included instant messaging, message boards, ecards, personality profiles, and mobile content delivery. We are currently unable to deliver mobile features until completion of our new system architecture. Introducing new technologies into our systems involves numerous technical challenges, substantial amounts of capital and personnel resources and often takes many months to complete. We intend to continue to devote efforts and funds toward the development of additional technologies and services. For example, in 2003 and 2004 we introduced a number of new Web sites and features, and we anticipate the introduction of additional Web sites and features in 2005 and 2006. We may not be able to effectively integrate new technologies into our Web sites on a timely basis or at all, which may degrade the responsiveness and speed of our Web sites. Such technologies, even if integrated, may not function as expected.

Our business depends on establishing and maintaining strong brands and if we are not able to maintain and enhance our brands, we may be unable to expand or maintain our member and paying subscriber bases.

We believe that establishing and maintaining our brands is critical to our efforts to attract and expand our member and paying subscriber bases. We believe that the importance of brand recognition will continue to increase, given the growing number of Internet sites and the low barriers to entry for companies offering online personals services. For example, an article in the USA Today stated that there are signs of fierce competition among online personals sites, and that an Internet tracking firm found that the number of online personals sites it monitors had reached 836 in February 2005, up from 611 in January 2004. To attract and retain members and paying subscribers, and to promote and maintain our brands in response to competitive pressures, we intend to substantially increase our financial commitment to creating and maintaining distinct brand loyalty among these groups. If visitors, members and paying subscribers to our Web sites and our affiliate and distribution associates do not perceive our existing services to be of high quality, or if we introduce new services or enter into new business ventures that are not favorably received by such parties, the value of our brands could be diluted, thereby decreasing the attractiveness of our Web sites to such parties. In addition, we changed our corporate name in January 2005 from MatchNet plc to Spark Networks plc, however, we did not change the names of our Web sites or brand names. Our adoption of a new corporate name may prevent us from taking advantage of goodwill that potential and existing customers may have associated with our old corporate name. As a result, our results of operations may be adversely affected by decreased brand recognition.

We may have potential liability under California state and federal securities laws with respect to the grant of share options to certain of our employees, directors and consultants and the exercise of these options.

Under our 2000 Executive Share Option Scheme (2000 Option Scheme), we granted options to purchase ordinary shares to certain of our employees, directors and consultants. California state securities laws generally require qualification for the offer and sale of securities subject to California law. Under California law, the grant of an option constitutes a sale of the underlying shares at the time of the option grant and not at the exercise of the option. Our option grants were not qualified and may not have been exempt from qualification under California state securities laws. As a result, we may have potential liability to those employees, directors and consultants to whom we granted options under the 2000 Option Scheme. In order to address that issue, we may elect to make a rescission offer to the holders of outstanding options under the 2000 Option Scheme to give them the opportunity to rescind the grant of their options.

As of June 30, 2005, assuming every eligible optionee were to accept a rescission offer, we estimate the total cost to us to complete the rescission would be approximately $4.0 million including statutory interest at 7% per annum. These amounts reflect the costs of offering to rescind the issuance of the outstanding options by paying an amount equal to 20% of the aggregate exercise price for the entire option.

In addition, issuances of securities upon exercise of options granted under our 2000 Option Scheme may not have been exempt from registration and qualification under California state securities laws as a result of the option grants themselves and also may not have been exempt from registration under federal securities laws. Federal securities laws prohibit the offer or sale of securities unless the sales are registered or exempt from registration. The issuances of ordinary shares upon the exercise of our options were not registered and may not have been exempt from registration under California state and federal securities laws. As a result, we may have potential liability to those employees, directors and consultants to whom we issued securities upon the exercise of these options. In order to address that issue, we may elect to make a rescission offer to those persons who exercised all, or a portion, of those options and continue to hold the shares issued upon exercise, to give them the opportunity to rescind the issuance of those shares.

As of June 30, 2005, assuming every eligible person that continues to hold the securities issued upon exercise of options granted under the 2000 Option Scheme were to accept a rescission offer, we estimate the total cost to us to complete the rescission would be approximately $3.8 million including statutory interest at 7% per annum, accrued since the date of exercise of the options. These amounts are calculated by reference to the acquisition price of the Option Shares.

A holder could argue that this process does not represent an adequate remedy for issuance of an option and securities issued upon exercise of an option in violation of California state or federal securities laws and, if a court were to impose a greater remedy, our financial exposure could be greater. In addition, it is the Securities and Exchange Commission s position that a rescission offer will not bar or extinguish any liability under the Securities Act of 1933 with respect to these options and shares, nor will a rescission offer extinguish a holder s right to rescind the issuance of securities that were not registered or exempt from the registration requirements under the Securities Act of 1933. If any or all of the holders reject or fail to respond to our rescission offer, the holders will keep their options and securities and we may continue to be liable under federal and California state securities laws for up to an amount equal to the value of the options and securities granted or issued plus any statutory interest we may be required to pay. Further, claims or actions based on fraud may not be waived or barred pursuant to a rescission offer and there can be no assurance that we will be able to enforce any waivers that we may receive in connection with the rescission offer in order to bar such claims or other causes of action until the applicable statute of limitations has run. In addition, despite a rescission offer, whether accepted or not, if it is determined that we offered securities without properly registering them under federal or state law, or securing an exemption from registration, regulators could impose monetary fines or other sanctions as provided under these laws.

In addition, we are required to obtain approval from an English court and 75% of our outstanding shares in order to effect a rescission offer, and if we fail to obtain such approvals, we would not be able to attempt to address our potential liability under California state and federal securities laws through a rescission offer. For the purposes of English company law, a rescission offer in respect of our shares would take the form of a purchase by our company of the relevant shares. The Companies Act 1985 (Companies Act) provides that we may only purchase our own shares using our distributable profits (as defined by the Companies Act) or the proceeds from the issuance of new shares for that purpose. Due to the deficit on our profit and loss account as a consequence of our previous accumulated losses, we do not currently have sufficient distributable profits to effect the rescission offer with respect to the shares. However, under the Companies Act, if we receive the approval of our shareholders and the High Court of Justice in England and Wales (the Court), we can reduce the deficit on the profit and loss account on our balance sheet by effecting a reduction of our share premium account and offsetting the amount of such reduction against the deficit on the profit and loss account. This process is known as a share premium reduction. The share premium reduction must be approved by at least 75% of the shares held by the shareholders that vote on the resolution and by the Court. In order to satisfy the Court that our creditors will be properly protected we propose to give an undertaking to the Court to transfer to a special non-distributable reserve (the Special Reserve) the excess of the amount of the reduction of share premium account over the deficit on our profit and loss account at the date when the reduction of capital takes effect (the Effective Date) and not to distribute the Special Reserve until all of our creditors as at the Effective Date are paid off or have otherwise consented to the reduction of capital. Any profits made prior to the Effective Date will be credited to the Special Reserve and will not be distributable unless and until all of our creditors as of the Effective Date have been paid off or have otherwise consented to the reduction of capital. In addition to shareholder approval of the share premium reduction, we would be required to obtain prior approval from 75% of votes cast by our shareholders of any purchase contract that we enter to purchase Option Shares from parties that accept our rescission offer. If we fail to obtain approval from the Court and at least 75% of our outstanding shares for the share premium reduction or 75% of votes cast approving a purchase contract, we would not be able to attempt to address our potential liability under California state and federal securities laws through a rescission offer and remain subject to the risk described in this risk factor.

We have terminated and no longer grant options under our 2000 Option Scheme, but options previously granted under the 2000 Option Scheme remain in full force and effect. We intend to file a registration statement on Form S-8 to cover the issuance of future shares upon exercise of presently unexercised options under the 2000 Option Scheme.

If we are unable to attract, retain and motivate key personnel or hire qualified personnel, or such personnel do not work well together, our growth prospects and profitability will be harmed.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. We have recently recruited many of our directors, executive officers and other key management talent, some of which have limited or no experience in the online personals industry. For example, David E. Siminoff, our President and Chief Executive Officer, joined us in August 2004 and each of our Chief Financial Officer, Chief Operating Officer and General Counsel, and Chief Technology Officer joined us in October 2004. Because members of our executive management have only worked together as a team for a limited time, there are inherent risks in the management of our company with respect to decision-making, business direction, product development and strategic relationships. In the event that the members of our executive management team are unable to work well together or agree on operating principles, business direction or business transactions or are unable to provide cohesive leadership, our business could be harmed and one or more of those individuals may discontinue their service to our company, and we would be forced to find a suitable replacement. The loss of any of our management or key personnel could seriously harm our business.

Furthermore, we have recently experienced significant turnover on our board of directors. We currently have seven members serving on our board of directors. Since October 2004, we have had two directors resign from our board of directors and five directors join our board of directors. Alon Carmel, one of our company s co-founders and co-chairmen, resigned from his position in February 2005 to pursue other entrepreneurial and philanthropic interests.

In August 2004, we initiated a cost reduction program and terminated the employment of 40 full-time and temporary employees, and, as a result, our future recruiting efforts may become more difficult. We may also encounter difficulties in recruiting personnel as we become a more mature company in a competitive industry. Competition in our industry for personnel is intense, and we are aware that our competitors have directly targeted our employees. We do not have non-competition agreements with most employees and, even in cases where we do, these agreements are of limited enforceability in California. We also do not maintain any key-person life insurance policies on our executives. The incentives to attract, retain and motivate employees provided by our option grants or by future arrangements, such as cash bonuses, may not be as effective as they have been in the past. If we do not succeed in attracting necessary personnel or retaining and motivating existing personnel, we may be unable to grow effectively.

Our inability to effectively manage our growth could have a materially adverse effect on our profitability.

We have experienced rapid growth since inception. The growth and expansion of our business and service offerings places a continuous significant strain on our management, operational and financial resources. We are required to manage multiple relations with various strategic associates, technology licensors, members, paying subscribers and other third parties. In the event of further growth of our operations or in the number of our third-party relationships, our computer systems or procedures may not be adequate to support our operations and our management may not be able to manage such growth effectively. To effectively manage our growth, we must continue to implement and improve our operational, financial and management information systems and to expand, train and manage our employee base. If we fail to do so, our management, operational and financial resources could be overstrained and adversely impacted.

We expect our growth rates to decline and our operating margins could deteriorate.

We believe our revenue growth rate will decline as our net revenues increase to higher levels and as the growth of the online personals industry begins to slow. We have seen a decline in our growth rates during the latter stages of 2004 and first half of 2005. A February 2005 report by Jupiter Research forecasts the online personals industry will experience single digit growth in 2005 as compared to 77% growth in 2003. It is possible that our operating margins will deteriorate if revenue growth does not exceed planned increases in expenditures for all aspects of our business in an increasingly competitive environment, including sales and marketing, general and administrative and technical operations expenses.

Our business depends on our server and network hardware and software and our ability to obtain network capacity; our current safeguard systems may be inadequate to prevent an interruption in the availability of our services.

The performance of our server and networking hardware and software infrastructure is critical to our business and reputation, to our ability to attract visitors and members to our Web sites, to convert them into paying subscribers and to retain paying subscribers. An unexpected and/or substantial increase in the use of our Web sites could strain the capacity of our systems, which could lead to a slower response time or system failures. Although we have not yet experienced many significant delays, any future slowdowns or system failures could adversely affect the speed and responsiveness of our Web sites and would diminish the experience for our visitors, members and paying subscribers. We face risks related to our ability to scale up to our expected customer levels while maintaining superior performance. If the usage of our Web sites substantially increases, we may need to purchase additional servers and networking equipment and services to maintain adequate data transmission speeds, the availability of which may be limited or the cost of which may be significant. Any system failure that causes an interruption in service or a decrease in the responsiveness of our Web sites could reduce traffic on our Web sites and, if sustained or repeated, could impair our reputation and the attractiveness of our brands as well as reduce revenue and negatively impact our operating results.

Furthermore, we rely on many different hardware systems and software applications, some of which have been developed internally. If these hardware systems or software applications fail, it would adversely affect our ability to provide our services. If we are unable to protect our data from loss or electronic or magnetic corruption, or if we receive a significant unexpected increase in usage and are not able to rapidly expand our transaction-processing systems and network infrastructure without any systems interruptions, it could seriously harm our business and reputation. We have experienced occasional systems interruptions in the past as a result of unexpected increases in usage, and we cannot assure you that we will not incur similar or more serious interruptions in the future. From time to time, our company and our Web sites have been subject to delays and interruptions due to software viruses, or variants thereof, such as internet worms. To date, we have not experienced delays or systems interruptions that have had a material impact on our business.

In addition, we do not currently have adequate disaster recovery systems in place, which means in the event of any catastrophic failure involving our Web sites, we may be unable to serve our Web traffic for a significant period of time. Our servers primarily operate from only a single site in Southern California and the absence of a backup site could exacerbate this disruption. Any system failure, including network, software or hardware failure, that causes an interruption in the delivery of our Web sites and services or a decrease in responsiveness of our services would result in reduced visitor traffic, reduced revenue and would adversely affect our reputation and brands.

The failure to establish and maintain affiliate agreements and relationships could limit the growth of our business.

We have entered into, and expect to continue to enter into, arrangements with affiliates to increase our member and paying subscribers bases, bring traffic to our Web sites and enhance our brands. Pursuant to our arrangements, an affiliate generally advertises or promotes our Web site on its Web site, and earns a fee whenever visitors to its Web site click though the advertisement to one of our Web sites and registers or subscribes on our Web site. Affiliate arrangements constitute over half of our marketing program. These affiliate arrangements are easily cancelable, often with one day notice. We do not typically have any exclusivity arrangements with our affiliates, and some of our affiliates may also be affiliates for our competitors. None of these affiliates, individually, represents a material portion of our revenue. If any of our current affiliate agreements is terminated, we may not be able to replace the terminated agreement with an equally beneficial arrangement. We cannot assure you that we will be able to renew any of our current agreements when they terminate or, if we are able to do so, that such renewals will be available on acceptable terms. We also do not know whether we will be able to enter into additional agreements or that any relationships, if entered into, will be on terms favorable to us.

We rely on a number of third-party providers and their failure or unwillingness to continue to perform could harm us.

We rely on third parties to provide important services and technologies to us, including a third party that manages and monitors our offsite data center located in Southern California, ISPs, search engine marketing providers and credit card processors. In addition, we license technologies from third parties to facilitate our ability to provide our services. Any failure on our part to comply with the terms of these licenses could result in the loss of our rights to continue using the licensed technology, and we could experience difficulties obtaining licenses for alternative technologies. Furthermore, any failure of these third parties to provide these and other services, or errors, failures, interruptions or delays associated with licensed technologies, could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business, the nature and extent of which we cannot predict. Except to the extent of the terms of our contracts with such third party providers, we exercise little or no control over them, which increases our vulnerability to problems with the services and technologies they provide and license to us. In addition, if any fees charged by third-party providers were to substantially increase, such as if ISPs began charging us for email sent by our paying subscribers to other members or paying subscribers, we could incur significant additional losses.

If we fail to develop or maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm the value of our shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports, effectively prevent fraud and operate as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We have, in the past, discovered and may, in the future, discover areas of our internal controls over financial reporting that need improvement. For example, during our audit of 2003 results, our external auditors brought to our attention a need to restate 2001 and 2002 results and also noted, in a letter to management, certain conditions involving internal controls and operations, none of which were a material weakness.

If we become a U.S. public company, we will be subject to the reporting requirements of the Sarbanes-Oxley Act of 2002. Beginning December 31, 2006, we will be required to annually assess and report on our internal controls over financial reporting. If we are unable to adequately establish or improve our internal controls over financial reporting, we may report that our internal controls are ineffective and our external auditors will not be able to issue an unqualified opinion on the effectiveness of our internal controls. Ineffective internal controls over financial reporting could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our securities or could affect our ability to access the capital markets and which could result in regulatory proceedings against us by, among others, the U.S. Securities Exchange Commission.

We face risks related to our recent accounting restatements, which could result in costly litigation or regulatory proceedings against us.

Our ordinary shares in the form of GDSs trade on the Frankfurt Stock Exchange in Germany. Pursuant to the laws governing this exchange, we publicly report our quarterly and annual operating results. On April 28, 2004, we publicly announced that we had discovered accounting inaccuracies in previously reported financial statements. As a result, following consultation with our new auditors, we restated our financial statements for the nine months ended September 30, 2003 and for each of the years ended December 31, 2001 and 2002 to correct inappropriate accounting entries.

The restatements primarily related to the timing of recognition of deferred revenue and the capitalization of bounty costs, which are the amounts paid to online marketers to acquire members. The restatements are in accordance with United States generally accepted accounting principles and pertain primarily to timing matters and had no impact on cash flow from operations or our ongoing operations. The impact on net loss for 2001 and 2002 was an increase of $1.5 million and $1.0 million, respectively.

The restatement of the financial statements may lead to litigation claims and/or regulatory proceedings against us. The defense of any such claims or proceedings may cause the diversion of management s attention and resources, and we may be required to pay damages if any such claims or proceedings are not resolved in our favor. Any litigation or regulatory proceeding, even if resolved in our favor, could cause us to incur significant legal and other expenses. Moreover, we may be the subject of negative publicity focusing on the financial statement inaccuracies and resulting restatement. The occurrence of any of the foregoing could divert our resources, harm our reputation and cause the price of our securities to decline.

Acquisitions could result in operating difficulties, dilution and other harmful consequences.

In May 2005, we acquired MingleMatch, Inc., and we plan, during the next few years, to further extend and develop our presence, both within the United States and internationally, partially through acquisitions of entities offering online personals services and related businesses. We have limited experience acquiring companies and the companies we have acquired have been small. We have evaluated, and continue to evaluate, a wide array of potential strategic transactions. From time to time, we may engage in discussions regarding potential acquisitions, some of which may divert significant resources away from our daily operations. In addition, the process of integrating an acquired company, business or technology is risky and may create unforeseen operating difficulties and expenditures. For example, we have been engaged in significant litigation in the past, but which has since settled, with respect to our acquisition of SocialNet, Inc. in 2001. Some areas where we may face risks include:

the need to implement or remediate controls, procedures and policies of acquired companies that lacked appropriate controls, procedures and policies prior to the acquisition;

diversion of management time and focus from operating our business to acquisition integration challenges;

cultural challenges associated with integrating employees from an acquired company into our organization;

retaining employees from the businesses we acquire; and

the need to integrate each company s accounting, management information, human resource and other administrative systems to permit effective management.

The anticipated benefit of many of our acquisitions may not materialize. Future acquisitions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs, any of which could harm our financial condition. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favorable terms or at all.

We may not be effective in protecting our Internet domain names or proprietary rights upon which our business relies or in avoiding claims that we infringe upon the proprietary rights of others.

We regard substantial elements of our Web sites and the underlying technology as proprietary, and attempt to protect them by relying on trademark, service mark, copyright, patent and trade secret laws, and restrictions on disclosure and transferring title and other methods. We also generally enter into confidentiality agreements with our employees and consultants, and generally seek to control access to and distribution of our technology, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our proprietary information without authorization or to develop similar or superior technology independently. Effective trademark, service mark, copyright, patent and trade secret protection may not be available in every country in which our services are distributed or made available through the Internet, and policing unauthorized use of our proprietary information is difficult. Any such misappropriation or development of similar or superior technology by third parties could adversely impact our profitability and our future financial results.

We believe that our Web sites, services, trademarks, patent and other proprietary technologies do not infringe upon the rights of third parties. However, there can be no assurance that our business activities do not and will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us. We are aware that other parties utilize the Spark name, or other marks that incorporate it, and those parties may have rights to such marks that are superior to ours. From time to time, we have been, and expect to continue to be, subject to claims in the ordinary course of business including claims of alleged infringement of the trademarks, service marks and other intellectual property rights of third parties by us. Although such claims have not resulted in any significant litigation or had a material adverse effect on our business to date, any such claims and resultant litigation might subject us to temporary injunctive restrictions on the use of our products, services or brand names and could result in significant liability for damages for intellectual property infringement, require us to enter into royalty agreements, or restrict us from using infringing software, services, trademarks, patents or technologies in the future. Even if not meritorious, such litigation could be time-consuming and expensive and could result in the diversion of management s time and attention away from our day-to-day business.

We currently hold various Web domain names relating to our brands and in the future may acquire new Web domain names. The regulation of domain names in the United States and in foreign countries is subject to change. Governing bodies may establish additional top level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our existing trademarks and other proprietary rights or those we may seek to acquire. Any such inability to protect ourselves could cause us to lose a significant portion of our members and paying subscribers to our competitors.

We may face potential liability, loss of users and damage to our reputation for violation of our privacy policy or privacy laws and regulations.

Our privacy policy prohibits the sale or disclosure to any third party of any member s personal identifying information, except to the extent expressly set forth in the policy. Growing public concern about privacy and the collection, distribution and use of information about individuals may subject us to increased regulatory scrutiny and/or litigation. In the past, the Federal Trade Commission has investigated companies that have used personally identifiable information without permission or in violation of a stated privacy policy. If we are accused of violating the stated terms of our privacy policy, we may be forced to expend significant amounts of financial and managerial resources to defend against these accusations and we may face potential liability. Our membership database holds confidential information concerning our members, and we could be sued if any of that information is misappropriated or if a court determines that we have failed to protect that information.

In addition, our affiliates handle personally identifiable information pertaining to our members and paying subscribers. Both we and our affiliates are subject to laws and regulations related to Internet communications (including the CAN-SPAM Act of 2003), consumer protection, advertising, privacy, security, and data protection. If we or our affiliates are found to be in violation of these laws and regulations, we may become subject to administrative fines or litigation, which could materially increase our expenses and cause the value of our securities to decline.

We may be liable as a result of information retrieved from or transmitted over the Internet.

We may be sued for defamation, civil rights infringement, negligence, copyright or trademark infringement, invasion of privacy, personal injury, product liability or under other legal theories relating to information that is published or made available on our Web sites and the other sites linked to it. These types of claims have been brought, sometimes successfully, against online services in the past. We also offer email services, which may subject us to potential risks, such as liabilities or claims resulting from unsolicited email or spamming, lost or misdirected messages, security breaches, illegal or fraudulent use of email or personal information or interruptions or delays in email service. Our insurance does not specifically provide for coverage of these types of claims and, therefore, may be inadequate to protect us against them. In addition, we could incur significant costs in investigating and defending such claims, even if we ultimately are not held liable. If any of these events occurs, our revenues could be materially adversely affected or we could incur significant additional expense, and the market price of our securities may decline.

Our quarterly results may fluctuate because of many factors and, as a result, investors should not rely on quarterly operating results as indicative of future results.

Fluctuations in operating results or the failure of operating results to meet the expectations of public market analysts and investors may negatively impact the value of our ordinary shares and depositary shares. Quarterly operating results may fluctuate in the future due to a variety of factors that could affect revenues or expenses in any particular quarter. Fluctuations in quarterly operating results could cause the value of our securities to decline. Investors should not rely on quarter-to-quarter comparisons of results of operations as an indication of future performance. Factors that may affect our quarterly results include:

the demand for, and acceptance of, our online personals services and enhancements to these services;

the timing and amount of our subscription revenues;

the introduction, development, timing, competitive pricing and market acceptance of our Web sites and services and those of our competitors;

the magnitude and timing of marketing initiatives and capital expenditures relating to expansion of our operations;

the cost and timing of online and offline advertising and other marketing efforts;

the maintenance and development of relationships with portals, search engines, ISPs and other Web properties and other entities capable of attracting potential members and paying subscribers to our Web sites;

technical difficulties, system failures, system security breaches, or downtime of the Internet, in general, or of our products and services, in particular;

costs related to any acquisitions or dispositions of technologies or businesses; and

general economic conditions, as well as those specific to the Internet, online personals and related industries.

As a result of the factors listed above and because the online personals business is still immature, making it difficult to predict consumer demand, it is possible that in future periods results of operations may be below the expectations of public market analysts and investors. This could cause the market price of our securities to decline.

We may need additional capital to finance our growth or to compete, which may cause dilution to existing shareholders or limit our flexibility in conducting our business activities.

We currently anticipate that existing cash, cash equivalents and marketable securities and cash flow from operations will be sufficient to meet our anticipated needs for working capital, operating expenses and capital expenditures for at least the next 12 months. We may need to raise additional capital in the future to fund expansion, whether in new vertical affinity or geographic markets, develop newer or enhanced services, respond to competitive pressures or acquire complementary businesses, technologies or services. Such additional financing may not be available on terms acceptable to us or at all. To the extent that we raise additional capital by issuing equity securities, our shareholders may experience substantial dilution, and to the extent we engage in debt financing, if available, we may become subject to restrictive covenants that could limit our flexibility in conducting future business activities. If additional financing is not available or not available on acceptable terms, we may not be able to fund our expansion, promote our brands, take advantage of acquisition opportunities, develop or enhance services or respond to competitive pressures.

Our limited experience outside the United States increases the risk that our international expansion efforts and operations will not be effective.

One of our strategies is to expand our presence in international markets. Although we currently have offices in Germany, Israel and the United Kingdom and Web sites that serve the Australian, Canadian, German, Israeli and United Kingdom markets, we have only limited experience with operations outside the United States. Our primary international operations are in Israel, which carries additional risk for our business as a result of continuing hostilities there. Expansion into international markets requires management time and capital resources. In addition, we face the following additional risks associated with our expansion outside the United States:

challenges caused by distance, language and cultural differences;

local competitors with substantially greater brand recognition, more users and more traffic than we have;

our need to create and increase our brand recognition and improve our marketing efforts internationally and build strong relationships with local affiliates;

longer payment cycles in some countries;

credit risk and higher levels of payment fraud in some countries;

different legal and regulatory restrictions among jurisdictions;

political, social and economic instability;

potentially adverse tax consequences; and

higher costs associated with doing business internationally.

Our international operations subject us to risks associated with currency fluctuations.

Our foreign operations may subject us to currency fluctuations and such fluctuations may adversely affect our financial position and results. However, sales and expenses to date have occurred primarily in the United States. For this reason, we have not engaged in foreign exchange hedging. In connection with our planned international expansion, currency risk positions could change correspondingly and the use of foreign exchange hedging instruments could become necessary. Effects of exchange rate fluctuations on our financial condition, operations, and profitability may depend on our ability to manage our foreign currency risks. There can be no assurance that steps taken by management to address foreign currency fluctuations will eliminate all adverse effects and, accordingly, we may suffer losses due to adverse foreign currency fluctuation.

Our business could be significantly impacted by the occurrence of natural disasters and other catastrophic events.

Our operations depend upon our ability to maintain and protect our network infrastructure, hardware systems and software applications, which are housed primarily at a data center located in Southern California that is managed by a third party. Our business is therefore susceptible to earthquakes, tsunamis and other catastrophic events, including acts of terrorism. We currently lack adequate redundant network infrastructure, hardware and software systems supporting our services at an alternate site. As a result, outages and downtime caused by natural disasters and other events out of our control, which affect our systems or primary data center, could adversely affect our reputation, brands and business.

We hold a fixed amount of insurance coverage, and if we were found liable for an uninsured claim, or claim in excess of our insurance limits, we may be forced to expend a significant capital to resolve the uninsured claim.

We contract for a fixed amount of insurance to cover potential risks and liabilities, including, but not limited to, property and casualty insurance, general liability insurance, and errors and omissions liability insurance. Although we have not recently experienced any significantly increased premiums as a result of changing policies of our providers, we have experienced increasing insurance premiums due to the increasing size of our business, and thus the increased potential risk to underwriters for insuring our business. If we decide to obtain additional insurance coverage in the future, it is possible that we may not be able to get enough insurance to meet our needs, we may have to pay very high prices for the coverage we do get, or we may not be able to acquire any insurance for certain types of business risk or may have gaps in coverage for certain risks. This could leave us exposed to potential uninsured claims for which we could have to expend significant amounts of capital resources. Consequently, if we were found liable for a significant uninsured claim in the future, we may be forced to expend a significant amount of our operating capital to resolve the uninsured claim.

Our services are not well-suited to many alternate Web access devices, and as a result the growth of our business could be negatively affected.

The number of people who access the Internet through devices other than desktop and laptop computers, including mobile telephones and other handheld computing devices, has increased dramatically in the past few years, and we expect this growth to continue. The lower resolution, functionality and memory currently associated with such mobile devices may make the use of our services through such mobile devices more difficult and generally impairs the member experience relative to access via desktop and laptop computers. If we are unable to attract and retain a substantial number of such mobile device users to our online personals services or if we are unable to develop services that are more compatible with such mobile communications devices, our growth could be adversely affected.

Risks Related to Our Industry

The percentage of canceling paying subscribers in comparison to other subscription businesses requires that we continuously seek new paying subscribers to maintain or increase our current level of revenue.

Internet users in general, and users of online personals services specifically, freely navigate and switch among a large number of Web sites. Monthly subscriber churn represents the ratio expressed as a percentage of (a) the number of paying subscriber cancellations during the period divided by the average number of paying subscribers during the period and (b) the number of months in the period. The number of average paying subscribers is calculated as the sum of the paying subscribers at the beginning and end of the month, divided by two. Average paying subscribers for periods longer than one month are calculated as the sum of the average paying subscribers for each month, divided by the number of months. For the quarters ended June 30, 2005 and 2004, the monthly subscriber churn for (1) the JDate segment was 26.5% and 25.8%, respectively, (2) the AmericanSingles segment was 37.8% and 35.6%, respectively, and (3) the Web sites in our Other Businesses segment was 18.6% and 17.9%, respectively. We cannot assure you that our monthly average subscriber churn will remain at such levels, and it may increase in the future. This makes it difficult for us to have a stable paying subscriber base and requires that we constantly attract new paying subscribers at a faster rate than subscription terminations to maintain or increase our current level of revenue. If we are unable to attract new paying subscribers on a cost-effective basis, our business will not grow and our profitability will be adversely affected.

Our network is vulnerable to security breaches and inappropriate use by Internet users, which could disrupt or deter future use of our services.

Concerns over the security of transactions conducted on the Internet and the privacy of users may inhibit the growth of the Internet and other online services generally, and online commerce services, like ours, in particular. To date, we have not experienced any material breach of our security systems; however, our failure to effectively prevent security breaches could significantly harm our business, reputation and results of operations and could expose us to lawsuits by state and federal consumer protection agencies, by governmental authorities in the jurisdictions in which we operate, and by consumers. Anyone who is able to circumvent our security measures could misappropriate proprietary information, including customer credit card and personal data, cause interruptions in our operations or damage our brand and reputation. Such breach of our security measures could involve the disclosure of personally identifiable information and could expose us to a material risk of litigation, liability or governmental enforcement proceeding. We cannot assure you that our financial systems and other technology resources are completely secure from security breaches or sabotage, and we have occasionally experienced security breaches and attempts at hacking. We may be required to incur significant additional costs to protect against security breaches or to alleviate problems caused by such breaches. Any well-publicized compromise of our security or the security of any other Internet provider could deter people from using our services or the Internet to conduct transactions that involve transmitting confidential information or downloading sensitive materials, which could have a detrimental impact on our potential customer base.

Computer viruses may cause delays or other service interruptions and could damage our reputation, affect our ability to provide our services and adversely affect our revenues. The inadvertent transmission of computer viruses could also expose us to a material risk of loss or litigation and possible liability. Moreover, if a computer virus affecting our system were highly publicized, our reputation could be significantly damaged, resulting in the loss of current and future members and paying subscribers.

We face certain risks related to the physical and emotional safety of our members and paying subscribers.

The nature of online personals services is such that we cannot control the actions of our members and paying subscribers in their communication or physical actions. There is a possibility that one or more of our members or paying subscribers could be physically or emotionally harmed following interaction with another of our members or paying subscribers. We warn our members and paying subscribers that we do not and cannot screen other members and paying subscribers and, given our lack of physical presence, we do not take any action to ensure personal safety on a meeting between members or paying subscribers arranged following contact initiated via our Web sites. If an unfortunate incident of this nature occurred in a meeting of two people following contact initiated on one of our Web sites or a Web site of one of our competitors, any resulting negative publicity could materially and adversely affect us or the online personals industry in general. Any such incident involving one of our Web sites could damage our reputation and our brands. This, in turn, could adversely affect our revenues and could cause the value of our ordinary shares and depositary shares to decline. In addition, the affected members or paying subscribers could initiate legal action against us, which could cause us to incur significant expense, whether we were successful or not, and damage our reputation.

We face risks of litigation and regulatory actions if we are deemed a dating service as opposed to an online personals service.

We supply online personals services. In many jurisdictions, companies deemed dating service providers are subject to additional regulation, while companies that provide personals services are not generally subject to similar regulation. Because personals services and dating services can seem similar, we are exposed to potential litigation, including class action lawsuits, associated with providing our personals services. In the past, a small percentage of our members have alleged that we are a dating service provider, and, as a result, they claim that we are required to comply with regulations that include, but are not limited to, providing language in our contracts that may allow members to (1) rescind their contracts within a certain period of time, (2) demand reimbursement of a portion of the contract price if the member dies during the term of the contract and/or (3) cancel their contracts in the event of disability or relocation. If a court holds that we have provided and are providing dating services of the type the dating services regulations are intended to regulate, we may be required to comply with regulations associated with the dating services industry and be liable for any damages as a result our past and present non-compliance.

Three separate yet similar class action complaints have been filed against us. On June 21, 2002, Tatyana Fertelmeyster filed an Illinois class action complaint against us in the Circuit Court of Cook County, Illinois, based on an alleged violation of the Illinois Dating Referral Services Act. On September 12, 2002, Lili Grossman filed a New York class action complaint against us in the Supreme Court in the State of New York based on alleged violations of the New York Dating Services Act and the Consumer Fraud Act. On November 14, 2003, Jason Adelman filed a nationwide class action complaint against us in the Los Angeles County Superior Court based on an alleged violation of California Civil Code section 1694 et seq., which regulates businesses that provide dating services. In each of these cases, the complaint included allegations that we are a dating service as defined by the applicable statutes and, as an alleged dating service, we are required to provide language in our contracts that allows (i) members to rescind their contracts within three days, (ii) reimbursement of a portion of the contract price if the member dies during the term of the contract and/or (iii) members to cancel their contracts in the event of disability or relocation. Causes of action include breach of applicable state and/or federal laws, fraudulent and deceptive business practices, breach of contract and unjust enrichment. The plaintiffs are seeking remedies including declaratory relief, restitution, actual damages although not quantified, treble damages and/or punitive damages, and attorney s fees and costs.

Huebner v. InterActiveCorp., Superior Court of the State of California, County of Los Angeles, Case No. BC 305875 involves a similar action, involving the same plaintiff s counsel as *Adelman,* brought against InterActiveCorp s Match.com that has been ruled related to *Adelman,* but the two cases have not been consolidated. We have not been named a defendant in the *Huebner* case. *Adelman* and *Huebner* each seek to certify a nationwide class action based on their complaints. Because the cases are class actions, they have been assigned to the Los Angeles Superior Court Complex Litigation Program. The court has ordered a bifurcation of the liability issue. At an August 15, 2005 Status Conference, the court set the bifurcated trial on the issue of liability for March 27, 2006.

On March 25, 2005, the court in *Fertelmeyster* entered its Memorandum Opinion and Order (Memorandum Opinion) granting summary judgment in our favor on the grounds that Fertelmeyster lacks standing to seek injunctive relief or restitutionary relief under the Illinois Dating Services Act, Fertelmeyster did not suffer any actual damages, and we were not unjustly enriched as a result of our contract with Fertelmeyster. The Memorandum Opinion disposes of all matters in controversy in the litigation and also provides that we are subject to the Illinois Dating Services Act and, as such, our subscription agreements violate the act and are void and unenforceable. This ruling may subject us to potential liability for claims brought by the Illinois Attorney General or customers that have been injured by our violation of the statute. Fertelmeyster filed a Motion for Reconsideration of the Memorandum Opinion and, on August 26, 2005, the court issued its opinion denying Fertelmeyster s Motion for Reconsideration. In the opinion, the court, among other things: (i) decertified the class, eliminating the last remnant of the litigation; (ii) rejected each of the plaintiff s arguments based on the arguments and law that we provided in our opposition; (iii) stated that the court would not judicially amend the Illinois statute to provide for restitution when the legislature selected damages as the sole remedy; (iv) noted that the cases cited by plaintiff in connection with plaintiff s Motion for Reconsideration actually support the court s prior order granting summary judgment in our favor; and (v) denied plaintiff s Motion for Reconsideration in its entirety.

In December 2002, the Supreme Court of New York dismissed the case brought by Ms. Grossman. Although the plaintiff appealed the decision, in October 2004, the New York Supreme Court, Appellate Division upheld the lower court s dismissal. In addition, two Justices wrote concurring opinions stating their opinion that our services were not covered under the New York Dating Services Act.

We intend to defend vigorously against each of the pending lawsuits, however, no assurance can be given that these matters will be resolved in our favor.

We are exposed to risks associated with credit card fraud and credit payment, which, if not properly addressed, could increase our operating expenses.

We depend on continuing availability of credit card usage to process subscriptions and this availability, in turn, depends on acceptable levels of chargebacks and fraud performance. We have suffered losses and may continue to suffer losses as a result of subscription orders placed with fraudulent credit card data, even though the associated financial institution approved payment. Under current credit card practices, a merchant is liable for fraudulent credit card transactions when, as is the case with the transactions we process, that merchant does not obtain a cardholder s signature. Our failure to adequately control fraudulent credit card transactions would result in significantly higher credit card-related costs and, therefore, increase our operating expenses and may preclude us from accepting credit cards as a means of payment.

We face risks associated with our dependence on computer and telecommunications infrastructure.

Our services are dependent upon the use of the Internet and telephone and broadband communications to provide high-capacity data transmission without system downtime. There have been instances where regional and national telecommunications outages have caused us, and other Internet businesses, to experience systems interruptions. Any additional interruptions, delays or capacity problems experienced with telephone or broadband connections could adversely affect our ability to provide services to our customers. The temporary or permanent loss of all, or a portion, of the telecommunications system could cause disruption to our business activities and result in a loss of revenue. Additionally, the telecommunications industry is subject to regulatory control. Amendments to current regulations, which could affect our telecommunications providers, could disrupt or adversely affect the profitability of our business.

In addition, if any of our current agreements with telecommunications providers were terminated, we may not be able to replace any terminated agreements with equally beneficial ones. There can be no assurance that we will be able to renew any of our current agreements when they expire or, if we are able to do so, that such renewals will be available on acceptable terms. We also do not know whether we will be able to enter into additional agreements or that any relationships, if entered into, will be on terms favorable to us.

Our business depends, in part, on the growth and maintenance of the Internet, and our ability to provide services to our members and paying subscribers may be limited by outages, interruptions and diminished capacity in the Internet.

Our performance will depend, in part, on the continued growth and maintenance of the Internet. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security for providing reliable Internet services. Internet infrastructure may be unable to support the demands placed on it if the number of Internet users continues to increase, or if existing or future Internet users access the Internet more often or increase their bandwidth requirements. In addition, viruses, worms and similar programs may harm the performance of the Internet. We have no control over the third-party telecommunications, cable or other providers of access services to the Internet that our members and paying subscribers rely upon. There have been instances where regional and national telecommunications outages have caused us to experience service interruptions during which our members and paying subscribers could not access our services. Any additional interruptions, delays or capacity problems experienced with any points of access between the Internet and our members could adversely affect our ability to provide services reliably to our members and paying subscribers. The temporary or permanent loss of all, or a portion, of our services on the Internet, the Internet infrastructure generally, or our members and paying subscribers ability to access the Internet could disrupt our business activities, harm our business reputation, and result in a loss of revenue. Additionally, the Internet, electronic communications and telecommunications industries are subject to federal, state and foreign governmental regulation. New laws and regulations governing such matters could be enacted or amendments may be made to existing regulations at any time that could adversely impact our services. Any such new laws, regulations or amendments to existing regulations could disrupt or adversely affect the profitability of our business.

We are subject to burdensome government regulations and legal uncertainties affecting the Internet that could adversely affect our business.

Legal uncertainties surrounding domestic and foreign government regulations could increase our costs of doing business, require us to revise our services, prevent us from delivering our services over the

Internet or slow the growth of the Internet, any of which could increase our expenses, reduce our revenues or cause our revenues to grow at a slower rate than expected and materially adversely affect our business, financial condition and results of operations. Laws and regulations related to Internet communications, security, privacy, intellectual property rights, commerce, taxation, entertainment, recruiting and advertising are becoming more prevalent, and new laws and regulations are under consideration by the United States Congress, state legislatures and foreign governments. For example, during 2004 and 2005, legislation related to the use of background checks for users of online personals services was proposed in Ohio, Texas, California, Michigan, Florida and Virginia. None of these states enacted these proposed laws, however, state legislatures are still considering the implementation of such legislation. The enactment of any of these proposed laws could require us to alter our service offerings and could negatively impact our performance by making it more difficult and costly to obtain new subscribers and may also subject us to additional liability for failure to properly screen our subscribers. Any legislation enacted or restrictions arising from current or future government investigations or policy could dampen the growth in use of the Internet, generally, and decrease the acceptance of the Internet as a communications, commercial, entertainment, recruiting and advertising medium. In addition to new laws and regulations being adopted, existing laws that are not currently being applied to the Internet may subsequently be applied to it and, in several jurisdictions, legislatures are considering laws and regulations that would apply to the online personals industry in particular. Many areas of law affecting the Internet and online personals remain unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws such as those governing consumer protection, intellectual property, libel and taxation apply to the Internet or to our services.

In the normal course of our business, we handle personally identifiable information pertaining to our members and paying subscribers residing in the United States and other countries. In recent years, many of these countries have adopted privacy, security, and data protection laws and regulations intended to prevent improper uses and disclosures of personally identifiable information. In addition, some jurisdictions impose database registration requirements for which significant monetary and other penalties may be imposed for noncompliance. These laws may impose costly administrative requirements, limit our handling of information, and subject us to increased government oversight and financial liabilities. Privacy laws and regulations in the United States and foreign countries are subject to change and may be inconsistent, and additional requirements may be imposed at any time. These laws and regulations, the costs of complying with them, administrative fines for noncompliance and the possible need to adopt different compliance measures in different jurisdictions could materially increase our expenses and cause the value of our securities to decline.

Risks Related to Owning Our Securities

The price of our ADSs may be volatile, and if an active trading market for our ADSs does not develop, the price of our ADSs may suffer and decline.

Prior to this offering, there has been no public market for our securities in the United States. Accordingly, we cannot assure you that an active trading market will develop or be sustained or that the market price of our ADSs will not decline. The price at which our ADSs will trade after this offering is likely to be highly volatile and may fluctuate substantially due to many factors, some of which are outside of our control.

In addition, the stock market has experienced significant price and volume fluctuations that have affected the market price for the stock of many technology, communications and entertainment and media companies. Those market fluctuations were sometimes unrelated or disproportionate to the operating performance of these companies. Any significant stock market fluctuations in the future, whether due to our actual performance or prospects or not, could result in a significant decline in the market price of our securities.

Our principal shareholders can exercise significant influence over us, and, as a result, may be able to delay, deter or prevent a change of control or other business combination.

As of October 19, 2005, Joe Y. Shapira, Alon Carmel, and Tiger Technology Management, L.L.C. and their respective affiliates beneficially owned approximately, in the aggregate, 50.9% of our outstanding share capital. Mr. Shapira is a co-founder of our company and current Executive Chairman of our Board of Directors. Mr. Carmel is a co-founder, former President and former Executive Co-Chairman of our Board of Directors. Tiger Technology Management, L.L.C. is our largest shareholder, and one of our directors, Scott Shleifer, is a limited partner of Tiger Global, L.P., an affiliate of Tiger Technology Management. Although we do not expect that these shareholders will vote together as a group, these shareholders possess significant influence over our company. Such share ownership and control may have the effect of delaying or preventing a change in control of our company, impeding a merger, consolidation, takeover or other business combination involving our company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company. Furthermore, such share ownership may have the effect of control over substantially all matters requiring shareholder approval, including the election of directors.

All of our ordinary shares and ordinary shares issuable upon the exercise of our warrants and options will be eligible for sale after this offering, which would result in dilution and cause the price of our ADSs to decrease.

If our shareholders sell a substantial number of our shares, including those represented by ADSs and GDSs, in the public market following this offering, the market price of our ADSs could fall. Our ordinary shares in the form of GDSs trade on the Frankfurt Stock Exchange. We are registering under this registration statement for sale in the United States all of our issued and outstanding ordinary shares, ordinary shares underlying all of our outstanding warrants and ordinary shares underlying all of the options held by our officers, directors and shareholders who own more than 10% of our issued and outstanding securities. As of October 19, 2005, we had outstanding 26,209,496 ordinary shares, 430,000 warrants and 6,595,000 options held by officers directors and 10% shareholders. In addition, we intend to file a registration statement under the Securities Act of 1933, as amended, on Form S-8 covering ordinary shares underlying outstanding options and ordinary shares reserved for issuance under our share option schemes. Immediately after this registration statement and the Form S-8 registration statement become effective, all of our ordinary shares will be available for sale in the open market. Sales of ordinary shares by existing shareholders in the public market, or the availability of such ordinary shares for sale, could materially and adversely affect the market price of our securities.

You may not be able to exercise your right to vote the ordinary shares underlying your ADSs.

Under the terms of the ADSs, you have a general right to direct the exercise of the votes on the ordinary shares underlying ADSs that you hold, subject to limitations on voting ordinary shares contained in our Memorandum of Association and Articles of Association, as amended. You may instruct the depositary bank, Bank of New York, to vote the ordinary shares underlying our ADSs, but only if we request Bank of New York to ask for your instructions. Otherwise, you will not be able to exercise your right to vote unless you withdraw the ordinary shares underlying the ADSs. However, you may not receive voting materials in time to ensure that you are able to instruct Bank of New York to vote your shares or receive sufficient notice of a shareholders meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, Bank of New York and its agents may not be able to timely send out your voting instructions or carry out your voting instructions in the manner you have instructed. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ordinary shares are not voted as you requested.

Your right or ability to transfer your ADSs may be limited in a number of circumstances.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Our ordinary shares in the form of ADSs or GDSs will be traded on more than one market and this may result in price variations.

Our ordinary shares are currently traded on the Frankfurt Stock Exchange in the form of GDSs and we expect our ordinary shares will be traded on the American Stock Exchange in the form of ADSs upon completion of this offering. Trading in our ordinary shares in the form of ADSs or GDSs on these markets will be made in different currencies (dollars on the American Stock Exchange and euros on the Frankfurt Stock Exchange), and at different times (resulting from different time zones, different trading days and different public holidays in the U.S. and Germany). The trading prices of our ordinary shares in the form of ADSs or GDSs on these two markets may differ due to these and other factors. Any decrease in the trading price of our ordinary shares in the form of ADSs or GDSs on one of these markets could cause a decrease in the trading price of our ordinary shares in the form of ADSs or GDSs on the other market. Any difference in prices of our ordinary shares in the form of ADSs or GDSs on these two markets could create an arbitrage opportunity whereby an investor could take advantage of the price difference by trading between the markets, thereby potentially increasing the volatility of trading prices of our ADSs and having an adverse affect on the price of our ADSs.

If we offer any subscription rights to our shareholders, your right or ability to perform a sale, deposit, cancellation or transfer of any ADSs issued after exercise of rights might be restricted.

If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to you after consultation with us. However, the depositary may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them. In addition, U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after exercise of rights. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. In addition, under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which the rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. We can give no assurance that we can establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, you may be unable to participate in our rights offerings, if any, and may experience dilution of your holdings as a result.

Investors may be subject to both United States and United Kingdom taxes.

Investors are strongly urged to consult with their tax advisors concerning the consequences of investing in our company by purchasing ADSs. Our ADSs are being sold in the United States, but we are incorporated under the laws of England and Wales. A U.S. holder of our ADSs will generally be treated as the beneficial owner of the underlying ordinary shares, as represented by ADSs, for purposes of U.S. and U.K. tax laws. Therefore, U.S. federal, state and local tax laws and U.K. tax laws will generally apply to ownership and transfer of our ADSs and the underlying ordinary shares. Tax laws of other jurisdictions may also apply.

If you hold shares in the form of ADSs, you may have less access to information about our company and less opportunity to exercise your rights as a shareholder than if you held ordinary shares.

There are risks associated with holding our shares in the form of ADSs, since we are a public company incorporated under the laws of England and Wales. We are subject to the Companies Act 1985, as amended, our Memorandum and Articles of Association, and other aspects of English company law. The depositary, the Bank of New York and/or its various nominees, will appear in our records as the holder of all our shares represented by the ADSs and your rights as a holder of ADSs will be contained in the deposit agreement. Your rights as a holder of ADSs will differ in various ways from a shareholder s rights, and you may be affected in other ways, including:

you may not be able to participate in rights offers or dividend alternatives if, in the discretion of the depositary, after consultation with us, it is unlawful or not practicable to do so;

you may not receive certain copies of reports and information sent by us to the depositary and may have to go to the office of the depositary to inspect any reports issued;

the deposit agreement may be amended by us and the depositary, or may be terminated by us or the depositary, each with thirty (30) days notice to you and without your consent in a manner that could prejudice your rights, and the deposit agreement limits our obligations and liabilities and those of the depositary.

Your rights as a shareholder will be governed by English law and will differ from and may be inferior to the rights of shareholders under U.S. law.

We are a public limited company incorporated under the laws of England and Wales. Our corporate affairs are governed by our Memorandum and Articles of Association, by the Companies Act 1985, as amended, and other common and statutory laws in England and Wales. The rights of shareholders to take action against the directors and actions by minority shareholders are to a large extent governed by the common law and statutory laws of England and Wales. These rights differ from the typical rights of shareholders in U.S. corporations. Facts that, under U.S. law, would entitle a shareholder in a U.S. corporation to claim damages may give rise to an alternative cause of action under English law entitling a shareholder in an English company to claim damages in an English court. However, this will not always be the case. For example, the rights of shareholders to bring proceedings against us or against our directors or officers in relation to public statements are different under English law than the civil liability provisions of the U.S. securities laws. In addition, shareholders of English companies may not have standing to initiate shareholder derivative actions in various courts, including before the federal courts of the United States. As a result, our public shareholders may face different considerations in protecting their interests in actions against our company, management, directors or our controlling shareholders, than would shareholders of a corporation incorporated in a jurisdiction in the United States, and our ability to protect our interests if we are harmed in a manner that would otherwise enable us to sue in a United States federal court, may be limited.

You may have difficulties enforcing, in actions brought in courts in jurisdictions located outside the United States, liabilities under the U.S. securities laws. In particular, if you sought to bring proceedings in England based on U.S. securities laws, the English court might consider:

that it did not have jurisdiction; and/or

that it was not the appropriate forum for such proceedings; and/or

that, applying English conflict of laws rules, U.S. law (including U.S. securities laws) did not apply to the relationship between you and us or our directors and officers; and/or

that the U.S. securities laws were of a public or penal nature and should not be enforced by the English court.

Alternatively, if you were to bring an action in a U.S. Court, and we were to bring a competing action in an English Court, the English Court may grant an order seeking to prohibit you from pursuing the action before the U.S. court. You should also be aware that English law does not allow for any form of legal proceedings directly equivalent to the class action available in U.S. courts. In addition, awards of punitive damages (or their nearest English law equivalent), are rare in English courts.

In addition, we are required by the Companies Act 1985 to prepare for each financial year audited accounts which comply with the requirements of that Act. These UK audited accounts are distributed to holders of our ordinary shares in advance of our annual shareholder meeting at which the UK audited accounts are voted on by our shareholders and are then filed with the Registrar of Companies for England and Wales. The UK audited accounts will be audited by an accounting firm eligible under UK statutory requirements, currently the UK firm Ernst & Young LLP. The UK audited accounts are likely to be materially different to the US GAAP financial statements which will be prepared in a form similar to those included within this prospectus and which will be filed with the US Securities and Exchange Commission. Our shareholders will not have an opportunity to vote on our US GAAP financial statements. Our ability to pay future dividends will be determined by reference to the distributable reserves shown by our UK audited accounts and this may restrict our ability to pay such dividends.

You may have difficulty in effecting service of process or enforcing judgments obtained in the United States against some of our directors and experts named in this prospectus that are not residents of the United States.

Some of our directors and some of the experts named in this prospectus are residents of countries other than the United States. Furthermore, all or a substantial portion of their assets may be located outside the United States. As a result, it may not be possible for you to:

- effect service of process within the United States upon such directors and experts; or
- enforce in U.S. courts judgments obtained against such directors and experts in the U.S. courts in any action, including actions under the civil liability provisions of U.S. securities laws; or
- enforce in U.S. courts judgments obtained against such directors and experts in courts of jurisdictions outside the United States in any action, including actions under the civil liability provisions of U.S. securities laws.

You may also have difficulties enforcing in courts outside the United States judgments obtained in the U.S. courts against any of our directors and some of the experts named in this prospectus or us (including actions under the civil liability provisions of the U.S. securities laws). In particular, there is doubt as to the enforceability in England of U.S. civil judgments predicated purely on U.S. securities laws. In any event, there is no system of reciprocal enforcement in England and Wales of judgments obtained in the U.S. courts. Accordingly, a judgment against any of those persons or us may only be enforced in England and Wales by the commencement of an action before the English court, seeking the recognition of the judgment of the U.S. court at common law in England. Judgment against any of those persons or us, as the case may be, may be granted by the English court without requiring the issues on the merits in the U.S. litigation to be reopened on the basis that those matters have already been decided by the U.S. court. To recognize a U.S. court Judgment, the English court must be satisfied that:

- that the judgment is final and conclusive;
- that the U.S. court had jurisdiction (as a matter of English law);
- that the U.S. judgment is not impeachable for fraud and is not contrary to English rules of natural justice;

- that the enforcement of the judgment will not be contrary to public policy or statute in England;
- that the judgment is for a liquidated sum;
- that the English proceedings were commenced within the relevant limitation period;
- that the judgment is not directly or indirectly for the payment of taxes or other charges of a like nature or a fine or penalty;
- that the judgment remains valid and enforceable in the court in which it was obtained unless and until it is stayed or set aside; and
- that, before the date on which the U.S. court gave judgment, the issues in question had not been the subject of a final judgment of an English court or of a court of another jurisdiction whose judgment is enforceable in England.

We have never paid any dividend and we do not intend to pay dividends in the foreseeable future.

To date, we have not declared or paid any cash dividends on our ordinary shares and currently intend to retain any future earnings for funding growth. We do not anticipate paying any dividends in the foreseeable future. Moreover, companies incorporated under the laws of England and Wales cannot pay dividends unless they have distributable profits as defined in the Companies Act 1985 as amended. As a result, you should not rely on an investment in our shares if you require dividend income. Capital appreciation, if any, of our shares may be your sole source of gain for the foreseeable future.

Currency fluctuations may adversely affect the price of the ADSs relative to the price of our GDSs.

The price of our GDSs is quoted in euros. Movements in the euro/ U.S. dollar exchange rate may adversely affect the U.S. dollar price of our ADSs and the U.S. dollar equivalent of the price of our GDSs. For example, if the euro weakens against the U.S. dollar, the U.S. dollar price of the ADSs could decline, even if the price of our GDSs in euros increases or remains unchanged.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as believes, expects, anticipates, intends, estimates, may, will, continue, predict, potential or the negative of these terms or other similar expressions. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Our actual results could differ materially from those anticipated in these forward-looking statements, which are subject to a number of risks, uncertainties and assumptions described in Risk Factors section and elsewhere in this prospectus, regarding, among other things:

- our significant operating losses and uncertainties relating to our ability to generate positive cash flow and operating profits in the future;
- difficulty in evaluating our future prospects based on our limited operating history and relatively new business model;
- our ability to attract members, convert members into paying subscribers and retain our paying subscribers, in addition to maintain paying subscribers;
- the highly competitive nature of our business;
- our ability to keep pace with rapid technological change;
- the strength of our existing brands and our ability to maintain and enhance those brands;
- our ability to effectively manage our growth;
- our dependence upon the telecommunications infrastructure and our networking hardware and software infrastructure;
- risks related to our recent accounting restatements;
- uncertainties relating to potential acquisitions of companies;
- the volatility of the price of our ADSs after this offering;
- the strain on our resources and management team of being a public company in the United States;
- the ability of our principal shareholders to exercise significant influence over our company; and
- other factors referenced in this prospectus and other reports.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of

the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus, and the documents that we reference in this prospectus and have filed as exhibits to the related registration statement with the Securities and Exchange Commission, completely and with the understanding that our actual future results, levels of activity, performance and achievements may materially differ from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of ordinary shares in the form of ADSs by the selling security holders listed in this prospectus and any prospectus supplement, except for funds received from the exercise of warrants and options held by selling security holders, if and when exercised. We plan to use the net proceeds received from the exercise of any warrants and options for working capital and general corporate purposes. The actual allocation of proceeds realized from the exercise of these securities will depend upon the amount and timing of such exercises, our operating revenues and cash position at such time and our working capital requirements. There can be no assurances that any of the outstanding warrants and options will be exercised. The total maximum proceeds possible from the exercise of options and warrants at June 30, 2005 was approximately $35.5 million and $1.3 million, respectively.

RESCISSION OFFER

Under our 2000 Option Scheme, we granted options to purchase ordinary shares to certain of our employees, directors and consultants. California state securities laws generally require qualification for the offer and sale of securities subject to California law. Under California law, the grant of an option constitutes a sale of the underlying shares at the time of the option grant and not at the exercise of the option. Our option grants were not qualified and may not have been exempt from qualification under California state securities laws. As a result, we may have potential liability to those employees, directors and consultants to whom we granted options under the 2000 Option Scheme. In order to address that issue, we may elect to make a rescission offer to the holders of outstanding options under the 2000 Option Scheme to give them the opportunity to rescind the grant of their options.

As of June 30, 2005, assuming every eligible optionee were to accept a rescission offer, we estimate the total cost to us to complete the rescission would be approximately $4.0 million including statutory interest at 7% per annum. These amounts reflect the costs of offering to rescind the issuance of the outstanding options by paying an amount equal to 20% of the aggregate exercise price for the entire option, which we believe would comply with California state securities laws.

In addition, issuances of securities upon exercise of options granted under our 2000 Option Scheme may not have been exempt from registration and qualification under California state securities laws as a result of the option grants themselves, but also may not have been exempt from registration under federal securities laws. Federal securities laws prohibit the offer or sale of securities unless the sales are registered or exempt from registration. The issuances of ordinary shares upon the exercise of our options were not registered and may not have been exempt from registration under California state and federal securities laws. As a result, we may have potential liability to those employees, directors and consultants to whom we issued securities upon the exercise of these options. In order to address that issue, we may elect to make a rescission offer to those persons who exercised all, or a portion, of those options and continue to hold the shares issued upon exercise, to give them the opportunity to rescind the issuance of those shares (Option Shares).

As of June 30, 2005, assuming every eligible person that continues to hold the securities issued upon exercise of options granted under the 2000 Option Scheme were to accept a rescission offer, we estimate the total cost to us to complete the rescission would be approximately $3.8 million including statutory interest at 7% per annum, accrued since the date of exercise of the options. These amounts are calculated by reference to the acquisition price of the Option Shares.

For the purposes of English company law, a rescission offer in respect of our Option Shares would take the form of a purchase by our company of the relevant Option Shares. The Companies Act 1985 (Companies Act) provides that we may only purchase our own shares using our distributable profits or the proceeds from the issuance of new shares for that purpose. Due to the deficit on our profit and loss account as a consequence of our previous accumulated losses, we do not currently have sufficient distributable profits to effect the rescission offer with respect to the Option Shares. However, under the Companies Act, if we receive the approval of our shareholders and the High Court of Justice in England and Wales (the Court), we can reduce the deficit on the profit and loss account on our balance sheet by effecting a reduction of our share premium account and offsetting the amount of such reduction against the deficit on the profit and loss account. This process is known as a share premium reduction.

When we issue shares at a value which represents a premium over their nominal value, we are required by the Companies Act to transfer the premium (subject to certain limited exceptions) to a share premium account. Under the Companies Act, our ability to utilize our share premium account is very limited and does not include the payment of dividends. However, with the consent of the Court, it is possible to reduce the share premium account, and the reserve arising from such a reduction can be used to eliminate a deficit on our profit and loss account.

The amount standing to the credit of our company s share premium account at August 31, 2005 was approximately $53 million. It is proposed that we reduce our share premium account by $44 million. This reduction of the share premium account will result in a reserve which can be written off against our profit and loss account, thus eliminating the deficit in our distributable reserves.

The share premium reduction must be approved by at least 75% of the shares held by the shareholders that vote on the resolution and by the Court. In order to satisfy the Court that our creditors will be properly protected we propose to give an undertaking to the Court to transfer to a special non-distributable reserve (the Special Reserve) the excess of the amount of the reduction of share premium account over the deficit on our profit and loss account at the date when the share premium reduction takes effect (the Effective Date) and not to distribute the Special Reserve until all of our creditors as at the Effective Date are paid off or have otherwise consented to the share premium reduction. Any profits made prior to the Effective Date will be credited to the Special Reserve and will not be distributable unless and until all of our creditors as of the Effective Date have been paid off or have otherwise consented to the share premium reduction.

The shareholder vote in respect of the share premium reduction is expected to take place at our annual general meeting on November 14, 2005. Subject to it being approved by that vote, the share premium reduction will become effective once a copy of the order of the Court confirming the reduction is registered with the Registrar of Companies for England and Wales. Although it is not possible to predict with certainty when an order of the Court will be granted and hence when the share premium reduction will become effective, it is anticipated that this will be on or around December 8, 2005.

We have terminated and no longer grant options under our 2000 Option Scheme, but options previously granted under 2000 Option Scheme remain in full force and effect. We intend to file a registration statement on Form S-8 to cover the issuance of future shares upon exercise of presently unexercised options under the 2000 Option Scheme.

In addition, before we proceed to purchase any of the Option Shares pursuant to a rescission offer, we would seek shareholders approval for such purchase(s) in accordance with the requirements of the Companies Act. These requirements are detailed and include the following:

the relevant contract to purchase the Option Shares (the Contract) must be approved in advance by a shareholder resolution (the Resolution) approved by at least 75% of the votes cast on the Resolution, excluding votes carried by the Option Shares to which the Resolution relates;

a copy of the Contract (including the names of the shareholders who will be party to the Contract) must be available for inspection by our shareholders for at least 15 days prior to the date of the shareholder meeting at which the Resolution is proposed and at the meeting itself; and

requirements following the purchase of the Option Shares as to public disclosure and inspection of the Contract and certain information relating to the purchase.

PRICE RANGE OF GLOBAL DEPOSITARY SHARES

Our GDSs are currently traded on the Frankfurt Stock Exchange under the symbol MHJG .

The following table summarizes the high and low sales prices of our GDSs in euros as reported by the Frankfurt Stock Exchange for the periods noted below, and as translated into U.S. dollars at the currency exchange rate in effect on the date the price was reported on the Frankfurt Stock Exchange. The currency exchange rate is based on the average bid and ask exchange price as reported by OANDA for such date.

	High		Low	
Year ended December 31, 2003				
First Quarter	1.73	$ 1.85	1.36	$ 1.45
Second Quarter	1.79	$ 2.10	1.55	$ 1.69
Third Quarter	4.05	$ 4.53	1.60	$ 1.85
Fourth Quarter	5.05	$ 6.31	2.85	$ 3.37
Year ended December 31, 2004				
First Quarter	11.85	$ 14.68	4.20	$ 5.39
Second Quarter	9.85	$ 11.79	6.30	$ 7.63
Third Quarter	8.00	$ 9.62	2.85	$ 3.49
Fourth Quarter	7.33	$ 9.68	4.75	$ 6.06
Year ended December 31, 2005				
First Quarter	8.25	$ 10.66	6.16	$ 8.02
Second Quarter	8.00	$ 10.37	5.26	$ 6.47
Third Quarter	7.50	$ 9.28	5.25	$ 6.85
Fourth Quarter (through November 3, 2005)	6.29	$ 7.50	5.46	$ 6.66

The last reported sales price of our GDSs on the Frankfurt Stock Exchange on November 3, 2005 was 5.65 per GDS, or $6.86 per GDS.

As of October 19, 2005, there were approximately 119 holders of record of our shares, including each account held by our depository and its record holder. These figures do not include beneficial owners who hold shares in nominee name.

DIVIDEND POLICY

We have never declared or paid cash dividends on our ordinary shares. We do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business.

Under English law, any payment of dividends would be subject to the Companies Act 1985, as amended, which requires that all dividends be approved by our board of directors and, in some cases, our shareholders. Moreover, under English law, we may pay dividends on our shares only out of profits available for distribution determined in accordance with the Companies Act 1985, as amended, and accounting principles generally accepted in the United Kingdom, which differ in some respects from U.S. GAAP. We also may incur indebtedness in the future that may prohibit or effectively restrict the payment of dividends on our ordinary shares. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors. In the event that dividends are paid in the future, holders of the ADSs will be entitled to receive payments in U.S. dollars in respect of dividends on the underlying shares in accordance with the deposit agreement. See Description of Share Capital Description of Ordinary Shares Dividends and Description of Share Capital Description of American Depositary Shares Dividends and Distributions.

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CAPITALIZATION

The following table summarizes our cash, cash equivalents and marketable securities and capitalization as of June 30, 2005.

You should read this table in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	June 30, 2005
	(in thousands except per share data)
Notes payable, including current portion	$ 11,775
Other liabilities	203
Shares subject to rescission	3,819
Shareholders equity:	
Ordinary shares, £0.01 par value, 80,000,000 shares authorized; 25,901,160 shares issued and outstanding	426
Additional paid-in-capital	53,921
Deferred share-based compensation	(41)
Accumulated other comprehensive loss	(270)
Notes receivable from employees	(203)
Accumulated deficit	(42,507)
Total shareholders equity	11,326
Total capitalization	$ 41,485

The number of our ordinary shares shown above is based on 25,901,160 shares outstanding as of June 30, 2005. This information excludes:

8,949,000 ordinary shares issuable upon the exercise of outstanding options as of June 30, 2005, with exercise prices ranging from $0.90 to $9.54 per share and a weighted average exercise price of $3.97 per share;

530,000 ordinary shares issuable upon the exercise of warrants outstanding as of June 30 2005, with an exercise price of $2.52 per share; and

15,072,500 ordinary shares available for issuance under our share option schemes.

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DILUTION

Since this offering is being made solely by the selling shareholders and none of the proceeds will be paid to us, except for funds received from the exercise of warrants and options held by selling shareholders, if and when exercised, our net tangible book value per share will not be affected by this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected consolidated financial data. The data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, related notes, and other financial information included herein. The following selected consolidated statement of operations data and balance sheet data for the six months ended June 30, 2005 and June 30, 2004 are derived from our unaudited consolidated financial statements presented elsewhere is this registration statement. The following selected consolidated statement of operations data for each of the three years in the period ended December 31, 2004, and the selected consolidated balance sheet data as of December 31, 2003 and 2004, are derived from the audited consolidated financial statements of our company included elsewhere in this prospectus. The consolidated statement of operations data for the year ended December 31, 2001 and the selected consolidated balance sheet data as of December 31, 2001 and 2002 are derived from the audited consolidated financial statements of our company not included in this prospectus. The consolidated statement of operations data for the year ended December 31, 2000 and the selected consolidated balance sheet data as of December 31, 2000 are derived from unaudited consolidated financial statements not included in this prospectus. Our ordinary shares in the form of GDSs currently trade on the Frankfurt Stock Exchange, in Germany. Pursuant to the laws governing this exchange, we publicly reported our quarterly and annual operating results. On April 28, 2004, we publicly announced that we had discovered accounting inaccuracies in previously reported financial statements. As a result, following consultation with our new auditors, we restated our financial statements for the first three quarters of 2003 and for each of the years ended December 31, 2002 and 2001 to correct inappropriate accounting entries. Based in part on the fact that our 2001 and 2002 annual and 2003 interim financial statements were restated, it is likely that our 2000 unaudited financial statements would have been subject to adjustments, which could have been material, had they been subjected to an audit and do not reflect accounting treatment or presentation consistent with audited financial statements for the years ended and as of December 31, 2002, 2003 and 2004. You should therefore not rely on data derived from such financial statements. The historical results are not necessarily indicative of results to be expected in any future period.

	Year ended December 31,[1]					Six months ended June 30,[1]	
	2000	2001	2002	2003	2004	2004	2005
	(unaudited)					(unaudited)	
	(in thousands, except per share data and paying subscriber data)						
Consolidated Statements of Operations Data:							
Net revenues	$ 6,670	$ 10,434	$ 16,352	$ 36,941	$ 65,052	$ 30,862	$ 31,990
Direct marketing expenses	5,257	2,044	5,396	18,395	31,240	15,864	11,279
Contribution margin	1,413	8,390	10,956	18,546	33,812	14,998	20,711
Operating expenses:							
Indirect marketing	953	540	403	907	2,451	1,051	503
Customer service	402	641	1,207	2,536	3,379	1,878	1,137
Technical operations	628	1,772	1,587	4,341	7,162	3,318	2,950
Product development	138	359	603	959	2,013	871	1,890
General and administrative (excluding share-based compensation) [2]	6,215	5,496	7,996	16,885	27,727	12,078	12,512
Share-based compensation				1,871	1,704	2,401	(28)

Amortization of intangible assets other than goodwill	1,127	2,137	524	555	860	482	411

	Year ended December 31,[1]					Six months ended June 30,[1]	
	2000	2001	2002	2003	2004	2004	2005
	(unaudited)					(unaudited)	
	(in thousands, except per share data and paying subscriber data)						
Impairment of long-lived assets		3,997		1,532	208		
Total operating expenses	9,463	14,942	12,320	29,586	45,504	22,079	19,375
Operating income (loss)	(8,050)	(6,552)	(1,364)	(11,040)	(11,692)	(7,081)	1,336
Interest (income) and other expenses, net	1,113	1,627	(840)	(188)	(66)	32	144
(Loss) income before income taxes	(9,163)	(8,179)	(524)	(10,852)	(11,626)	(7,113)	1,192
Provision for income taxes					1	1	64
Net (loss) income	$ (9,163)	$ (8,179)	$ (524)	$ (10,852)	$ (11,627)	$ (7,114)	$ 1,128
Net (loss) income per share basic and diluted[3]	$ (0.69)	$ (0.47)	$ (0.03)	$ (0.57)	$ (0.51)	$ (0.33)	0.04
Weighted average shares outstanding basic[3]	13,213	17,460	18,460	18,970	22,667	21,521	25,389
Weighted average shares outstanding diluted[3]							29,080
Other Financial Data:							
Depreciation	$ 160	$ 544	$ 874	$ 1,441	$ 3,065	$ 1,369	$ 1,767
Additional Information:							
Average paying subscribers[4]			58,700	125,800	226,100	217,900	219,200

	December 31,					June 30,
	2000	2001	2002	2003	2004	2005
	(unaudited)					(unaudited)

Consolidated Balance Sheet Data:						
Cash, cash equivalents and marketable securities	$ 11,410	$ 7,569	$ 7,755	$ 5,815	$ 7,423	$ 8,292
Total assets	23,409	16,352	17,461	16,969	27,359	41,485
Deferred revenue	362	993	1,535	3,232	3,933	3,925
Capital lease obligations and notes payable				487	1,873	
Total liabilities	6,156	3,238	3,998	11,659	16,872	26,340
Shares subject to rescission [5]				3,819		3,819
Accumulated deficit	(12,453)	(20,632)	(21,156)	(32,008)	(43,635)	(42,507)
Total shareholders equity	17,253	13,114	13,463	5,310	6,668	11,326

[1] Refer to Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of certain asset and business acquisitions.

[2] In 2004, general and administrative expenses included an expense of approximately $2.4 million related to an employee severance, $2.1 million related to the United States initial public offering of MatchNet, Inc. that was planned for mid-2004, but which was withdrawn shortly after the related registration statement was filed in the third quarter of 2004, as well as one legal settlement resulting in the recognition of $900,000 in expenses in the third quarter and two legal settlements resulting in the recognition of $2.1 million in expenses in the fourth quarter of 2004. In 2003, general and administrative expenses included a charge of $1.7 million primarily related to a settlement with Comdisco.

[3] For information regarding the computation of per share amounts, refer to note 1 of our consolidated financial statements.

[4] Average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and the end of the month, divided by two. Average paying subscribers for periods longer than one month are calculated as the sum of the average paying subscribers for each month, divided by the number of months in such period. Additionally, refer to

Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of business metrics we use to evaluate our business. We did not track data for the years ended December 31, 2000 and 2001 sufficient to accurately set forth the number of average paying subscribers for the respective periods.

[5] Under our 2000 Executive Share Option Scheme (2000 Option Scheme), we granted options to purchase ordinary shares to certain of our employees, directors and consultants. The issuances of securities upon exercise of options granted under our 2000 Option Scheme may not have been exempt from registration and qualification under federal and California state securities laws, and as a result, we may have potential liability to those employees, directors and consultants to whom we issued securities upon the exercise of these options. In order to address that issue, we may elect to make a rescission offer to those persons who exercised all, or a portion, of those options and continue to hold the shares issued upon exercise, to give them the opportunity to rescind the issuance of those shares. However, it is the Securities and Exchange Commission s position that a rescission offer will not bar or extinguish any liability under the Securities Act of 1933 with respect to these options and shares, nor will a rescission offer extinguish a holder s right to rescind the issuance of securities that were not registered or exempt from the registration requirements under the Securities Act of 1933. As of August 31, 2005, assuming every eligible person that continues to hold the securities issued upon exercise of options granted under the 2000 Option Scheme were to accept a rescission offer, we estimate the total cost to us to complete the rescission would be approximately $3.8 million including statutory interest at 7% per annum, accrued since the date of exercise of the options. The rescission acquisition price is calculated as equal to the original exercise price paid by the optionee to our company upon exercise of their option.

PRO FORMA COMBINED FINANCIAL DATA

The following unaudited pro forma combined financial information gives effect to the acquisition on May 19, 2005, by Spark Networks plc (formerly MatchNet plc) of MingleMatch, Inc., a corporation based in Provo, Utah. The purchase price for the acquisition was $12 million in cash, which will be paid over 12 months (as discussed further in note 5, notes payable), as well as 150,000 shares of the Company s ordinary shares which, on the date of the acquisition, carried a value of approximately $1.2 million. For the fiscal year ended December 31, 2004, MingleMatch reported net revenues of approximately $2.5 million and a loss of $443,000.

The unaudited pro forma combined financial information is for illustrative purposes only and reflects certain estimates and assumptions. These unaudited pro forma combined financial statements should be read in conjunction with the accompanying notes, our historical consolidated financial statements and MingleMatch s historical financial statements, including the notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations, all of which are included elsewhere in this prospectus.

The unaudited pro forma combined statements of operation for the year ended December 31, 2004 and the six months ended June 30, 2005 give effect to the acquisition of MingleMatch, Inc. as if it had been completed on January 1, 2004. Our combined financial statements include the results of operations of MingleMatch, Inc. from its acquisition date (May 19, 2005) to June 30, 2005.

The unaudited pro forma combined financial statements are not necessarily indicative of operating results which would have been achieved had the foregoing transaction actually been completed at the beginning of the subject periods and should not be construed as representative of future operating results.

	Year ended December 31, 2004				**Six Months ended June 30, 2005**			
	Spark Networks	**Mingle Match**	**Pro Forma Adjustments**	**Pro Forma Combined**	**Spark Networks**	**Mingle Match**	**Pro Forma Adjustments**	**Pro Forma Combined**
	(in thousands except per share amounts)				**(in thousands except per share amounts)**			
Net revenues	$ 65,052	$ 2,504	$	$ 67,556	$ 31,990	$ 1,453	$	$ 33,443
Direct marketing expenses	31,240	1,432		32,672	11,279	741		12,020
Contribution margin	33,812	1,072		34,884	20,711	712		21,423
Operating expenses:								
Indirect marketing	2,451	54		2,505	503	79		582
Customer service	3,379	100		3,479	1,137	147		1,284
Technical operations	7,162	353		7,515	2,950	350		3,300
Product development	2,013	77		2,090	1,890	113		2,003
General and administrative (excluding share-based compensation)	27,727	947		28,674	12,512	986		13,498
Share-based compensation	1,704			1,704	(28)			(28)

Amortization of intangible assets other than goodwill	860	4	1,197[1]	2,061	411	2	313[1]	726
Impairment of long lived assets	208			208				
Total operating expenses	45,504	1,535	1,197	48,236	19,375	1,677	313	21,365
Operating (loss) income	(11,692)	(463)	(1,197)	(13,352)	1,336	(965)	(313)	58
Interest (income) and other expenses, net	(66)	(20)		(86)	144	(209)		(65)
Pre-tax (loss) income	(11,626)	(443)	(1,197)	(13,266)	1,192	(756)	(313)	123
Income taxes	1			1	64			64
Net (loss) income	$ (11,627)	$ (443)	$ (1,197)	$ (13,267)	$ 1,128	$ (756)	$ (313)	$ 59

	Year ended December 31, 2004				Six Months ended June 30, 2005			
	Spark Networks	Mingle Match	Pro Forma Adjustments	Pro Forma Consolidated	Spark Networks	Mingle Match	Pro Forma Adjustments	Pro Forma Consolidated
	(in thousands except per share amounts)				(in thousands except per share amounts)			
Net (loss) income per ordinary share basic	$ (0.51)			$ (0.58)	$ 0.04			$ 0.00
Net (loss) income per ordinary share diluted	$ (0.51)			$ (0.58)	$ 0.04			$ 0.00
Weighted average ordinary shares outstanding basic	22,667		150	22,817	25,389			25,389
Weighted average ordinary shares outstanding diluted	22,667		150	22,817	29,080			29,080

(1) Represents the amortization of intangible assets that would have occurred if the purchase had happened on January 1, 2004. Calculated as follows:

	Year Ended December 31, 2004	Stub Period Ending May 18, 2005
Domain Names	$ 786	$ 297
Subscriber Databases	370	
Developed Software	41	16
Total Amortization	$ 1,197	$ 313

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	As of May 19, 2005
	(in thousands)
Current assets (including cash acquired of $221)	$ 295
Property and equipment, net	162
Goodwill	8,172
Domain names and databases	4,655

Total assets acquired		13,284
Current liabilities		41
Net assets acquired	$	13,243

Of the $4,655,000 of acquired intangible assets, $2,360,000 was assigned to member databases and will be amortized over three years, $370,000 was assigned to subscriber databases which will be amortized over three months, $205,000 was assigned to developed software which will be amortized over five years, and $1,720,000 was assigned to domain names which are not subject to amortization.

Of the $8,171,600 of acquired goodwill, $400,000 was assigned to assembled workforce.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited and audited consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as believes, expects, anticipates, intends, estimates, may, will, continue, predict, potential or the negative of these terms or other similar expressions. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Our actual results could differ materially from those anticipated in these forward-looking statements, which are subject to a number of risks, uncertainties and assumptions described in Risk Factors section and elsewhere in this prospectus.

General

We are a public limited company incorporated under the laws of England and Wales and our ordinary shares in the form of GDSs currently trade on the Frankfurt Stock Exchange. We are a leading provider of online personals services in the United States and internationally. Our Web sites enable adults to meet online and participate in a community, become friends, date, form a long-term relationship or marry.

Our revenues have grown from $659,000 in 1999 to $65.1 million in 2004. For the six month period ended June 30, 2005, we had approximately 219,200 average paying subscribers, representing an increase of 0.6% from the same period in 2004. We define a member as an individual who has posted a personal profile during the immediately preceding 12 months or an individual who has previously posted a personal profile and has subsequently logged on to one of our Web sites at least once in the preceding 12 months. Paying subscribers are defined as individuals who have paid a monthly fee for access to communication and Web site features beyond those provided to our members, and average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and the end of the month, divided by two. Our key Web sites are JDate.com, which targets the Jewish singles community in the United States, at a current subscription fee of $34.95 for a one month subscription, and AmericanSingles.com, which targets the U.S. mainstream online singles community, at a current subscription fee of $29.85 for a one month subscription. Our subscription fees are charged on a monthly basis, with discounts for longer-term subscriptions ranging from three to twelve months. Longer-term subscriptions are charged up-front and we recognize revenue over the terms of such subscriptions.

We have grown both internally and through acquisitions of entities, and selected assets of entities, offering online personals services and related businesses. As a result of each of these acquisitions, we have been able to expand and cross-promote into vertical affinity markets, combine the target entity s existing database of online personals customers into one of our Web sites databases, with the goal of attracting new members to our Web sites, retaining as many of them as possible and converting them into paying subscribers. Through our business acquisitions, we have expanded into new markets, leveraged and enhanced our existing brands to improve our position within new markets, and gained valuable intellectual property. During the last three years, we made the following acquisitions:

In May 2005, we acquired MingleMatch, Inc., a company that operates religious, ethnic, special interest and geographically targeted online singles communities. The acquisition of MingleMatch fits with our strategy of creating affinity-focused online personals that provide quality experiences for our members. We expect that our purchase of MingleMatch will allow for numerous cost savings and revenue synergies. Expected cost savings include savings from cost reductions in customer service and marketing, where we plan to be able to market to existing members of our other Web sites, particularly AmericanSingles. Expected revenue synergies include cross-promotion and bundled subscription opportunities with members of our other Web sites, particularly AmericanSingles.

In September 2004, we purchased a 20% equity interest, with an option to acquire the remaining interest, in Duplo AB, an online provider of social networking products and services in Sweden, with the intent of expanding into new markets and strengthening our existing brands.

In January 2004, we purchased Point Match Ltd., a competitor of JDate.co.il in Israel.

Our future performance will depend on many factors, including:

continued acceptance of online personals services;

our ability to attract a large number of new members and paying subscribers, and retain those members and paying subscribers;

our ability to increase brand awareness, both domestically and internationally;

our ability to sustain and, when possible, increase subscription fees for our services; and

our ability to introduce new targeted Web sites, affiliate programs, fee-based services and advertising as additional sources of revenues.

Our ability to compete effectively will depend on the timely introduction and performance of our future Web sites, services and features, the ability to address the needs of our members and paying subscribers and the ability to respond to Web sites, services and features introduced by competitors. To address this challenge, we have invested and will continue to invest existing personnel resources, namely internet engineers and programmers, in order to enhance our existing services and introduce new services, which may include new Web sites as well as new features and functions designed to increase the probability of communication among our members and paying subscribers and to enhance their online personals experiences. Our software development team consisted of 34 employees as of June 30, 2005, who are focused on expanding and improving the features and functionality of our Web sites. The Company believes that it has sufficient cash resources on hand to accomplish the enhancements that are currently contemplated.

Critical Accounting Policies, Estimates and Assumptions

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make certain estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, prepaid advertising, Web site and software development costs, goodwill, intangible and other long-lived assets, accounting for business combinations, contingencies and income taxes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management has discussed the development and selection of our critical accounting policies, estimates and assumptions with our Board of Directors and the Board has reviewed these disclosures.

We believe the following critical accounting policies reflect the more significant judgments and estimates we used in the preparation of our consolidated financial statements:

Revenue Recognition and Deferred Revenue

Substantially all of our revenues are derived from subscription fees. Revenues are presented net of credits and credit card chargebacks. We recognize revenue in accordance with accounting principles generally accepted in the United States and with Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition. Recognition occurs ratably over the subscription period, beginning when there is persuasive evidence of an arrangement, delivery has occurred (access has been granted), the fees are fixed and determinable, and collection is reasonably assured. Paying subscribers primarily pay in advance using a credit card and all purchases are final and nonrefundable. Subscription fees collected in advance are deferred and recognized as revenue, using the straight-line method, over the term of the subscription. We reserve for potential credit card chargebacks based on our historical chargeback experience.

Direct Marketing Expenses

We incur substantial expenses related to our advertising in order to generate traffic to our Web sites. These advertising costs are primarily online advertising, including affiliate and co-brand arrangements, and are directly attributable to the revenues we receive from our subscribers. We have entered into numerous affiliate arrangements, under which our affiliate advertises or promotes our Web site on its Web site, and earns a fee whenever visitors to its Web site click though the advertisement to one of our Web sites and registers or subscribes on our Web site. Affiliate deals may fall in the categories of either CPS, CPA, CPC, or CPM, as discussed below. We do not typically have any exclusivity arrangements with our affiliates, and some of our affiliates may also be affiliates for our competitors. Under our co-branded arrangements, our co-brand partners may operate their own separate Web sites where visitors can register and subscribe to our Web sites. Our co-brand arrangements are usually CPS type arrangements.

Our advertising expenses are recognized based on the terms of each individual contract. The majority of our advertising expenses are based on four pricing models:

- Cost per subscription (CPS) where we pay an online advertising provider a fee based upon the number of new paying subscribers that it generates;

- Cost per acquisition (CPA) where we pay an online advertising provider a fee based on the number of new member registrations it generates;

- Cost per click (CPC) where we pay an online advertising provider a fee based on the number of clicks to our Web sites it generates; and

- Cost per thousand for banner advertising (CPM) where we pay an online advertising provider a fee based on the number of times it displays our advertisements.

We estimate in certain circumstances the total clicks or impressions delivered by our vendors in order to determine amounts due under these contracts.

Prepaid Advertising Expenses

In certain circumstances, we pay in advance for Internet-based advertising on other Web sites, and expense the prepaid amounts as direct marketing expenses over the contract periods as the contracted Web site delivers on its commitment. We evaluate the realization of prepaid amounts at each reporting period and expense prepaid amounts if the contracted Web site is unable to deliver on its commitment.

Web Site and Software Development Costs

We capitalize costs related to developing or obtaining internal-use software. Capitalization of costs begins after the conceptual formulation stage has been completed. Product development costs are expensed as incurred or capitalized into property and equipment in accordance with Statement of Position (SOP) 98-1 Accounting for the Costs of Computer Software Developed or Obtained for Internal Use . SOP 98-1 requires that costs incurred in the preliminary project and post-implementation stages of an internal-use software project be expensed as incurred and that certain costs incurred in the application development stage of a project be capitalized. We exercise judgment in determining which stage of development a software project is in at any point in time.

In accordance with Emerging Issues Task Force (EITF) 00-2 Accounting for Web Site Development Costs, we expense costs related to the planning and post-implementation phases of our Web site development efforts. Direct costs incurred in the development phase are capitalized. Costs associated with minor enhancements and maintenance for the Web site are included in expenses in the accompanying consolidated statements of operations.

Capitalized Web site and software development costs are included in internal-use software in property and equipment and amortized over the estimated useful life of the products, which is usually three years. In accordance with the above accounting literature, we estimate the amount of time spent by our engineers in developing our software and enhancements to our Web sites.

On a regular basis, management reviews the capitalized costs of Web sites and software developed to ensure that these costs relate to projects that will be completed and placed in service. Any projects determined not to be viable will be reviewed for impairment in accordance with SFAS No. 144.

Valuation of Goodwill, Identified Intangibles and Other Long-lived Assets

We test goodwill and intangible assets for impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets and test property, plant and equipment for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. We assess goodwill, and other indefinite-lived intangible assets at least annually, or more frequently when circumstances indicate that the carrying value may not be recoverable. Factors we consider important and which could trigger an impairment review include the following:

a significant decline in actual projected revenue;

a significant decline in the market value of our depositary shares;

a significant decline in performance of certain acquired companies relative to our original projections;

an excess of our net book value over our market value;

a significant decline in our operating results relative to our operating forecasts;

a significant change in the manner of our use of acquired assets or the strategy for our overall business;

a significant decrease in the market value of an asset;

- a shift in technology demands and development; and

- a significant turnover in key management or other personnel.

When we determine that the carrying value of goodwill, other intangible assets and other long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. In the case of the other intangible assets and other long-lived assets, this measurement is only performed if the projected undiscounted cash flows for the asset are less than its carrying value. No indicators of impairment in goodwill were present in 2003. We had impairment charges related to long-lived assets of $1.5 million in 2003 in accordance with SFAS No. 144.

Accounting for Business Combinations

We have acquired the stock or specific assets of a number of companies from 1999 through 2004 some of which were considered to be business acquisitions. Under the purchase method of accounting, the cost, including transaction costs, are allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The judgments made in determining the estimated fair value and expected useful life assigned to each class of assets and liabilities acquired can significantly impact net income. Different classes of assets will have useful lives that differ. For example, the useful life of member database, which is three years, is not the same as the useful life of a paying subscriber list, which is three months, or a domain name, which is indefinite. Consequently, to the extent a longer-lived asset is ascribed greater value under the purchase method than a shorter-lived asset, there may be less amortization recorded in a given period or no amortization for indefinite lived intangibles.

Determining the fair value of certain assets and liabilities acquired is subjective in nature and often involves the use of significant estimates and assumptions.

The value of our intangible and other long-lived assets, including goodwill, is exposed to future adverse changes if we experience declines in operating results or experience significant negative industry or economic trends or if future performance is below historical trends. We review intangible assets and goodwill for impairment at least annually or more frequently when circumstances indicate that the carrying value may not be recoverable using the guidance of applicable accounting literature. We continually review the events and circumstances related to our financial performance and economic environment for factors that would provide evidence of the impairment of goodwill, identifiable intangibles and other long-lived assets.

We use the equity method of accounting for our investments in affiliates over which we exert significant influence. Significant influence is generally having a 20% to 50% ownership interest. At June 30, 2005, we owned a 20% interest in Duplo AB which we account for using the equity method.

Legal Contingencies

We are currently involved in certain legal proceedings, as discussed in the notes to the financial statements and under Business Legal Proceedings. To the extent that a loss related to a contingency is reasonably estimable and probable, we accrue an estimate of that loss. Because of the uncertainties related to both the amount and range of loss on certain pending litigation, we may be unable to make a reasonable estimate of the liability that could result from an unfavorable outcome of such litigation. As additional information becomes available, we will assess the potential liability related to our pending litigation and make or, if necessary, revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operations and financial position.

Accounting for Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the assets and liabilities. In accordance with the provisions of SFAS No. 109, Accounting for Income Taxes, we record a valuation allowance to reduce deferred tax assets to the amount expected to more likely than not be realized in our future tax returns. As of December 31, 2004 and 2003, we had a valuation allowance that completely offset our deferred tax asset. Should we determine in the future that we will likely realize all or part of our net deferred tax assets, we will adjust the valuation allowance so that we will have a deferred tax asset available that will be realized in our future tax returns.

At December 31, 2004, we had net operating loss carry-forwards of approximately $42.0 million and $38.0 million available to reduce future federal and state taxable income, respectively. Under Section 382 of the Internal Revenue Code, the utilization of the net operating loss carry-forwards can be limited based on changes in the percentage ownership of our company. Of the net operating losses available, approximately $1.5 million and $800,000 for federal and state purposes, respectively, are attributable to losses incurred by an acquired subsidiary. Such losses are subject to other restrictions on usage including the requirement that they are only available to offset future income of the subsidiary. In addition, the available net operating losses do not include any amounts generated by the acquired subsidiary prior to the acquisition date due to substantial uncertainty regarding our ability to realize the benefit in the future.

Segment Reporting

We divide our business into three operating segments: (1) the JDate segment, which consists of our JDate.com Web site and its co-branded Web sites, (2) the AmericanSingles segment, which consists of our AmericanSingles.com Web site and its co-branded Web sites, and (3) the Other Businesses segment, which consists of all of our other Web sites and businesses.

	Year ended December 31,			Six months ended June 30,	
	2002	2003	2004	2004	2005
			(in thousands)		
Net Revenues:					
JDate	$ 8,372	$ 16,091	$ 23,820	$ 11,597	$ 12,703
AmericanSingles	6,644	19,253	35,224	17,255	15,353
Other Businesses	1,336	1,597	6,008	2,010	3,934
Total	$ 16,352	$ 36,941	$ 65,052	$ 30,862	$ 31,990
Direct Marketing Expenses:					
JDate	$ 224	$ 739	$ 1,740	$ 697	$ 1,208
AmericanSingles	3,970	15,887	24,954	13,394	7,570
Other Businesses	1,202	1,769	4,546	1,773	2,501
Total	$ 5,396	$ 18,395	$ 31,240	$ 15,864	$ 11,279
Contribution:					
JDate	$ 8,148	$ 15,352	$ 22,080	$ 10,900	$ 11,495
AmericanSingles	2,674	3,366	10,270	3,861	7,783
Other Businesses	134	(172)	1,462	237	1,433

Total	$	10,956	$	18,546	$	33,812	$	14,998	$	20,711

Key Business Metrics

We regularly review certain operating metrics in order to evaluate the effectiveness of our operating strategies and monitor the financial performance of our business. The key business metrics that we utilize include the following:

Average Paying Subscribers: Paying subscribers are defined as individuals who have paid a monthly fee for access to communication and Web site features beyond those provided to our members. Average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and the end of the month, divided by two. Average paying subscribers for periods longer than one month are calculated as the sum of the average paying subscribers for each month, divided by the number of months in such period.

Average Monthly Net Revenue per Paying Subscriber: Average monthly net revenue per paying subscriber represents the total net subscriber revenue for the period divided by the number of average paying subscribers for the period, divided by the number of months in the period.

Direct Subscriber Acquisition Cost: Direct subscriber acquisition cost is defined as total direct marketing costs divided by the number of new paying subscribers during the period. This represents the average cost of acquiring a new paying subscriber during the period.

Monthly Subscriber Churn: Monthly subscriber churn represents the ratio expressed as a percentage of (i) the number of paying subscriber cancellations during the period divided by the number of average paying subscribers during the period and (ii) the number of months in the period.

Unaudited selected statistical information regarding our key operating metrics for the years ended December 31, 2002, 2003, and 2004 and the six month periods ended June 30, 2005 and 2004 is shown in the table below. The references to Other Businesses in this table indicate metrics data for our Other Businesses segment, excluding travel and events. Our Other Businesses segment includes all MingleMatch Web sites, along with JDate.co.il (Israel), Cupid (Israel), Date.ca (Canada), Matchnet.co.uk (United Kingdom), Matchnet.de (Germany), Matchnet.com.au (Australia), Glimpse.com (United States) and CollegeLuv.com (United States). At the time of acquisition in May 2005, MingleMatch had approximately 23,000 average paying subscribers.

	Year ended December 31,			Six months ended June 30,	
	2002	2003	2004	2004	2005
Average Paying Subscribers (in thousands):					
JDate	27.7	50.7	69.8	71.2	69.3
AmericanSingles	29.5	71.5	132.5	129.9	115.3
Other Businesses	1.5	3.6	23.8	16.8	34.6
Total	58.7	125.8	226.1	217.9	219.2
Average Monthly Net Revenue per Paying Subscriber:					
JDate	$ 25.20	$ 26.44	$ 28.42	$ 27.14	$ 30.56
AmericanSingles	18.77	22.43	22.16	22.60	22.19
Other Businesses	33.17	23.72	16.75	15.36	18.11
All Segments	22.17	24.09	23.53	23.52	24.19

	Year ended December 31,			Six months ended June 30,	
	2002	2003	2004	2004	2005
Direct Subscriber Acquisition Cost:					
JDate	$ 2.90	$ 4.39	$ 8.09	$ 6.43	$ 11.30
AmericanSingles	38.68	45.70	43.29	44.40	32.68
Other Businesses	78.43	80.32	34.74	32.10	34.64
All Segments	25.56	33.84	33.85	34.13	27.35
Monthly Subscriber Churn:					
JDate	18.2%	22.4%	25.8%	25.9%	26.2%
AmericanSingles	24.3	32.1	35.6	35.7	36.8
Other Businesses	32.6	33.4	26.8	40.1	23.6
All Segments	21.6	28.2	31.7	32.0	31.2

The larger increase in average paying subscribers for AmericanSingles as compared to the increase for JDate was primarily due to JDate possessing a larger portion of its market, while AmericanSingles possessed a smaller portion of its market and its average paying subscribers has, as a result, grown more quickly.

We have embarked in increases in marketing spending for JDate, primarily in the area of off-line marketing. Such marketing initiatives are targeted at brand building and name recognition. The marketing programs most prominently include print and billboard advertising. We include the costs of these marketing programs in the direct marketing expense for the JDate segment. As these are new marketing initiatives and spending that we have not previously undertaken, it has resulted in an increase in our customer acquisition cost for JDate. Even after these increased spending programs, the cost of customer acquisition for JDate is significantly lower than for our other segments due to the strong brand perception and word of mouth reputation of JDate. Our recent marketing initiatives are targeted specifically at maintaining that strong word of mouth name reputation and brand recognition.

The cost of customer acquisition for JDate is significantly lower than for our other segments due to its strong brand and we expect the cost of customer acquisition for JDate to remain below that for our other segments. AmericanSingles and our other Web sites operate in much more competitive environments, and must spend more on marketing to attract new subscribers.

Churn rate is somewhat independent from an increasing number of subscribers opting for multi-month contracts. Churn rate is calculated as the ratio of monthly subscriber cancellations during the period, divided by the average paying subscribers in a period. During a period where the number of total new subscribers and subscribers canceling are both increasing, but more new subscribers are choosing longer term contracts, then churn rate can increase while average revenue per subscriber falls. We are constantly striving to improve our Web sites to retain our existing subscribers. However, we do not forecast churn rates, and lack the ability to accurately do so.

Results of Operations

The following is a more detailed discussion of our financial condition and results of operations for the periods presented.

The following table presents our historical operating results as a percentage of net revenues for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2002	2003	2004	2004	2005
Consolidated Statements of Operations Data:					
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Direct marketing expenses	33.0	49.8	48.0	51.4	35.3
Contribution margin	67.0	50.2	52.0	48.6	64.7
Operating expenses:					
Indirect marketing	2.5	2.5	3.8	3.4	1.6
Customer service	7.4	6.9	5.2	6.1	3.6
Technical operations	9.7	11.7	11.0	10.8	9.2
Product development	3.7	2.6	3.1	2.8	5.9
General and administrative (excluding share-based compensation)	48.8	45.7	42.7	39.1	39.1
Share-based compensation	0.0	5.1	2.6	7.8	(0.1)
Amortization of intangible assets other than goodwill	3.2	1.5	1.3	1.6	1.3
Impairment of long-lived assets and goodwill	0.0	4.1	0.3	0.0	0.0
Total operating expenses	75.3	80.1	70.0	71.6	60.6
Operating loss	(8.3)	(29.9)	(18.0)	(23.0)	4.1
Interest (income) and other expenses, net	(5.1)	(0.5)	(0.1)	0.1	0.5
(Loss) income before income taxes	(3.2)	(29.4)	(17.9)	(23.1)	3.6
Provision for income taxes	0.0	0.0	0.0		0.2
Net (loss) income	(3.2)%	(29.4)%	(17.9)%	(23.1)%	3.4%

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004.

Business Metrics

For the six months ended June 30, 2005, average paying subscribers for the JDate segment decreased 2.7% to 69,300, compared to 71,200 for the same period last year. For the six months ended June 30, 2005, average paying subscribers for the AmericanSingles segment decreased 11.2% to 115,300, compared to 129,900 for the same period last year. For the six months ended June 30, 2005, average paying subscribers for Web sites in our Other Businesses segment increased 106.0% 34,600, compared 16,800 for the same period last year. The decrease in average paying subscribers for JDate is due to an increase in our churn rate. The decrease in average paying subscribers for AmericanSingles is due to a decline in the total marketing expenditures in 2005 compared to 2004. The increase in average paying subscribers for our other web sites is due primarily to the acquisitions of MingleMatch, Inc. in May 2005 and the growth of our Cupid Web site in Israel, as well as an increase in international Web sites which began operations in early 2004.

For six months ended June 30, 2005, average monthly net revenue per paying subscriber for the JDate segment increased 12.6% to $30.56, compared to $27.14 for the six months in 2004. The increase was due to an increase in net revenue associated with new subscriptions at a higher price point, offset by the decline in average paying subscribers as discussed above. For the six months ended June 30, 2005, average monthly net revenue per paying subscriber for the AmericanSingles segment decreased slightly to $22.19 from $22.60 for the six months ended June 30, 2004. For the six months ended June 30, 2005, average monthly net revenue per paying subscriber for Web sites in our Other Businesses segment increased 17.9% to $18.11, compared to $15.36 for the six months ended June 30, 2004. The increase was primarily due to the addition of MingleMatch during the second quarter of 2005.

For the six months ended June 30, 2005, direct subscriber acquisition cost for JDate increased 75.7% to $11.30, compared to $6.43 for the same period in 2004. The increase in direct subscriber acquisition costs for JDate is due to new marketing initiatives for the JDate site in order solidify and expand JDate s brand awareness. For the six months ended June 30, 2005, direct subscriber acquisition costs for AmericanSingles decreased 26.4% to $32.68, compared to $44.40 for the same period ended June 30, 2004 due to a decrease in marketing expenditures associated with the AmericanSingles Web site. For the six months ended June 30, 2005, direct subscriber acquisition cost for the Web sites in our Other Businesses segment increased 7.9% to $34.64, compared to $32.10 for the same period of 2004. The increase in direct subscriber acquisition costs for our Other Businesses segment in the first half of 2005 is due to an increased marketing effort to attract new subscribers to the international Web sites that were launched in early 2004.

For the six months ended June 30, 2005, monthly subscriber churn for JDate increased slightly to 26.2%, compared to 25.9% for the same period in 2004. For the six months ended June 30, 2005, monthly subscriber churn for AmericanSingles increased to 36.8%, compared to 35.7% for the same period in 2004. For the six months ended June 30, 2005, monthly subscriber churn for the Web sites in our Other Businesses segment decreased to 23.6%, as compared with 40.1% for the same period in 2004. The decrease in the churn rate in the second quarter of 2005 is due to the addition of MingleMatch.

Net Revenues

Net revenues for JDate increased 9.5% to $12.7 million for the six months ended June 30, 2005 compared to $11.6 million for the first six months of 2004. The increase in net revenues for JDate is due to an increase in pricing in mid 2004 which contributed to increased revenues despite the decline in average paying subscribers discussed above. Net revenues for AmericanSingles decreased 11.0% to $15.4 million for the six months ended June 30, 2005, compared to $17.3 million in 2004. The decrease in AmericanSingles net revenue is due to the decrease in average paying subscribers for the reasons discussed above. Net revenues for our Other Businesses segment increased 95.7% to $3.9 million for the six months ended June 30, 2005 compared to $2.0 million in 2004. The increase in net revenues for our Other Businesses is attributed to the acquisition of MingleMatch and the growth of our international Web sites which were launched in early 2004.

Direct Marketing Expenses

Direct marketing expenses for JDate increased 73.3% to $1.2 million for the six months ended June 30, 2005 compared to $697,000 in 2004. The increase in marketing spend was due to new marketing initiatives for JDate designed to solidify and expand JDate s brand awareness. Direct marketing expenses for AmericanSingles decreased 43.5% to $7.6 million for the six months ended June 30, 2005 compared to $13.4 million in the same period last year. In the second quarter of 2004, the Company initiated an aggressive marketing program, primarily for American Singles. Upon review, it became apparent that such aggressive spending was not generating sufficient incremental revenue and, accordingly our marketing spending has been reduced, to allow us to become more profitable. We expect that marketing expenditures as a percentage of net revenues going forward will be more consistent with recorded results in the first six months at 2005 than in prior years. Direct marketing expenses for our Web sites in our Other Businesses segment increased 41.1% to $2.5 million for the six months ended June 30, 2005 compared to $1.8 million in the first six months of 2004. The increase in spending related to our Web sites in our Other Businesses segment is attributed to the acquisition of MingleMatch and additional advertising in order to generate traffic to our newer international Web sites which commenced operations early in 2004.

Operating Expenses

Operating expenses consist primarily of indirect marketing, customer service, technical operations, product development and general and administrative expenses. Operating expenses decreased 12.2% to $19.4 million in the first six months of 2005 compared to $22.1 million in the same period in 2004. Stated as a percentage of net revenues, operating expenses decreased to 60.6% in the first six months of 2005 compared to 71.6% in the same period last year. The decrease is due primarily to a decrease in share-based compensation in the first six months of 2005 which is further discussed below.

Indirect Marketing. Indirect marketing expenses consist primarily of salaries for our sales and marketing personnel and other associated costs such as public relations. Indirect marketing expenses decreased 52.1% to $503,000 in the first six months of 2005 compared to $1.1 million in the second quarter of 2004. Stated as a percentage of net revenues, indirect marketing expenses decreased to 1.6% in the first six months of 2005 compared to 3.4% in the same period in 2004. The decrease is due to a decrease in headcount in our marketing department, and the termination of the Chief Marketing Officer in the fourth quarter of 2004 who has not been replaced.

Customer Service. Customer service expenses consist primarily of costs associated with our member services center. Customer services expenses decreased 39.5% to $1.1 million in the first six months of 2005 compared to $1.9 million in the first six months of 2004. Stated as a percentage of net revenues, customer service expenses decreased to 3.6% in the quarter ended June 30, 2005 compared to 6.1% in the same period in the prior year. The decrease is due to a decrease in headcount from 2004 to 2005. During the first six months of 2004, we had higher staffing in our member services center in order to better serve our customers due to the launch of new Web sites and new platforms. During the remainder of 2004, we worked to increase our efficiency in handling our call volume, and therefore reduced our headcount accordingly by the first six months of 2005.

Technical Operations. Technical operations expenses consist primarily of the people and systems necessary to support our network, Internet connectivity and other data and communication support. Technical operations expenses decreased 11.1% to $3.0 million in the first six months of 2005 compared to $3.3 million in 2004. The decrease is primarily due to a reduction in headcount as well as a restructuring of workforce which resulted in a decrease of salary expense. This reduction was partially offset by an increase in depreciation expense associated with the increase in hardware to support our network and an increase in capitalized software amortization associated with redesigning our operating platform. As a percentage of net revenues, technical operations decreased to 9.2% in the quarter ended June 30, 2005 compared to 10.8% in the same period last year.

Product Development. Product development expenses consist primarily of costs incurred in the development, creation and enhancement of our Web sites and services. Product development expenses increased 117.0% to $1.9 million in the first six months of 2005 compared to $871,000 in 2004. As a percentage of net revenues, product development expenses increased to 5.9% for the six months ended June 30, 2005 compared to 2.8% in 2004. The increase is due primarily to an increase in headcount associated with pursuing new business opportunities as well as improving the infrastructure of our existing businesses.

General and Administrative. General and administrative expenses consist primarily of corporate personnel-related costs, professional fees, credit card processing fees, and occupancy and other

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overhead costs. General and administrative expenses increased 3.6% to $12.5 million in the first six months of 2005 compared to $12.1 million in the same period in 2004. The increase in general and administrative expenses is due primarily to increase in consulting services as well as an increase in credit card processing fees, including charges and fines. Stated as a percentage of net revenues, general and administrative expenses for the six months ended June 30, 2005 and 2004 was 39.1%.

Share-Based Compensation. Share-based compensation resulted from the issuance of warrants and options that were treated as variable under accounting principles which, on a quarterly basis, required us to recognize an increase or decrease in compensation expense based on the then fair-value of the subject securities. Share-based compensation decreased 101.2% to $(28,000) in the first six months of 2005 compared to $2.4 million in the first six months of 2004. The difference in expense is due to the fact that the majority of options and warrants which were considered variable in 2004 were fully valued and accounted for in 2004 and as a result did not impact the results of the first six months of 2005.

Amortization of Intangible Assets Other Than Goodwill. Amortization expenses consist primarily of amortization of intangible assets related to the MingleMatch acquisition as well as previous acquisitions, primarily SocialNet and PointMatch. Amortization expense decreased 14.7% to $411,000 in the first six months of 2005 compared to $482,000 in the first six months of 2004. The decrease is due to intangibles related to older acquisitions being fully amortized by the first quarter of 2005 partially offset by amortization of intangible assets resulting from the MingleMatch acquisition in the second quarter of 2005.

Interest Income/ Loss and Other Expenses, Net. Interest income/loss and other expenses consist primarily of interest income associated with notes payable, temporary investments in interest bearing accounts and marketable securities and income on our investments in non-controlled affiliates. Expenses increased to $144,000 for the six months ended June 30, 2005 from expense of $32,000 for the same period in 2004. The increase was due primarily to recognition of losses upon liquidation of marketable securities and loss from Duplo.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Business Metrics

Average paying subscribers for JDate increased 37.7%, to approximately 69,800 for the year ended December 31, 2004 from approximately 50,700 for the year ended December 31, 2003. Average paying subscribers for AmericanSingles increased 85.3%, to approximately 132,500 for the year ended December 31, 2004 from approximately 71,500 for the year ended December 31, 2003. Average paying subscribers for Web sites in our Other Businesses segment increased to approximately 23,800 for the year ended December 31, 2004 from approximately 3,600 for the year ended December 31, 2003. The increase in paying subscribers for all of our segments corresponds to the increased marketing expenditures for all of our segments, along with improved marketing efficiency, such that greater marketing expenditures were made without significant increases in our average subscriber acquisition costs. The larger increase in average paying subscribers for AmericanSingles as compared to the increase for JDate was primarily due to JDate possessing a larger portion of its market. The increase in paying subscribers in our Other Businesses segment was due to growth in our international Web sites, including PointMatch, which was acquired at the beginning of 2004, and our Web sites in the United Kingdom and Canada.

Average monthly net revenue per paying JDate subscriber increased 7.5%, to $28.42 for the year ended December 31, 2004 from $26.44 for the year ended December 31, 2003. Average monthly net revenue per paying AmericanSingles subscriber decreased 1.2% to $22.16 for the year ended December 31, 2004 from $22.43 for the year ended December 31, 2003. Average monthly net revenue per paying subscriber for Web sites in our Other Businesses segment decreased 29.4%, to $16.75 for the year ended December 31, 2004 from $23.72 for the year ended December 31, 2003. The increase for JDate was primarily due to a price increase which was put into effect in January 2004. The decrease for AmericanSingles was due to an increase in the proportion of subscribers paying for multi-month subscriptions, for which they receive a discount on the monthly rate compared to the single-month subscription price. The decrease for Web sites in our Other Businesses segment was primarily due to the growth of new Web sites with lower subscription prices than those Web sites that represented our Other Businesses segment in 2003.

Direct subscriber acquisition cost for JDate increased 84.3%, to $8.09 in 2004 from $4.39 in 2003. Direct subscriber acquisition cost for AmericanSingles decreased 5.3%, to $43.29 in 2004 from $45.70 in 2003. Direct subscriber acquisition cost for the Web sites in our Other Businesses segment decreased 56.7%, to $34.74 in 2004 from $80.32 in 2003. The increase in direct subscriber acquisition cost for JDate was due primarily to the cost of new marketing initiatives, including offline billboard campaigns designed to solidify and expand JDate s brand awareness. Despite this increase, the cost of customer acquisition for JDate is significantly lower than for our other segments due to the strong brand perception and name recognition for and word of mouth reputation for JDate. AmericanSingles and our other Web sites operate in much more competitive environments, and must spend more on marketing to attract new subscribers. The decrease in direct subscriber acquisition cost for AmericanSingles and the Web sites in our Other Businesses segment was due improved marketing efficiency, such that greater marketing expenditures were made without significant increases in our average subscriber acquisition costs. For AmericanSingles, we began to put a greater emphasis on pay for performance advertising models, such as cost per subscription (CPS) and cost per acquisition (CPA) arrangements, where we are better able to monitor and manage our cost of subscriber acquisition.

Monthly subscriber churn for JDate increased to 25.8% for the year ended December 31, 2004 from 22.4% for the year ended December 31, 2003. Monthly subscriber churn for AmericanSingles increased to 35.6% for the year ended December 31, 2004 from 32.1% for the year ended December 31, 2003. Monthly subscriber churn for Web sites in our Other Businesses segment decreased to 26.8% for the year ended December 31, 2004 from 33.4% for the year ended December 31, 2003. The increase in monthly subscriber churn for JDate and AmericanSingles was due primarily to implementation in late 2003 of the pay-to-respond feature which required members to upgrade to paying subscriber status before they could respond to emails from other paying subscribers. Members who subscribe specifically to utilize the pay-to-respond feature are less likely to renew their subscriptions than those who subscribe to initiate communications. The decrease in monthly subscriber churn for the Web sites in our Other Business segment was due to growth and maturity of those businesses. Some of the Web sites in our Other Businesses segment were launched in late 2003, including our sites in Canada and the UK. During the early startup period for a Web site which requires a critical mass of members in order to attract new members, churn rates are higher. As subscribers see the same other members of the community repeatedly, they are more prone to quit the service. As the Web site community grows, churn rates typically decline as subscribers take longer to feel they have exhausted their possibilities within the community.

Net Revenues

Substantially all of our net revenues are derived from subscription fees. The remainder of our net revenues, accounting for less than 2% of net revenues for the years ended December 31, 2004 and 2003, are attributable to certain promotional events. Revenues are presented net of credits and credit card chargebacks. We expect net revenues from promotional events to comprise an even smaller percentage of net revenues in the future. We also expect to generate revenues from advertising on our Web sites in the future. Our subscriptions are offered in durations of one, three, six and twelve months. Plans with durations of longer than one month are available at discounted rates. Most subscription programs renew automatically for subsequent periods until subscribers terminate them.

Net revenues for JDate increased 48.0%, to $23.8 million for the year ended December 31, 2004 from $16.1 million for the year ended December 31, 2003. Net revenues for AmericanSingles increased 83.0%, to $35.2 million for the year ended December 31, 2004, compared to $19.3 million for the year ended December 31, 2003. Net revenues for our Other Businesses segment increased 276.2%, to $6.0 million for the year ended December 31, 2004 compared to $1.6 million for the year ended December 31, 2003. The increase in JDate s net revenues is primarily attributable to an increase in JDate s monthly subscription price during the first quarter of 2004. The increase in net revenues for AmericanSingles is primarily due to an increase in subscriptions, as discussed above. The increase in net revenues for our Other Businesses segment is due primarily to the growth of our businesses in Israel, whose growth was aided by our acquisition of Point Match Ltd. in the first quarter of 2004, as well as growth in our UK and Canada Web sites.

Direct Marketing Expenses

Direct marketing expenses primarily consist of advertising costs and direct costs to obtain new paying subscribers. Direct marketing expenses for JDate increased 135.5%, to $1.7 million for the year ended December 31, 2004 from approximately $739,000 for the year ended December 31, 2003. Direct marketing expenses for AmericanSingles increased 57.1%, to $25.0 million for the year ended December 31, 2004 compared to $15.9 million for the year ended December 31, 2003. Direct marketing expenses for Web sites in our Other Businesses segment increased 157.0%, to $4.5 million for the year ended December 31, 2004 from $1.8 million for the year ended December 31, 2003. The increases for JDate and AmericanSingles are due to an overall increase in the cost of online advertising, which is our primary source for advertising, as well as new marketing initiatives for JDate. In addition, for our American Singles Web site, we initiated an aggressive marketing program in the second quarter of 2004. We reduced our marketing for AmericanSingles in subsequent quarters in 2004 in order to reduce our subscriber acquisition cost. The cost of customer acquisition for JDate is significantly lower than for our other segments due to the strong brand perception and name recognition for and word of mouth reputation for JDate. AmericanSingles and our other Web sites operate in much more competitive environments, and must spend more on marketing to attract new subscribers. For Web sites in our Other Businesses segment, in addition to the increase in the cost of online advertising, our direct marketing expenses also increased because of the additional expenses associated with the Web site assets acquired in the Point Match Ltd. acquisition.

As a percentage of revenues, total direct marketing expenses for JDate increased to 7.3% in 2004 from 4.6% in 2003. The increase was due to new marketing initiatives for JDate. As a percentage of revenues, total direct marketing expenses for AmericanSingles decreased to 70.8% in 2004 from 82.5% in 2003. The decrease was due to improved marketing efficiency, including greater emphasis on pay for performance advertising models, such that greater marketing expenditures were made without significant increases in our average subscriber acquisition costs. As a percentage of revenues, total direct marketing expenses for our Other Businesses segment decreased to 75.7% in 2004 from 110.8% in 2003. The decrease was due to improved marketing efficiency, including greater emphasis on pay for performance advertising models, as well as emphasis on making the contribution of Web sites in this segment a positive number. Overall, for all of our segments, total direct marketing expenses decreased to 48.0% from 49.8% for the years ended December 31, 2004 and 2003 respectively.

Operating Expenses

Operating expenses primarily consist of indirect marketing, customer service, technical operations, product development and general and administrative expenses. Operating expenses increased 53.8% to approximately $45.5 million in 2004 from approximately $29.6 million in 2003. Stated as a percentage of net revenues, operating expenses decreased to 70.0% for 2004 from 80.1% in 2003. The increase in total dollars was primarily the result of a higher level of general and administrative expenses, as well as an increase in indirect marketing and technical operations as discussed below. The decrease as a percentage of revenues was primarily the result of economies of scale in customer service and technical operations costs required to support an increasing revenue base.

Indirect Marketing. Indirect marketing expenses primarily consist of salaries for our sales and marketing personnel and other associated costs such as public relations. Indirect marketing expenses increased 170.2%, to approximately $2.5 million in 2004 compared to $907,000 in 2003. Stated as a percentage of net revenues, indirect marketing expenses increased to 3.8% for 2004 from 2.5% in 2003. The increase in total dollars and as a percentage of net revenues was largely as a result of an increase in headcount in our marketing department. We expect these costs to increase in total dollars as we expand our marketing initiatives but to decrease as a percentage of net revenues as we add additional paying subscribers.

Customer Service. Customer service expenses primarily consist of costs associated with our member service center. Customer service expenses increased 33.2%, to $3.4 million in 2004 compared to $2.5 million in 2003. Stated as a percentage of net revenues, customer service expenses decreased to 5.2% for 2004 from 6.9% in 2003. The increase in total dollars was largely as a result of an increase in headcount, which increase was driven by the larger number of members and paying subscribers. The decrease as a percentage of revenues was primarily the result of increased efficiency of usage of our customer service personnel in supporting a larger member and subscriber base. We expect these costs to continue to increase in total dollars as we support our increasing base of members and subscribers but to decrease as a percentage of net revenues as we add additional paying subscribers.

Technical Operations. Technical operations expenses primarily consist of the people and systems necessary to support our network, Internet connectivity and other data and communication support. Technical operations expenses increased 65.0% to $7.2 million in 2004 from $4.3 million in 2003. Stated as a percentage of net revenues, technical operations expenses decreased to 11.0% in 2004 from 11.7% in 2003. The increase in total dollars was due to an increase in headcount necessary to support the growth in the number of members, paying subscribers and traffic to our Web sites. The decrease as a percentage of revenues was primarily the result of economies of scale in headcount required to support a larger member and subscriber base. We expect technical operations costs to increase in total dollars with any increase in traffic, members or paying subscribers but to decrease as a percentage of net revenues as we add additional paying subscribers.

Product Development. Product development expenses primarily consist of costs incurred in the development, creation and enhancement of our Web sites and services. Product development expenses increased 109.9%, to $2.0 million in 2004 compared to $959,000 in 2003. Stated as a percentage of net revenues, product development expenses increased to 3.1% in 2004 from 2.6% in 2003. The increase in total dollars and as a percentage of net revenues was largely as a result of costs associated with technical enhancements to our Web sites as well as an increase in headcount necessary to support these enhancements. We expense these costs as incurred unless they are required to be capitalized under generally accepted accounting principles in the United States. In addition to the expenses set forth above, our capitalized product development costs were approximately $658,000 and $825,000 in 2004 and 2003, respectively. The amortization of those costs is included in this line item. We expect our product development costs to increase in total dollars as we launch new Web sites and develop additional features and functionality on our Web sites to enhance our members   experience and satisfaction and increase the number, and percentage, of members that become paying subscribers but to remain constant as a percentage of net revenues as we add additional paying subscribers.

General and Administrative Expenses. General and administrative expenses primarily consist of corporate personnel-related costs, professional fees, credit card processing fees, and occupancy and other overhead costs. General and administrative expenses increased 64.2%, to $27.7 million in 2004 from $16.9 million in 2003. Stated as a percentage of net revenues, general and administrative expenses decreased to 42.7% in 2004 from 45.7% in 2003. The increase in total dollars was largely as a result of an increase in hiring people to support our growth, an employee severance charge of approximately $2.4 million, as well as expenses of $2.1 million related to the United States initial public offering of MatchNet, Inc. that was planned for mid-2004, but which was withdrawn shortly after the related registration statement was filed in the third quarter of 2004, as well as one legal settlement resulting in the recognition of $900,000 in expenses in the third quarter and two legal settlements resulting in the recognition of $2.1 million in expenses in the fourth quarter of 2004. The decrease as a percentage of revenues was primarily the result of economies of scale in supporting a larger member and subscriber base. We expect these general and administrative expenses, excluding the above-referenced severance and expenses related to the withdrawn offering, to increase in total dollars as we continue to hire additional personnel, and as sales and the inherent credit card processing fees increase. We also expect general and administrative expenses to increase in total dollars due to the anticipated increase in professional fees resulting from the filing of this registration statement and related documents and our subsequent obligations as a public reporting company in the United States. However, we expect general and administrative expenses, excluding credit card processing fees, to decrease as a percentage of net revenues as we add additional paying subscribers.

Share-based Compensation. Share-based compensation resulted from the issuance of warrants and options that were treated as variable under accounting principles which, on a quarterly basis, required us to recognize an increase or decrease in compensation expense based upon the then-fair value of the subject securities. Share-based compensation was approximately $1.7 million in 2004, which is net of $1.1 million related to the cancellation of certain warrants and options, compared to $1.9 million in 2003. Stated as a percentage of net revenues, share-based compensation decreased to 2.6% in 2004 from 5.1% in 2003. As a result of recent changes in accounting rules, we expect share-based compensation expenses to increase, beginning in the third quarter of 2005, when we will be required to recognize compensation expense for share options and other share-based compensation, which expenses we had not been required to recognize prior to the change in accounting rules.

Amortization of Intangible Assets Other Than Goodwill. Amortization expenses consist primarily of amortization of intangible assets related to previous acquisitions, primarily SocialNet and Point Match. Amortization expenses increased 55.0% to $860,000 in 2004, compared to $555,000 in 2003. The increase was primarily due to amortization related to the Point Match acquisition, which was completed in January 2004.

Impairment of Long-lived Assets. In December 2004, based on changes in management and reevaluation of existing projects we determined that certain internally developed software projects would not be completed. As such, we recorded an impairment charge of $208,000.

Interest Income and Other Expenses, Net. Interest income and other expenses, net primarily consist of gain (loss) associated with temporary investments in interest bearing accounts and marketable securities. Interest income and other expenses, net decreased 64.9%, to approximately $66,000 in 2004 from $188,000 in 2003, principally due to foreign exchange effects.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Business Metrics

Average paying subscribers for JDate increased 83.0% to approximately 50,700 for the year ended December 31, 2003, compared to approximately 27,700 for the year ended December 31, 2002. Average paying subscribers for AmericanSingles increased 142.4%, to approximately 71,500 for the year ended December 31, 2003 from approximately 29,500 for the year ended December 31, 2002. Average paying subscribers for Web sites in our Other Businesses segment increased 140.0%, to approximately 3,600 for the year ended December 31, 2003 from approximately 1,500 for the year ended December 31, 2002. The increase in paying subscribers across all of our segments is primarily due to increases in the number of members on our sites. The larger increase in average paying subscribers for AmericanSingles as compared to the increase for JDate was primarily due to JDate possessing a larger portion of its market, while AmericanSingles possessed a smaller portion of its market and its average paying subscribers has, as a result, grown more quickly.

Average monthly net revenue per paying JDate subscriber increased 4.9%, to $26.44 in 2003 compared to $25.20 in 2002. Average monthly net revenue per paying AmericanSingles subscriber increased 19.5%, to $22.43 in 2003 from $18.77 in 2002. Average monthly net revenue per paying subscriber for Web sites in our Other Businesses segment decreased 28.5%, to $23.72 in 2003 from $33.17 in 2002. The increase for JDate was due to an increase in the proportion of subscribers paying a one month subscription, as opposed to multi-month subscribers, who receive a lower price per month in exchange for their longer commitments. The increase in AmericanSingles was primarily due to a price increase in 2003. The decrease for Web sites in our Other Businesses segment was primarily due to the growth of new Web sites with lower subscription prices than those Web sites that represented our Other Businesses segment in 2002.

Direct subscriber acquisition cost for JDate increased 51.4%, to $4.39 for 2003 from $2.90 in 2002. Direct subscriber acquisition cost for AmericanSingles increased 18.1%, to $45.70 in 2003 compared to $38.68 in 2002. Direct subscriber acquisition cost for the Web sites in our Other Businesses segment increased 2.4%, to $80.32 in 2003 from $78.43 in 2002. The increase in direct subscriber acquisition cost for all of our segments was due primarily to an increase in online marketing efforts designed to drive additional members to our Web sites.

Monthly subscriber churn for JDate increased to 22.4% in 2003 from 18.2% in 2002. Monthly subscriber churn for AmericanSingles increased to 32.1% in 2003 from 24.3% in 2002. Monthly subscriber churn for the Web sites in our Other Businesses segment increased to 33.4% in 2003 from 32.6% in 2002. The increase in monthly subscriber churn for all of our segments was primarily due to the introduction, in late 2003, of our pay-to-respond feature, which required members to upgrade to paying subscriber status before they could respond to emails from other paying subscribers. Members who subscribe specifically to utilize the pay-to-respond feature are less likely to renew their subscriptions than those who subscribe to initiate communications.

Net Revenues

Net revenues for JDate increased 92.2%, to $16.1 million in 2003 from $8.4 million in 2002. Net revenues for AmericanSingles increased 189.8% to $19.3 million in 2003 from $6.6 million in 2002. Net revenues for Web sites in our Other Businesses segment increased 19.5%, to $1.6 million in 2003 from $1.3 million in 2002. The increase in net revenues was due to an increase in the overall use of our services and the increase in the number of paying subscribers. In addition, a portion of the increase in revenues for AmericanSingles is attributable to an increase in AmericanSingles monthly subscription price during 2003.

Direct Marketing Expenses

Direct marketing expenses for JDate increased 229.9%, to $739,000 in 2003 from $224,000 in 2002. Direct marketing expenses for AmericanSingles increased 300.2%, to $15.9 million in 2003 from $4.0 million in 2002. Direct marketing expenses for Other Businesses increased 47.2%, to $1.8 million in 2003 from $1.2 million in 2002. This increase was primarily the result of expanded online advertising campaigns.

As a percentage of revenues, total direct marketing expenses for JDate increased to 4.6% in 2003 from 2.7% in 2002. As a percentage of revenues, total direct marketing expenses for AmericanSingles increased to 82.5% in 2003 from 59.8% in 2003. As a percentage of revenues, total direct marketing expenses for our Other Businesses segment increased to 110.8% in 2003 from 90.0% in 2003. The increases in all segments were due to increase marketing spending designed to grow revenues. Total direct marketing expenses for all of our segments increased to 49.8% from 33.0% in 2003 and 2002, respectively.

Operating Expenses

Operating expenses increased 140.1%, to $29.6 million in 2003 from $12.3 million in 2002. Stated as a percentage of net revenues, operating expenses increased to 80.1% in 2003 compared to 75.3% in 2002. The increase in total dollars and as a percentage of net revenues was primarily the result of continued investment in customer service and technical infrastructure, as well as an increase in general and administrative expenses as discussed below.

Indirect Marketing. Indirect marketing expenses increased 125.1%, to approximately $907,000 in 2003 from approximately $403,000 in 2002. Stated as a percentage of net revenues, indirect marketing expenses remained constant at 2.5% in 2003 and 2002. The increase in total dollars was largely as a result of an increase in staffing for the marketing department.

Customer Service. Customer service expenses increased 110.1%, to $2.5 million in 2003 from $1.2 million in 2002. Stated as a percentage of net revenues, customer service expenses decreased to 6.9% in 2003 from 7.4% in 2002. The increase in total dollars was largely as a result of an increase in headcount due required to support our larger numbers of members and paying subscribers. The decrease as a percentage of net revenues was primarily the result of increased efficiency of usage of our customer service personnel in supporting a larger member and subscriber base.

Technical Operations. Technical operations expenses increased 173.5%, to $4.3 million in 2003 from $1.6 million in 2002. Stated as a percentage of net revenues, technical operations expenses increased to 11.7% in 2003 from 9.7% in 2002. The increase in total dollars and as a percentage of net revenues was largely as a result of the growth in the number of members and traffic to our Web sites.

Product Development. Product development expenses increased 59.0%, to $959,000 in 2003 from $603,000 in 2002. Stated as a percentage of net revenues, product development expenses decreased to 2.6% in 2003 from 3.7% in 2002. The increase in total dollars was largely as a result of costs associated with technical enhancements to our Web sites. The decrease as a percentage of net revenues was primarily the result of economies of scale as additional product enhancements costs are spread over a larger subscriber/member base. We expense these costs as incurred, unless they are required to be capitalized. Capitalized costs in 2003 and 2002 were approximately $825,000 and $572,000, respectively. The amortization of these costs are included in this line item.

General and Administrative Expenses. General and administrative expenses increased 111.2%, to $16.9 million in 2003 from $8.0 million in 2002. Stated as a percentage of net revenues, general and administrative expenses decreased to 45.7% in 2003 from 48.8% in 2002. The increase in total dollars was largely as a result of an increase in hiring people to support our growth and the addition of new Web sites, as well as an increase in credit card processing fees as sales grew. The decrease as a percentage of net revenues was primarily the result of economies of scale in supporting a larger member and subscriber base. General and administrative expenses for 2003 also included $1.7 million in charges primarily related to a settlement with Comdisco. Pursuant to the settlement, we issued a promissory note in September 2004 in the amount of $1.7 million. The note bears simple interest at the rate of 2.75% per year and is payable in installments, excluding accrued interest, on (i) September 15, 2005 in the amount of $400,000; (ii) September 15, 2006 in the amount of $400,000; and (iii) September 15, 2007 in the amount of $900,000.

Share-based Compensation. Share-based compensation was $1.9 million in 2003 compared to zero in 2002. The 2003 charge reflected non-cash expenses associated with the issuance of share options and warrants to advisors. We treated these options and warrants as variable in accordance with SFAS No. 123 and, as a result, were required to recognize an increase or decrease in operating expense based on the fair value of such options and warrants on a quarterly basis.

Amortization of Intangible Assets Other Than Goodwill. Amortization expenses consist primarily of amortization of purchased intangible assets related to previous acquisitions. Amortization expenses increased 5.9% to $555,000 in 2003, compared to $524,000 in 2002. The increase was primarily due to purchases of various databases.

Impairment of Long-lived Assets. In October 2003, based on business developments that took place in 2003 and on management s opinion that rapid changes in technology reduced the fair value of some of our property and equipment, mostly computer equipment and capitalized software costs, we recorded an impairment charge of approximately $1.5 million.

Interest Income and Other Expenses, Net. Interest income and other expenses, net decreased 77.6%, to income of approximately $188,000 in 2003 from income of approximately $840,000 in 2002. Interest income and other expenses, net in 2002 was positively affected by a gain of approximately $400,000 recognized on the sale of domain names.

Quarterly Results of Operations

You should read the following tables presenting our quarterly results of operations in conjunction with the consolidated financial statements and related notes contained elsewhere in this prospectus. We have prepared the unaudited information on substantially the same basis as our audited consolidated financial statements which, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, except as otherwise indicated, necessary for the presentation of the results of operations for such periods. You should also keep in mind, as you read the following tables, that our operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

	Three months ended[1]									
	Mar 31, 2003[2]	Jun 30, 2003[2]	Sep 30, 2003[2]	Dec 31, 2003	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004	Dec 31, 2004	Mar 31, 2005	Jun 30, 2005
									(unaudited)	(unaudited)
Consolidated Statements of Operations Data:										
Net revenues	$ 7,036	$ 8,423	$ 9,792	$ 11,690	$ 15,050	$ 15,812	$ 17,138	$ 17,052	$ 16,526	$ 15,464
Direct marketing expenses	3,576	4,680	3,955	6,184	6,539	9,325	8,748	6,628	5,228	6,051
Contribution margin	3,460	3,743	5,837	5,506	8,511	6,487	8,390	10,424	11,298	9,413
Operating expenses:										
Indirect marketing	(61)	131	488	349	529	522	881	519	265	238
Customer service	563	458	736	779	975	903	723	778	577	560
Technical operations	819	994	1,024	1,504	1,344	1,974	1,861	1,983	1,402	1,548
Product development	168	229	82	480	340	531	505	637	830	1,060
General and administrative	2,483	2,628	6,025	5,749	6,383	5,695	8,469	7,180	5,992	6,520

(excluding share-based compensation)										
Share-based compensation				1,871	1,712	689	(1,239)	542	87	(115)
Amortization of intangible assets other than goodwill	131	58	200	166	244	238	188	190	110	301
Impairment of long-lived assets				1,532				208		
Total operating expenses	4,103	4,498	8,555	12,430	11,527	10,552	11,388	12,037	9,263	10,112
Income (loss) from operations	(643)	(755)	(2,718)	(6,924)	(3,016)	(4,065)	(2,998)	(1,613)	2,035	(699)
Interest (income) and other expenses, net	(53)	(57)	(22)	(56)	4	28	(46)	(52)	24	168
Income (loss) before income taxes	(590)	(698)	(2,696)	(6,868)	(3,020)	(4,093)	(2,952)	(1,561)	2,059	(867)
Income taxes	1	39		(40)	1				72	(8)
Net income (loss)	$ (591)	$ (737)	$ (2,696)	$ (6,828)	$ (3,021)	$ (4,093)	$ (2,952)	$ (1,561)	$ 1,987	$ (859)

	Three months ended[1]									
	Mar 31, 2003[2]	Jun 30, 2003[2]	Sep 30, 2003[2]	Dec 31, 2003	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004	Dec 31, 2004	Mar 31, 2005	Jun 30 2005
									(unaudited)	(unaudit
income s) per e basic[3]	$ (0.03)	$ (0.04)	$ (0.14)	$ (0.35)	$ (0.14)	$ (0.18)	$ (0.13)	$ (0.06)	$ 0.08	$ (0.0
income s) per e diluted									$ 0.07	
ghted rage shares tanding c[3]	18,707	18,736	18,960	19,449	21,286	22,264	23,356	24,234	25,117	25,66
ghted rage shares tanding ted[3]									29,236	
er ancial a										
reciation	$ 287	$ 333	$ 405	$ 416	$ 579	$ 790	$ 839	$ 857	$ 848	$ 91
litional ormation:										
rage ing scribers[4]	94,700	118,000	130,700	160,000	207,400	228,400	239,600	229,000	222,600	215,60
rage nthly net enue per ing scriber[5]	$ 24.50	$ 23.55	$ 24.20	$ 24.14	$ 23.83	$ 22.74	$ 23.50	$ 24.06	$ 24.32	$ 23.1
scriber rn[6]	27.9%	28.9%	29.6%	26.8%	32.1%	30.6%	31.6%	32.4%	31.7%	30
rage direct scriber uisition [7]	$ 33.49	$ 38.38	$ 31.32	$ 32.69	$ 27.82	$ 40.53	$ 37.41	$ 29.37	$ 23.84	$ 31.1

[1] Certain financial information for prior periods has been reclassified to conform to the 2004 periods presentation.

[2] These amounts in consolidated statements of operations data are restated amounts from amounts contained in previously filed quarterly reports with the Frankfurt Stock Exchange. See Risk Factors We Face Risks Related to Our Recent Accounting Restatements.

[3]

For information regarding the computation of per share amounts, refer to note 1 of our consolidated financial statements.

[4] Represents average paying subscribers calculated as the sum of the average paying subscribers for each month, divided by the number of months. Average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and end of the month, divided by two.

[5] Represents the total net subscriber revenue for the period divided by the number of average paying subscribers for the period, divided by the number of months in the period.

[6] Represents the ratio expressed as a percentage of (i) the number of paying subscriber cancellations during the period divided by the number of average paying subscribers during the period and (ii) the number of months in the period. On a monthly basis, the average number of paying subscribers is calculated as the sum of the paying subscribers at the beginning and end of the period divided by two.

[7] Represents direct marketing expense divided by the gross number of subscribers added during the period. The historic direct subscriber acquisition cost we reported included indirect marketing costs.

Restatement of Previous Consolidated Financial Statements for the Nine Months Ended September 30, 2003

In previous periods, we incorrectly recognized a full month of revenue in the month in which members paid in advance for their membership subscription fees, regardless of the effective date of the subscription, and deferred the balance of the fees for multi-month subscriptions. In July 2003, we began to defer and recognize revenue on a daily basis, based on the effective date of the subscription, and restated prior periods financial statements to reflect that policy.

In previous periods we had capitalized bounty costs, which represented amounts paid to third parties for members acquired on an individual basis through third party Web sites or email campaigns. These costs were being amortized over a three year period, on an accelerated basis. In July 2003, we determined that these costs should be expensed as incurred, and that we should restate the prior years financial statements to conform to U.S. generally accepted accounting principles. The reason for the change was that bounty costs were meant to drive free memberships or registrations and any resulting member was not required to become a paying subscriber. Therefore, those expenses should be recognized immediately, since a conversion from non-paying member to a paying subscriber is not guaranteed. Accordingly, we have restated the consolidated financial statements to expense these costs as incurred.

From 1998 through 2002, we acquired several businesses and assets. At the time of those acquisitions, the fair values of the intangible assets acquired were not properly determined. In 2004, we hired a valuation expert to measure the fair value of such assets at the date of each acquisition. As a result of this process, we determined that certain allocations previously reported were inappropriate.

In addition, we did not properly and timely accrue for some services provided and we identified certain errors in prior years   consolidation process.

Liquidity and Capital Resources

As of June 30, 2005, we had cash, cash equivalents and marketable securities of $8.3 million. We have historically financed our operations with internally generated funds and offerings of equity securities. We have no revolving or term credit facilities.

Net cash provided by operations was $1.3 million for the six months ended June 30, 2005 compared to net cash used of $1.2 million for the same period in 2004. The increase is primarily due to positive net income. In 2004, we had negative operating cash flow due mainly to increased marketing spending, primarily for AmericanSingles, which was designed to boost revenues for that segment. During the second half of 2004, and in the first quarter of 2005, marketing spending on AmericanSingles was reduced in order to reduce the subscriber acquisition cost, and improve the contribution margin (net revenues minus direct marketing costs), and this also resulted in improvement in cash flow from operations. Marketing spending for AmericanSingles was again increased somewhat in the second quarter of 2005, while maintaining a positive contribution margin, but this caused a decline in cash flow from operations compared to the first quarter of 2005.

Net cash used by investing activities was $18,000 for the first six months of 2005 compared to net cash used of $7.4 million for the same period in 2004. The increase was as a result of liquidating marketable securities, as well as a reduction in capital expenditures during the first six months of 2005, partially offset by the purchase of MingleMatch in 2005 and PointMatch in 2004. During the first six months of 2004, net cash used by investing activities included acquisition of businesses, primarily PointMatch of $4.2 million, as well as capital expenditures for property and equipment of $3.6 million, mainly for increased server and internet hosting equipment for our growing Web sites. During the first half of 2005, net cash used by investing activities included $1.8 million for the acquisition of MingleMatch (net of cash acquired), as well as capital expenditures of $1.2 million, primarily for hardware and software for our Web sites. We anticipate that future capital expenditures for equipment and software for our Web site re-architecture will continue to be less than our pace of spending in 2004 as the re-architecture project is primarily focused on software architecture, and which is intended to make use of our existing hardware capacity.

Net cash provided by financing activities was $2.6 million for the first six months of 2005 compared to $13.0 million for the first six months of 2004. In the first six months of 2004, we completed a private placement of 600,000 ordinary shares which resulted in net proceeds to the Company of $3.7 million, as well as the exercise of stock options and warrants. Cash provided by financing activities in 2005 was due almost entirely to the exercise of options and warrants.

The effect of exchange rates on cash and cash equivalents during the first six months ended June 30, 2005, was due to a strengthening of the U.S. dollar against the Israeli shekel.

As discussed in our financial statements, we issued certain securities that may in the future be subject to a rescission offer commenced by US. We do not believe such a rescission offer would affect our ability to obtain financing in the future, due to our belief that a rescission offer would not be accepted by our shareholders or option holders in an amount that would represent a material expenditure by us. This belief is based on the fact that a rescission offer, if made, would result in our offering to repurchase shares at a weighted average price of $2.09 and to repurchase options with a weighted average exercise price of $3.04, while our stock closed at $7.60 per share on June 30, 2005. As of

June 30, 2005, the total number of shares subject to a rescission is 1,829,832 shares, which includes 1,629,832 shares with purchase prices ranging from $0.84 per share to $4.93 per share, including statutory interest, and 200,000 shares with a purchase price of $8.09 per share, including statutory interest, which are held by our former Co-Chairman. As of June 30, 2005, assuming every eligible optionee were to accept a rescission offer, we estimate the total cost to us to complete the rescission for the unexercised options would be approximately $4.0 million, including statutory interest. As of June 30, 2005, the total number of options subject to a rescission is 6,566,678 with a weighted average rescission offer repurchase price of $0.63 per share, including statutory interest. We anticipate conducting a rescission within a reasonable time after the effective date of this registration statement.

We believe that our current cash and cash equivalents, marketable securities and cash flow from operations will be sufficient to meet our anticipated cash needs for working capital, capital expenditures and contractual obligations, including promissory note payments to MingleMatch in respect of that acquisition, for at least the next 12 months. We have had positive operating cash flow for the year to date and anticipate continued positive cash flow from operating activities. This belief is based on our belief stated above that we do not anticipate that a rescission offer will be accepted by our shareholders. Thus, we do not anticipate requiring additional capital; however, if required or desirable, we may raise additional funds through bank financing or through the capital markets by the issuance of debt or equity.

The following table describes our contractual commitments and obligations as of December 31, 2004:

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
			(in thousands)		
Capital leases	$ 173	$	$	$	$ 173
Operating leases	711	674			1,385
Other commitments and obligations	1,217	1,708			2,925
Total contractual obligations	$ 2,101	$ 2,382	$		$ 4,483

Other commitments and obligations is comprised of contracts with software licensing, communications, computer hosting, and marketing service providers. These amounts totaled $817,000 for less than one year and $408,000 between one and three years. Contracts with other service providers are for 30 day terms or less. Also included in Other commitments and obligations are payments owed to Comdisco. In September 2004, the Company issued a promissory note to Comdisco in the amount of $1.7 million as a final settlement for a lawsuit. The note bears simple interest at the rate of 2.75% per year and is payable in installments, excluding accrued interest, on (i) September 15, 2005 in the amount of $400,000; (ii) September 15, 2006 in the amount of $400,000; and (iii) September 15, 2007 in the amount of $900,000.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually, narrow or limited purposes. We do not have any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency forward contracts.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk attributed to changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We historically have not used derivative financial instruments to mitigate such risk. We invest our excess cash in debt instruments of the U.S. Government and its agencies.

Investments in both fixed-rate and floating-rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market values adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. As of December 31, 2004 and 2003 we had investments in short-term mutual funds and long-term government issued debt. We do not believe that a 10% change in interest rates would have a material impact on the fair market value of our investment portfolio due to our ability to liquidate this portfolio on short notice as market circumstances dictate.

Foreign Currency Risk

Our exposure to foreign currency risk is due primarily to our international operations. Revenues and certain expenses related to our international Web sites are denominated in the functional currencies of the local countries they serve. Primary currencies include Israeli shekels, Canadian dollars, British pound sterling and Euros. Our foreign subsidiary in Israel conducts business in their local currency. We translate into U.S. dollars the assets and liabilities using period-end rates of exchange, and revenues and expenses using average rates of exchange for the year. Any weakening of the U.S. dollar against these foreign currencies will result in increased revenue, expenses and translation gains and losses in our consolidated financial statements. Similarly, any strengthening of the U.S. dollar against these currencies will result in decreased revenues, expenses and translation gains and losses. Foreign exchange gains and losses were not material to our earnings for the years ended December 31 2002, 2003 and 2004.

Change in Accountants

On March 23, 2004, upon the authorization of our Board of Directors, we dismissed Stonefield Josephson, Inc. as our U.S. auditors and engaged Ernst & Young LLP as our independent auditors. Chantrey Vellacott DFK resigned as our UK auditors on the same date.

During the years ended December 31, 2003 and 2002, and the subsequent period from January 1, 2004 to March 23, 2004, Stonefield Josephson, Inc. did not have any disagreement with us on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Stonefield Josephson, Inc., would have caused them to make reference to the subject matter of the disagreement in connection with their reports on our financial statements for such years. The reports of Stonefield Josephson, Inc. on financial statements for the years ended December 31, 2002 and 2001 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. We did not consult with Ernst & Young LLP on any financial or accounting reporting matters before its appointment.

Notwithstanding the foregoing, during the course of the preparation of our financial statements for the year ended December 31, 2003, we discovered accounting inaccuracies in previously reported financial statements, including those for the years ended December 31, 2002 and 2001 that were covered by reports issued by Stonefield Josephson, Inc. Difficulties arose from differing views between Ernst & Young LLP and Stonefield Josephson, Inc. regarding the necessity and scope of a restatement of 2002 and 2001 financial statements. Up to that point, we had expected to include Stonefield Josephson, Inc. s reports on those years in a registration statement that MatchNet, Inc. filed on August 4, 2004.

However, we were unable to timely obtain concurrence from Stonefield Josephson, Inc. that restatements were required and the extent of such restatements. As a result, we directed Ernst & Young LLP to reaudit the years ended December 31, 2002 and 2001 and restated our financial statements for these years and for the first three quarters of 2003 to correct inappropriate accounting entries.

The restatements primarily related to the timing of recognition of deferred revenue and the capitalization of bounty costs, which are the amounts paid to online marketers to acquire members. The restatements, which are in accordance with United States generally accepted accounting principles, pertained primarily to timing matters and had no impact on cash flow from operations or our ongoing operations. The impact on net loss for 2002 and 2001 was an increase of $1.0 million and $1.5 million, respectively.

Sarbanes-Oxley Compliance and Corporate Governance

As a public company, we will be subject to the reporting requirement of the Sarbanes-Oxley Act of 2002. Beginning December 31, 2006, we will be required to establish and regularly evaluate the effectiveness of internal controls over financial reporting. In order to maintain and improve the effectiveness of disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. We also must comply with all corporate governance requirements of the American Stock Exchange, including independence of our audit committee and independence of the majority of our Board of Directors.

We plan to timely satisfy all requirements of the Sarbanes-Oxley Act and the American Stock Exchange applicable to us. We have taken, and will continue to take, actions designed to enhance our disclosure controls and procedures. We expect to adopt a Code of Business Conduct and Ethics that will be applicable to all of our directors, officers and employees. We will establish a confidential and anonymous reporting process for the receipt of concerns regarding questionable accounting, auditing, or other business matters from our employees. We intend for our General Counsel to assist us in the continued enhancement of our disclosure controls and procedures. In addition, we intend to put additional personnel and systems in place which we expect will provide us the necessary resources to be able to timely file the required periodic reports with the Commission as a publicly traded company. We intend for our Chief Financial Officer, Controller and other financial personnel to lead our existing staff in the performance of the required accounting and reporting functions. In addition, we plan to install a new accounting system and implement additional controls and procedures designed to improve our financial reporting capabilities and improve reporting efficiencies.

On an ongoing basis we intend to conduct a controls evaluation to identify control deficiencies and to confirm that appropriate corrective action, including process improvements, are being undertaken. We expect to conduct this type of evaluation on a quarterly basis so that the conclusions concerning the effectiveness of our controls can be reported in our periodic reports. The overall goals of these various evaluation activities will be to monitor our internal controls for financial reporting and our disclosure controls and procedures and to make modifications as necessary. Our intent in this regard is that our internal controls for financial reporting and our disclosure controls and procedures will be maintained as dynamic systems that change, including with improvements and corrections, as conditions warrant.

Our ability to enhance our disclosure controls and procedures, to conduct controls evaluations and to modify controls and procedures on an ongoing basis may be limited by the current state of our staffing, accounting system and internal controls since any enhancements and modifications may require additional staffing and improved systems and controls. You should refer to the discussion under Risk Factors If we fail to develop or maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the value of our depositary shares.

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Recent Accounting Developments

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)), a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) requires a company to recognize compensation expense based on the fair value at the date of grant for stock options and other stock-based compensation, eliminating the use of the intrinsic value method.

SFAS No. 123(R) is effective for public companies for interim or annual reporting periods beginning after June 15, 2005. On April 14, 2005 the Securities and Exchange Commission issued press release 2005-57 which amends SFAS No. 123(R) by requiring that public companies adopt 123(R) at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005 or December 15, 2005. We are not eligible to postpone the implementation of SFAS 123(R) since we are not a SEC public company and must report according to Frankfurt Stock Exchange reporting standards which require that the company report using generally accepted accounting principles as prescribed by FASB. As such, we have adopted SFAS 123(R) as of July 1, 2005 using the modified prospective transition method.

Since we will be required to expense the fair value of share options rather than disclosing the pro forma effects on the results of operations within our footnotes, our reported earnings per share will decrease, which could negatively impact our future share price. In addition, this could impact our ability to utilize broad based employee share plans to reward employees.

BUSINESS

Throughout this prospectus, we refer to Spark Networks plc (known as MatchNet plc until January 10, 2005), an English company, and our subsidiaries as we, us, our, our company, Spark Networks and MatchNet unless ot indicated. Spark Networks, MatchNet, JDate, AmericanSingles and MingleMatch are our trademarks. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

Our Business

We are a leading provider of online personals services in the United States and internationally. Our Web sites enable adults to meet online and participate in a community, become friends, date, form a long-term relationship or marry. We provide this opportunity through the many features on our Web sites, such as detailed profiles, onsite email centers, real-time chat rooms and instant messaging services. According to comScore Media Metrix, we averaged approximately 3.6 million total unique visitors per month to our Web sites in the United States during the first six months of 2005, which ranked us as the third largest provider of online personals services in the United States in terms of total unique visitors. comScore Media Metrix defines total unique visitors as the estimated number of different individuals (in thousands) that visited any content of a Web site, a category, a channel, or an application during the reporting period. The number of total unique visitors to our Web sites as measured by comScore Media Metrix does not correspond to the number of members we have in any given period. Currently, our key Web sites are JDate.com and AmericanSingles.com. We operate several international Web sites and maintain operations in both the United States and Israel. Information regarding the geographical source of our revenues can be found in Note 12 to our Consolidated Financial Statements included in this prospectus. Membership on our sites is free and allows a registered user to post a personal profile and to access our searchable database of member profiles and our 24 hours a day, 7 days a week customer service. The ability to initiate most communication with other members requires the payment of a monthly subscription fee, which represents our primary source of revenue. We also offer discounted subscription rates for members who subscribe for three-, six-and twelve-month periods. Our subscription programs renew automatically for subsequent one-month periods until paying subscribers terminate them.

For the six month period ended June 30, 2005, we had approximately 219,200 average paying subscribers, representing an increase of 0.6% from the same period in 2004. Our JDate and AmericanSingles segments had approximately 69,300 and 115,300 average paying subscribers for the six months ended June 30, 2005, a decrease of 2.7% and 11.2%, respectively, compared to the same period in 2004.

Our Industry

Overview

We believe that online personals fulfill significant needs for America s single adults who are looking to meet a companion or date. Traditional methods such as printed personals advertisements, offline dating services and public gathering places often do not meet the needs of time-constrained single people. Printed personals advertisements offer individuals limited personal information and interaction before meeting. Offline dating services are time-consuming, expensive and offer a smaller number of potential partners. Public gathering places such as restaurants, bars and social venues provide a limited ability to learn about others prior to an in-person meeting. In contrast, online personals services facilitate interaction between singles by allowing them to screen and communicate with a large number of potential companions. With features such as detailed personal profiles, email and instant messaging, this medium allows users to communicate with other singles at their convenience and affords them the ability to meet multiple people in a safe and secure online setting.

Our Competitive Strengths

Strength of JDate Brand. We believe that JDate and its strong brand recognition in the Jewish community is a valuable asset. A report by comScore Media Metrix for the first nine months of 2005 indicated that JDate.com experienced more average daily visitors and more page views than any other religious online personals service. We believe the strength of the JDate brand will continue to allow us to market to the Jewish community profitably while maintaining a high penetration rate. Because of the strength of the JDate brand, we are not required to spend as much on marketing JDate as we are our other Web sites, and other personals Web sites in the industry.

Web Site Functionality. We continually evaluate the functionality of our Web sites to improve our members online personals experience. Many of the features that we offer, such as onsite emails, real-time chat rooms and instant messaging, increase the probability of communication between our members, which we believe increases the number and percentage of members who become paying subscribers. We believe this functionality drives return visits to our Web sites and helps retain paying subscribers who might otherwise consider switching to our competitors Web sites.

Customer Service Focus. We believe that our customer service offers a competitive advantage and differentiates us from our major competitors. Our multi-lingual call center is staffed 24 hours a day, 7 days a week with customer service consultants. These consultants help members with such matters as completing personal profiles and choosing photos for their profiles, as well as answering questions about billing and technical issues. We believe that the quality of our customer service increases member satisfaction, which improves the number and percentage of members that become and remain paying subscribers.

Our Online Personals Services

Our online personals services offer single adults a convenient and secure setting for meeting other singles. Visitors to our Web sites are encouraged to become registered members by posting profiles. Posting a profile is a process where visitors are asked various questions about themselves, including information such as their tastes in food, hobbies and desired attributes of potential partners. Members are also urged to post photos, since this is likely to improve their chances of making successful contact with other members. Members can perform detailed searches of other profiles and save their preferences, and their profiles can be viewed by other members. In most cases, in order for a member to initiate email and instant message communication with others, that member must purchase a subscription. A subscription affords access to the paying subscribers on-site email and instant messaging systems, enabling such subscribers to communicate with other members and paying subscribers. Our subscription fees are charged on a monthly basis, with discounts for longer-term subscriptions ranging from three to twelve months.

Our Web Sites. We believe we are a unique company in the online personals industry because, in addition to servicing mass markets, we operate Web sites targeted at selected vertical affinity markets. We currently offer Web sites in English, German and Hebrew. Our key Web sites are as follows:

JDate.com. JDate was our first Web site and is dedicated to the Jewish community and culture, and those who are seeking to be part of it. A report by comScore Media Metrix for the first nine months of 2005 indicated that JDate.com experienced more average daily visitors and more page views than any other religious online personals service. JDate members are primarily concentrated in the New York, Los Angeles, Miami and Chicago metropolitan areas. The current fee for a one-month subscription on JDate is $34.95.

AmericanSingles.com. AmericanSingles is our mainstream U.S. online personals community, targeted at an audience of singles between the ages of 25 and 49. The Web site caters to singles of all races, ethnicities and interests. AmericanSingles members are primarily concentrated in major metropolitan areas across the United States. The current fee for a one-month subscription on AmericanSingles is $29.85.

Other Web sites.

Web site	Target markets
AdventistSinglesConnection.com*	Adventist singles
AsianSinglesConnection.com*	Asian singles
BBWPersonalsPlus.com*	Big beautiful women and admirers
BlackSinglesConnection.com*	African American singles
CanadianPersonals.net*	Canadian singles
CatholicMingle.com*	Catholic singles
ChristianMingle.com*	Christian singles
CollegeLuv.com	College singles
Cupid.co.il	Jewish singles (Israel only)
Date.ca	Canadian singles
DeafSinglesConnection.com*	Deaf singles
FaceLink.com	Individuals wishing to share photographs
Glimpse.com	Gay, lesbian and transgender singles
GreekSinglesConnection.com*	Greek singles
IndianMatrimonialNetwork.com*	Indian singles
InterracialSingles.net*	Interracial singles
ItalianSinglesConnection.com*	Italian singles
JDate.co.il	Jewish singles (Israel only)
JewishMingle.com*	Jewish singles
LatinSinglesConnection.com*	Latin singles
LDSMingle.com*	Mormon singles
MatchNet.co.uk	UK singles
MatchNet.com.au	Australian singles
MatchNet.de	German singles
MilitarySinglesConnection.com*	Military singles
PrimeSingles.net*	Mature singles
SilverSingles.com	Aging baby boomers
SingleParentsMingle.com*	Single parents
UKSinglesConnection.com*	UK singles

* Acquired through our acquisition of MingleMatch, Inc.

Web Site Features. We strive to offer traditional as well as new and different ways for our members to communicate. Examples of ways our members and paying subscribers can communicate include:

On-site Email. We provide all paying subscribers with private message centers, dedicated exclusively to communications with other paying subscribers. These personal on-site email boxes offer features such as customizable folders for storing correspondence, the ability to know when sent messages were read, as well as block and ignore functions, which afford a paying subscriber the ability to control future messages from specific paying subscribers.

Hot Lists and Favorites. Among the most popular features on our Web sites, Hot Lists enable paying subscribers to see who s interested in them and to save those favorite members that they are interested in. Lists include (1) who has viewed your profile, (2) your favorites and (3) who has emailed you. Paying subscribers can group their favorites into customized folders and add their own notes, including details included in a member s profile.

Real-time Chat Rooms. Paying subscribers can utilize our exclusive chat rooms to mix and mingle in real-time, building a sense of community through group discussions.

Additional features enable users to add customized graphics such as emoticons to their conversations.

Ice Breakers. Members can send pre-packaged opening remarks, referred to on the Web sites as flirts and teases, to other members or paying subscribers.

Click!. Our patented *Click!* feature connects members who think they would be compatible with each other. A member simply clicks yes, no or maybe in another member s profile. When two members clic yes in each other s profiles, our patented feature sends an email to both of them alerting them of a possible match.

Travel and Events. As a complement to our online services, we offer travel and other promotional events which allow individuals to meet in a more personal environment. Our travel and events are typically cruises, dinners or other mixer events designed to facilitate social interaction. Less than 2% of our revenues for the six months ended June 30, 2005 were generated from travel and events.

Business Strategy

We intend to grow our subscription-based revenue by driving additional traffic to our Web sites, through integrated and targeted marketing geographic expansion and cross-promotion into vertical affinity markets such as those acquired in the MingleMatch, Inc. acquisition. In addition, by providing strong customer service and improved features and functionality on our Web sites, we intend to provide more reasons for visitors to our Web sites to become subscribers.

Drive Traffic. We believe there are significant opportunities to drive additional traffic to our Web sites and identify new markets, where we can leverage our existing infrastructure to increase subscriptions.

Integrated and targeted marketing. We believe that targeting potential members with consistent and compelling marketing messages, delivered through a broad mix of marketing channels, will be effective in driving more traffic and a higher percentage of relationship-oriented singles to our Web sites. We intend to use a variety of channels to build our brand and increase our base of subscribers including online and offline advertising customer relationship management tools, public relations, promotional alliances and special events.

Geographic expansion. We plan to expand into new geographic markets where we can introduce one or more of our existing products in multiple languages. We believe that our recently introduced multi-currency payment system will aid the growth in our international subscriber base.

Cross-Promote Into Vertical Affinity Markets. Our large base of members provides us with a significant amount of consumer data to evaluate cross-promotion opportunities for growth into vertical affinity markets such as those acquired in the MingleMatch acquisition. We are able to analyze different groups of members by key metrics such as total potential subscribers and average revenue per paying subscriber and identify those targeted groups that may prefer a service dedicated to their particular affinity groups. We intend to target and cross-promote into vertical affinity markets that we believe are receptive to paid online personals and are large enough to attain a critical mass of members and paying subscribers.

Increase Subscription Rates. We had approximately 219,200 average paying subscribers for the six months ended June 30, 2005. We believe that a significant growth opportunity lies in our ability to increase the number of visitors to our Web sites who become paying subscribers.

Improved technology. We believe that the more successful members are in finding matches in our database, the more likely they are to want to communicate with those members. To initiate email and instant message communication, members must become paying subscribers. We intend to continue to enhance our technology and the quality and relevance of our search results to provide fast, relevant suggestions.

Leveraging strong customer service. Each time a member or potential member contacts our customer service center by email or phone, he or she represents a potential new paying subscriber to our services. By training our customer service representatives on upselling opportunities, we believe they will continue to be successful in selling and building loyalty to our subscription-based services.

Improved member communications. We believe that enhanced member communications is a key component to growing our business. We continue to focus on improving and enhancing our Web site functionality and features to encourage communications between members. Most of these communications require that members become paying subscribers. We will also continue to inform members of new features and functions with the goal of increasing the number of visitors to our Web sites who become paying subscribers.

Customer Service

Our customer support and service function operates 24 hours a day, 7 days a week. As of June 30, 2005, we employed 43 customer service representatives at our Beverly Hills, California facility, 15 representatives in Provo, Utah and 13 customer service representatives at our Israeli facility who serve our Hebrew-speaking members. Our team of customer service representatives helps members with matters such as completing personal essays and choosing photos for their profiles, as well as answering questions about billing and technical issues. Customer service representatives receive ongoing training in an effort to better personalize the experience for members and paying subscribers that call in and to capitalize on upselling opportunities. On average, our customer service center receives approximately 1,500 phone calls and 5,000 emails per day, and our average wait time for phone calls and response time for emails are approximately three minutes and four hours, respectively.

Marketing

We engage in a variety of marketing activities intended to drive consumer traffic to our Web sites and to allow us the opportunity to introduce our products and services to prospective members. Our marketing efforts are principally focused online, where we employ a combination of banner and other display advertising on Web portals and other specialized sites. We also rely on commercial search listings and direct email campaigns to attract potential members and paying subscribers, and utilize a network of online affiliates, through which we acquire traffic. None of these affiliates individually represent a material portion of our revenue. These affiliate arrangements are easily cancelable, often with only one day notice. Typically, we do not have any exclusivity arrangement with our affiliates, and some of our affiliates may also be affiliates for our competitors.

In addition to our current online marketing efforts, we supplement our online marketing by employing a variety of offline marketing activities. These include print and outdoor advertising, public relations, event sponsorship and promotional alliances. We believe that a more targeted marketing message, delivered through an array of available marketing channels, will improve consumer awareness of our brands, drive more traffic to our Web sites and, therefore, increase the numbers of our members and paying subscribers. We have embarked in increases in marketing spending for JDate, primarily in the area of offline marketing. Such marketing initiatives are targeted at brand building and name recognition. The JDate marketing programs most prominently include print and billboard advertising.

Technology

Our software development team consisted of 34 employees as of June 30, 2005, who are focused on expanding and improving the features and functionality of our Web sites. Since feature and functionality development is an important element of our strategy, we plan to expand that team. In addition to our development team, an additional 30 technology employees maintain our software and hardware infrastructure.

Our network infrastructure and operations are designed to deliver high levels of availability, performance, security and scalability in a cost-effective manner. The majority of our software architecture is based on standard modular Microsoft technology, and is designed for maximum flexibility and scalability, which we believe facilitates the addition of new Web sites and features.

We are in the process of completing a re-architecture of our primary system based on distributed Service Oriented Architecture principles and built using the Microsoft.Net platform. This re-architecture includes changes to our server and network configurations, database schemas and deployment, web presentation methodologies and introduces a variety of new application services. We believe that this new architecture will enable us to more rapidly develop new capabilities and enhance our ability to scale our Web sites.

Our primary email system runs on dedicated appliances with each server capable of sending approximately 2 million messages per hour. In addition to our email servers, we operate other Web and database servers, which are co-located at a data center facility in El Segundo, California that is operated by a third party. We plan to increase redundant hardware and software systems supporting our services within the next nine months.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our brands. We also enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third parties.

Spark Networks, JDate, AmericanSingles and MatchNet are some of our trademarks, whether registered or not, in the United States and several other countries. AmericanSingles, MatchNet, and JDate are registered trademarks in the United States. MatchNet and JDate are also registered trademarks in the EU and Australia and JDate is also a registered trademark in Israel and Canada. We have filed trademark applications for Spark Networks in the United States and EU. Our rights to these registered trademarks are perpetual as long as we use them and renew them periodically. We also have a number of other registered and unregistered trademarks. In addition, we hold a United States patent to *Click!*, which lasts until January 24, 2017, that pertains to an automated process for confidentially determining whether people feel mutual attraction or have mutual interests. *Click!* is important to our business in that it is a method and apparatus for detection of reciprocal interests or feelings and subsequent notification of such results. The patent describes the method and apparatus for the identification of a person s level of attraction and the subsequent notification when the feeling or attraction is mutual.

Competition

We operate in a highly competitive environment with minimal barriers to entry. We believe that the primary competitive factors in creating a community on the Internet are functionality, brand recognition, critical mass of members, member affinity and loyalty, ease-of-use, quality of service and reliability. We compete with a number of large and small companies, including vertically integrated Internet portals and specialty-focused media companies that provide online and offline products and services to the markets we serve. Our principal online personals services competitors include Yahoo! Personals, Match.com, a wholly-owned subsidiary of InterActiveCorp., and eHarmony, all of which operate primarily in North America. In addition, we face competition from social networking Web sites such as MySpace and Friendster. There are also numerous other companies offering online personals services that compete with us, but are smaller than we are in terms of paying subscribers and annual revenue generation.

Employees

As of June 30, 2005, we had 202 full-time employees. We are not subject to any collective bargaining agreements and we believe that our relationship with our employees is good.

Facilities

We do not own any real property. Our headquarters are located in Beverly Hills, California, where we occupy approximately 26,500 square feet of office space that houses our technology department, customer service operations, and most of our corporate and administrative personnel. This lease expires on July 31, 2006. Our monthly base rent for this facility is $53,850 per month. We also lease office space in Provo, Utah; Cupertino, California; Israel; England and Germany. We believe that our facilities are adequate for our current needs and suitable additional or substitute space will be available in the future to replace our existing facilities, if necessary, or accommodate expansion of our operations.

Legal Proceedings

Three separate yet similar class action complaints have been filed against us. On June 21, 2002, Tatyana Fertelmeyster filed an Illinois class action complaint against us in the Circuit Court of Cook County, Illinois, based on an alleged violation of the Illinois Dating Referral Services Act. On September 12, 2002, Lili Grossman filed a New York class action complaint against us in the Supreme Court in the State of New York based on alleged violations of the New York Dating Services Act and the Consumer Fraud Act. On November 14, 2003, Jason Adelman filed a nationwide class action complaint against us in the Los Angeles County Superior Court based on an alleged violation of California Civil Code section 1694 et seq., which regulates businesses that provide dating services. In each of these cases, the complaint included allegations that we are a dating service as defined by the applicable statutes and, as an alleged dating service, we are required to provide language in our contracts that allows (i) members to rescind their contracts within three days, (ii) reimbursement of a portion of the contract price if the member dies during the term of the contract and/or (iii) members to cancel their contracts in the event of disability or relocation. Causes of action include breach of applicable state and/or federal laws, fraudulent and deceptive business practices, breach of contract and unjust enrichment. The plaintiffs are seeking remedies including declaratory relief, restitution, actual damages although not quantified, treble damages and/or punitive damages, and attorney s fees and costs.

Huebner v. InterActiveCorp., Superior Court of the State of California, County of Los Angeles, Case No. BC 305875 involves a similar action, involving the same plaintiff s counsel as *Adelman,* brought against InterActiveCorp s Match.com that has been ruled related to *Adelman,* but the two cases have not been consolidated. We have not been named a defendant in the *Huebner* case. *Adelman* and

Huebner each seek to certify a nationwide class action based on their complaints. Because the cases are class actions, they have been assigned to the Los Angeles Superior Court Complex Litigation Program. The court has ordered a bifurcation of the liability issue. At an August 15, 2005 Status Conference, the court set the bifurcated trial on the issue of liability for March 27, 2006.

On March 25, 2005, the court in *Fertelmeyster* entered its Memorandum Opinion and Order (Memorandum Opinion) granting summary judgment in our favor on the grounds that Fertelmeyster lacks standing to seek injunctive relief or restitutionary relief under the Illinois Dating Services Act, Fertelmeyster did not suffer any actual damages, and we were not unjustly enriched as a result of our contract with Fertelmeyster. The Memorandum Opinion disposes of all matters in controversy in the litigation and also provides that we are subject to the Illinois Dating Services Act and, as such, our subscription agreements violate the act and are void and unenforceable. This ruling may subject us to potential liability for claims brought by the Illinois Attorney General or customers that have been injured by our violation of the statute. Fertelmeyster filed a Motion for Reconsideration of the Memorandum Opinion and, on August 26, 2005, the court issued its opinion denying Fertelmeyster s Motion for Reconsideration. In the opinion, the court, among other things: (i) decertified the class, eliminating the last remnant of the litigation; (ii) rejected each of the plaintiff s arguments based on the arguments and law that we provided in our opposition; (iii) stated that the court would not judicially amend the Illinois statute to provide for restitution when the legislature selected damages as the sole remedy; (iv) noted that the cases cited by plaintiff in connection with plaintiff s Motion for Reconsideration actually support the court s prior order granting summary judgment in our favor; and (v) denied plaintiff s Motion for Reconsideration in its entirety.

In December 2002, the Supreme Court of New York dismissed the case brought by Ms. Grossman. Although the plaintiff appealed the decision, in October 2004, the New York Supreme Court, Appellate Division upheld the lower court s dismissal. In addition, two Justices wrote concurring opinions stating their opinion that our services were not covered under the New York Dating Services Act.

A lawsuit has been filed against us in the United States District Court for the Central District of California by Datingcity, Ltd, Case No. CV05-4463 SJO (SSx). The Complaint alleges causes of action for (1) Breach of Contract, (2) Unjust Enrichment, (3) Promissory Estoppel, and (4) Accounting. Datingcity alleges that it entered into a contract with us for the sale of a database owned by Datingcity. Datingcity further alleges that we did not pay Datingcity the agreed upon price for the purchase of the database. We contend that the contract at issue was signed in error, Datingcity misrepresented the quality of its database, and the information contained in the database was virtually useless and without value. Accordingly, on July 15, 2005, we filed an Answer and Counterclaim against Datingcity alleging claims for (1) Rescission based on Unilateral Mistake, (2) Rescission based on Mutual Mistake, (3) Rescission based on Failure of Consideration, (4) Rescission based on Fraud in the Inducement, (5) Fraud, (6) Negligent Misrepresentation, and (7) Declaratory Relief. We plan to file a motion to require Datingcity to post a bond that provides security for obligations of Datingcity in connection with the pending litigation under the Code of Civil Procedure (Motion for Security). The Motion for Security will be based, in substantial part, on the relative merits of the respective claims of Datingcity and us. At this time, it is not possible to predict with any certainty the outcome of the Motion for Security. At a status conference that was held on August 22, 2005, the court scheduled this matter for a jury trial on April 25, 2006.

On July 21, 2005, Leonard Kristal (Kristal) and MatchPower Ltd. (MatchPower) filed an action in the Los Angeles County Superior Court, Civil Action No. SC086367, entitled LEONDARD KRISTAL, and MATCHPOWER, LTD., Plaintiffs, v. MATCHNET, PLC; SPARK NETWORKS, PLC, and DOES 1 through 25, inclusive, Defendants (the Kristal/MatchPower Action). In their complaint, Kristal and MatchPower assert claims for a breach of contract, wrongful termination in violation of public policy, and solicitation of employee by misrepresentation. MatchPower alleges that it entered into an agreement with us to pay MatchPower the sum of $15,000 per month from March 30, 2004 through April 2005 and that we now owe MatchPower the sum of $90,000 under the agreement. We have filed a Motion to Dismiss and/or for Forum Non Conveniens under the MatchPower agreement, which provides that the exclusive jurisdiction for disputes is the English courts, in order to require that MatchPower litigate its claims, if any, in England. Kristal alleges that (i) we entered into an employment agreement pursuant to which Kristal was employed on a part-time basis at the rate of $10,000 per month through April 2005, (ii) the employment agreement was amended in July 2004 to increase Kristal s monthly salary to $15,000 per month, (iii) Kristal was required to move and establish residency in Los Angeles and (iv) the employment agreement was terminated on December 22, 2004. Kristal alleges that we owe him $85,000 under the agreement, plus a waiting time penalty of $15,000. Kristal also alleges that, in August 2004, we orally promised Kristal the right to purchase at least 110,000 shares of the our stock at a purchase price of $2.50 and that he was terminated because he made a written complaint that he had not been paid according to his contract and as a result, his termination was a retaliatory termination in violation of public policy. Kristal claims that he is entitled to recover damages for pain and suffering and emotional distress and punitive damages based on his retaliatory termination. In addition, Kristal claims that he was induced to move to Los Angeles for the purpose of accepting employment from us in Los Angeles and that we promised Kristal employment at least through April 2005, together with wages for employment at the rate of $15,000 per month. According to Kristal, we misrepresented to Kristal the length of his employment and the compensation therefore, and as a result, he claims he is entitled to double damages caused by misrepresentations allegedly made by us to Kristal pursuant to California Labor Code § 972. At this early stage of the Kristal/MatchPower Action, no motions have been filed or heard and no discovery has yet been taken.

We intend to defend vigorously against each of the lawsuits, however, no assurance can be given that these matters will be resolved in our favor.

We have additional existing legal claims and may encounter future legal claims in the normal course of business. We believe that the resolution of the existing legal claims are not expected to have a material impact on our financial position or results of operations. We believe the Company has accrued appropriate amounts where necessary in connection with the above litigation.

MANAGEMENT

Executive Officers and Directors

As of October 19, 2005, our executive officers and directors are set forth below.

Name	Age	Position
David E. Siminoff	41	President, Chief Executive Officer and Director
Joe Y. Shapira	51	Executive Chairman of the Board
Michael Brown	39	Director
Martial Chaillet	58	Director
Benjamin Derhy	51	Director
Laura Lauder	44	Director
Scott Shleifer	27	Director
Gregory R. Liberman	33	Chief Operating Officer, General Counsel and Company Secretary
Philip Nelson	41	Chief Technology Officer
Mark Thompson	44	Chief Financial Officer

David E. Siminoff has served as our President and Chief Executive Officer since August 2004 and as a member of our Board of Directors since March 2004. From October 2003 to February 2004, Mr. Siminoff was Chief Financial Officer of PayByTouch, a company that produces biometric payment services and during interim periods of employment, Mr. Siminoff was a private investor of several start-up companies. From August 1994 to January 2003, Mr. Siminoff served as a Research Analyst and Portfolio Manager for Capital Research and Management Company, where he dealt primarily with Media and Internet technologies. In 1998 he was named Best of the Buyside by Institutional Investor Magazine. Prior to his work with Capital Research, Mr. Siminoff founded EastNet, a global syndicate barter company. Mr. Siminoff received both BA and MBA degrees from Stanford University and a Masters degree in Fine Arts from the University of Southern California film school.

Joe Y. Shapira has served as our Executive Chairman of the Board of Directors since February 2005. From February 2004 to February 2005, Mr. Shapira served as our Executive Co-Chairman of the Board of Directors. From our inception in September 1998 to February 2004, Mr. Shapira served as Chief Executive Officer and Chairman of the Board. He was a co-founder and director of NetCorp, the original developer and owner of JDate. In 1995, Mr. Shapira developed a concept for dating over the Internet and oversaw the software development, design and implementation of the business model of JDate.com. Previously, from 1991 until 1994, Mr. Shapira co-founded and served as a director and officer of Matrix Video Duplication Corporation, a publicly listed company on the Tel Aviv Stock Exchange. From 1987 until 1991, Mr. Shapira co-founded and served as a director and officer of Video Tape Industries, Inc. From 1983 to 1987, Mr. Shapira was a principal in Sha-Rub Investment Co., a Southern California real estate development company. Mr. Shapira graduated from the Ort Singlavosky Institution of Technology in Tel Aviv, Israel in 1972.

Michael A. Brown has served as a member of our Board of Directors since December 2004. Since September 2002, Mr. Brown has been a managing partner at government and public affairs consulting firm Alcalde & Fay, based in Washington, D.C. At Alcalde & Fay, Mr. Brown is focused on international trade, foreign relations, federal and state representation and public policy. In addition to serving on the Board of Directors of Spark Networks, Mr. Brown serves on the Board of Directors of Comcast of Washington, DC. From June 1996 to September 2002, he practiced law at Washington-based Patton Boggs LLP, where he concentrated on a range of municipal issues. Mr. Brown has twice been appointed as a member to the U.S. Presidential Delegations to Africa and serves as the president of the Ronald H. Brown Foundation, which seeks to carry on the work of Mr. Brown s father, who was U.S. Secretary of Commerce under former President Bill Clinton. Mr. Brown earned a BA degree from Clark University and a JD from Widener University School of Law.

Martial Chaillet has served as a member of our Board of Directors since February 2005. Mr. Chaillet founded MediaWin & Partners in January 2003. MediaWin is a private investment firm that focuses primarily on investments in media and media-related companies. Prior to founding MediaWin, Mr. Chaillet served in a variety of roles at The Capital Group for thirty years, most recently as Senior Vice President and Global Portfolio Manager of Capital Research and Management, the mutual fund arm of the financial institution. In addition to serving on our Board of Directors, Mr. Chaillet sits on the Boards of Directors of Infosearch, Wisekey, Snap TV and Media Partners. Mr. Chaillet earned a degree in Econometrics from the University of Geneva and graduated, with honors, from the Swiss Technical School.

Benjamin Derhy has served as a member of our Board of Directors since October 2004. Over the last five years, Mr. Derhy has not held any employment positions but has been a private investor and entrepreneur, focusing on Internet, consumer products and real estate sectors as well as start-up companies in Europe and Israel. His experience also includes working with American companies and their expansion internationally. In 1984, Mr. Derhy co-founded Turbo Sportswear, a successful clothing manufacturer, and was employed there until 1997. Previously, he was controller at the Hebrew University in Jerusalem, responsible for annual budgets, financial planning and cost accounting. Mr. Derhy holds both BA and MBA degrees from the Hebrew University.

Laura Lauder has served as a member of our Board of Directors since January 2005. Mrs. Lauder has served as a General Partner at Lauder Partners, a Silicon Valley-based venture capital fund, for the past ten years. At Lauder Partners, Mrs. Lauder focuses primarily on Internet and cable-related investments. In addition to her work at Lauder Partners, Mrs. Lauder is involved in a variety of philanthropic initiatives, particularly in the Jewish community. In the past, she has served on the boards of numerous organizations, including the San Francisco Jewish Community Federation and its Endowment Committee, the Jewish Education Service of North America, the Jewish Funders Network, American Jewish World Service and the National Public Radio Foundation. In 2004, Mrs. Lauder was named one of 10 Women to Watch by *Jewish Woman* magazine. Mrs. Lauder earned a BA in International Relations from the University of North Carolina Chapel Hill and the Universidad de Sevilla, Spain.

Scott L. Shleifer has served as a member of our Board of Directors since December 2004. Mr. Shleifer joined Tiger Technology Management, L.L.C. in July 2002. Tiger Technology is an equity investment firm currently managing approximately $1 billion. Mr. Shleifer is a Managing Director focusing primarily on investments in the Internet, for-profit education, and business services sectors. In addition to serving on the Board of Directors of Spark Networks, Mr. Shleifer sits on the Board of Directors of PRC.EDU, an online, for-profit education company in China. Prior to joining Tiger Technology, Mr. Shleifer was a private equity investor at The Blackstone Group from July 1999 to June 2002. He received a BS in Economics from the Wharton School at the University of Pennsylvania, where he graduated magna cum laude.

Gregory R. Liberman was appointed Chief Operating Officer in September 2005 and has served as our General Counsel since October 2004 and Company Secretary since January 2005. From January 2004 to May 2004 Mr. Liberman served as General Counsel and Corporate Secretary of CytRx Corporation, a publicly-traded biotechnology company based in Los Angeles. During his tenure there, Mr. Liberman oversaw legal affairs, policy and strategy for the company. From January 2002 to December 2003, Mr. Liberman served as an independent strategic consultant. Immediately prior to that consulting work, from September 2001 to November 2001, he attended and completed the Program for Management Development at Harvard Business School. From March 1999 to August 2001, Mr. Liberman served in a variety of senior legal and corporate development roles at telecommunications firm Global Crossing and Internet infrastructure providers GlobalCenter (then, a subsidiary of Global Crossing) and Exodus Communications. Mr. Liberman joined Exodus, where he ultimately served as Vice President, Legal & Corporate Affairs, after Global Crossing s sale of GlobalCenter to Exodus. Immediately prior to Exodus acquisition of GlobalCenter, Mr. Liberman served as GlobalCenter s Vice President, Corporate Development and Associate General Counsel. While at Global Crossing, Mr. Liberman served as Director, Business Development Counsel. Mr. Liberman earned a JD, with Honors, from The Law School at the University of Chicago and an AB, with University Distinction and Honors in Economics, from Stanford University.

Philip Nelson has served as our Chief Technology Officer since October 2004. Previously, Mr. Nelson was Entrepreneur in Residence at Accel Partners, a Silicon Valley venture capital firm from June 2003 to October 2004. In May 2001, Mr. Nelson founded and became the CEO of Anteros, which offers innovative integration technology to connect personal productivity tools to enterprise applications. From January 1998 to May 2001 he was technical co-founder of Impresse Corp, a provider of hosted marketing collaboration and spend management solutions. At Impresse, he served in a technical and customer facing role. Earlier in his career, Mr. Nelson held a role similar to the one at Impresse with Verity, corp. He was also a software engineer with Advanced Decision Systems, and won awards for his work at Harvard Medical School improving the design of artificial hip and knee implants. Mr. Nelson holds an SB from MIT in computer science.

Mark Thompson has served as our Chief Financial Officer since October 2004. He brings 16 years of financial management and capital markets experience to his current role. From December 2002 to October 2003 and from February 2004 to September 2004 Mr. Thompson served as CFO of Pay By Touch, the leading provider of biometric payment authentication and payment processing services. From October 2003 to February 2004 Mr. Thompson was Vice President Finance of Pay By Touch. From August 2001 to October 2002 Mr. Thompson was CFO of Vectiv and from July 1999 to July 2001 he was CFO of MarketTools, a provider of online marketing research. Previously, he was Corporate Treasurer of PeopleSoft and Assistant Treasurer of Chiron. Mr. Thompson also held senior positions in finance and engineering at Chevron. He holds a BS degree in electrical engineering from Texas A&M University and an MBA from The Haas School of Business at The University of California at Berkeley.

There are no family relationships among any of our executive officers or directors.

Compensation of Directors

We pay non-employee directors an annual compensation of $30,000 for their services, except Scott Shleifer who does not receive compensation as a director. In addition, non-employee directors receive a fee of $1,000 for each board and committee meeting attended in person and $500 for each such meeting attended by phone. Non-employee directors are also reimbursed for reasonable costs and expenses that are approved and incurred in the performance of their duties. Officers of our company who are members of the Board of Directors are not paid any directors fees. Directors are eligible to receive, from time to time, grants of options to purchase shares under our 2004 Share Option Scheme as determined by the Board of Directors. In 2004, we granted options to purchase 80,000 ordinary shares, which vest over a four-year period, to Michael Brown and Benjamin Derhy, and in February 2005 we made a similar grant of options to purchase 80,000 ordinary shares to Laura Lauder and Martial Chaillet.

Election of Directors

Our Articles of Association provide that all directors appointed by the Board since the last annual general meeting are subject to election by shareholders at the first annual general meeting following their appointment. Our Articles of Association also provide that the re-election of our Board of Directors shall be performed through a retirement by rotation system. At each annual general meeting one-third, or the number nearest to but not exceeding one-third, of our Board of Directors shall retire from office by rotation. Any retiring director shall be eligible for re-election. Our directors who retire by rotation include (1) any director who wishes to retire and not to offer himself for re-election and (2) any further directors who retire by rotation are those who have been longest in office since their last election or re-election. Where two or more persons became or were re-elected as directors on the same day, those to retire, unless they otherwise agree among themselves, are determined by lot.

Board Committees

Audit Committee. The audit committee consists of Martial Chaillet, Michael Brown and Benjamin Derhy, each of whom are independent directors. Mr. Chaillet, Chairman of the audit committee, is an audit committee financial expert as defined under Item 401(h) of Regulation S-K. The purpose of the audit committee is to represent and assist our Board of Directors in its general oversight of our accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. The audit committee s responsibilities include:

The appointment, replacement, compensation, and oversight of work of the independent auditor, including resolution of disagreements between management and the independent auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.

Reviewing and discussing with management and the independent auditor various topics and events that may have significant financial impact on our company or that are the subject of discussions between management and the independent auditors.

Compensation Committee. The compensation committee consists of Scott Shleifer, Benjamin Derhy and Laura Lauder, each of whom are independent directors. Mr. Shleifer is the Chairman of the compensation committee. The compensation committee is responsible for the design, review, recommendation and approval of compensation arrangements for our directors, executive officers and key employees, and for the administration of our share option schemes, including the approval of grants under such schemes to our employees, consultants and directors. The compensation committee also reviews and determines compensation of our executive officers, including our Chief Executive Officer.

Nominating Committee. The nominating committee consists of Michael Brown, Martial Chaillet and Laura Lauder, each of whom are independent directors. Mr. Brown is the Chairman of the nominating committee. The nominating committee assists in the selection of director nominees, approves director nominations to be presented for shareholder approval at our annual general meeting and fills any vacancies on our Board of Directors, considers any nominations of director candidates validly made by shareholders, and reviews and considers developments in corporate governance practices.

Compensation Committee Interlocks and Insider Participation

To date, we have not had a compensation committee or other Board committee performing equivalent functions. All members of our Board of Directors, some of whom were executive officers, participated in deliberations concerning executive officer compensation. No interlocking relationship exists between our Board of Directors and the board of directors or compensation committee of any other company.

Summary Executive Compensation Table

The following table sets forth information concerning the annual and long-term compensation earned by our Chief Executive Officer and each of the other executive officers who served during the year ended December 31, 2004, and whose annual salary and bonus during the fiscal years ended December 31, 2002, 2003 and 2004 exceeded $100,000 (the Named Executive Officers).

					Long-Term Compensation	
		Annual Compensation				
					Securities	
				Other Annual	**Underlying**	**All Other**
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Compensation**[6]	**Options**	**Compensation**
David E. Siminoff[1] President and Chief Executive Officer	2004	$ 164,701	$	$	1,275,000	$ 800(7)
Todd Tappin[2] Former President and Chief Executive Officer	2004	185,261			1,200,000(2)	112,891(8)
Joe Y. Shapira[3]	2004	370,207		20,000		12,645(7)
Executive Chairman	2003	528,000	1,372,000	20,000		14,000(7)
of the Board	2002	480,000	375,000	20,000	2,000,000	11,000(7)
Alon Carmel[4]	2004	373,207		20,000		12,121(7)
Former Executive	2003	528,000	1,372,000	20,000		12,000(7)
Co-Chairman of the Board	2002	480,000	375,000	20,000	2,000,000	11,000(7)
Michael Riddell Executive Vice	2004	184,207			25,000	8,105(7)
President,	2003	180,000	25,000			12,000(7)
New Product Development	2002	113,000	6,000		250,000	4,800(7)
Peter Voutov[5]	2004	235,138	2,000			39,497(9)
Former Chief	2003	233,000	11,000			12,000(7)
Technology Officer	2002	214,000			100,000	11,000(7)

[1] Mr. Siminoff became our President and Chief Executive Officer in August 2004 and has served on the Board of Directors since March 2004.

[2] Mr. Tappin resigned as our President and Chief Executive Officer in August 2004, a position he held since February 2004. Upon his resignation, Mr. Tappin forfeited all of his unvested options. Prior to this forfeiture, 218,281 of his options had vested.

[3] Mr. Shapira served as our Chief Executive Officer in 2004, 2003 and 2002 and until he became Executive Co-Chairman in February 2004. Mr. Shapira became sole Executive Chairman in February 2005.

[4] Mr. Carmel served as our President in 2003, 2002 and 2001 and became Executive Co-Chairman in February 2004. Mr. Carmel resigned as Executive Co-Chairman in February 2005.

[5] Mr. Voutov resigned as our Chief Technology Officer in October 2004.

[6] Represents an annual automobile allowance.

[7] Represents the amount of our annual matching contribution to each individual s 401(k) account.

[8] Consists of $106,591 in severance and $6,300 in annual matching contribution to Mr. Tappin s 401(k) account.

[9] Consists of $31,250 in severance and $8,247 in annual matching contribution to Mr. Voutov s 401(k) account.

Employment Agreements

We hired David E. Siminoff as our President and Chief Executive Officer in August 2004 at an annual salary of $480,000. In addition, we granted Mr. Siminoff options to purchase 1,250,000 ordinary shares at a per share exercise price of $4.24. Of these options, 156,250 vested and became exercisable on February 12, 2005, and 156,250 options vested and became exercisable on August 12, 2005 and 312,500 vest each of the three 12-month periods thereafter. If Mr. Siminoff is terminated, including voluntary termination, within six months after a change of control, which is defined in Mr. Siminoff s option agreement as an acquisition of more than 45% of our then outstanding shares, or other acquisition of effective control of our company, all of his options will vest immediately. If Mr. Siminoff is terminated without cause or if he terminates his employment with us for good reason, 30% of his unvested options will be accelerated and he will also be entitled to payment of his monthly salary in effect at the time of termination for a period of nine months following such termination. Pursuant to the terms of his Employment Agreement, Mr. Siminoff may not directly or indirectly compete with us or solicit our customers during the term of his Employment Agreement and he may not disclose any confidential information during or after his employment. In August 2004, Mr. Siminoff also agreed to continue to serve as a member of our Board of Directors. For his services as director, Mr. Siminoff received options to purchase 25,000 ordinary shares at a per share exercise price of $9.55, all of which are currently vested.

Pursuant to the offer letter and executive employment agreement with Mark Thompson, we hired Mr. Thompson as our Chief Financial Officer in October 2004 at an annual salary of $200,000 and upon a successful listing of our shares or a derivative security of our shares on a national exchange or the Nasdaq National Market in the United States, we will pay him a bonus of $80,000. In addition, we granted Mr. Thompson options to purchase 250,000 ordinary shares at a per share exercise price of $6.69. Those options will vest at a rate of 12,500 shares per quarter for quarterly periods commencing three months after the date his employment commenced; provided, however, that options to purchase 50,000 of those shares will accelerate upon a successful listing of our shares or a derivative security of our shares on a national exchange or the Nasdaq National Market in the United States. In addition, all of the options will accelerate upon a change of control of our company, which is defined in Mr. Thompson s employment agreement as the acquisition of more than 50% of our outstanding shares. Pursuant to the terms of his Employment Agreement, Mr. Thompson may not directly or indirectly solicit our customers using confidential information for a period of 12 months following the termination of his Employment Agreement and he may not disclose any confidential information during or after his employment.

We hired Philip Nelson as our Chief Technology Officer in October 2004 at an annual salary of $250,000. In addition, we granted Mr. Nelson options to purchase 250,000 ordinary shares at a per share exercise price of $6.69. Mr. Nelson s options will vest at a rate of 15,625 shares per quarter, with the first vesting date occurring in January 2005. In addition, all unvested options will become vested upon a change of control of our company, which is defined in Mr. Nelson s employment agreement as the acquisition of more than 50% of our outstanding shares. Pursuant to the terms of his Employment Agreement, Mr. Nelson may not directly or indirectly solicit our customers using confidential information for a period of 12 months following the termination of his Employment Agreement and he may not disclose any confidential information during or after his employment.

Pursuant to the Executive Employment Agreement with Joe Y. Shapira, effective March 1, 2005, Mr. Shapira serves as the Executive Chairman of our Board of Directors at an annual salary of $350,000. In addition, pursuant to the employment agreement, we granted Mr. Shapira options to purchase 250,000 ordinary shares at a per share exercise price of $10.50. The options vest at a rate of 31,250 shares per quarter commencing June 1, 2005. All unvested options will become vested upon a change in control of our company, which is defined in Mr. Shapira s employment agreement as the acquisition of more than 50% of our outstanding shares. In addition, for his prior services as Chief Executive Officer, Mr. Shapira holds options to purchase 2,000,000 ordinary shares at a per share exercise price of $2.28, all of which are currently vested. If Mr. Shapira is terminated without cause or if he terminates his employment with us for good reason, he will be entitled to payment of his monthly salary in effect at the time of termination for a period of nine months following such termination. Pursuant to the terms of his Employment Agreement, Mr. Shapira may not directly or indirectly compete with us or solicit our customers during the term of his Employment Agreement and he may not disclose any confidential information during or after his employment.

In August 2005, we entered into an executive employment agreement with Gregory R. Liberman, our General Counsel and Corporate Secretary, making Mr. Liberman our Chief Operating Officer. Pursuant to terms of the employment agreement, Mr. Liberman will be compensated at an annual salary of $200,000, and upon a successful listing of our shares or a derivative security of our shares on a national exchange or the Nasdaq National Market in the United States, we will pay him a bonus of $25,000. We also granted Mr. Liberman options, in addition to options granted to him prior to becoming our Chief Operating Officer, to purchase 115,000 ordinary shares at a per share exercise price of $8.74. Those options will vest at a rate of 6.25% per quarter for quarterly periods commencing three months after the date his employment commenced; provided, however, that options to purchase 50,000 of those shares will accelerate upon a successful listing of our shares or a derivative security of our shares on a national exchange or the Nasdaq National Market in the United States. In addition, all of the options will accelerate upon a change of control of our company, which is defined in Mr. Liberman s employment agreement as the acquisition of more than 50% of our outstanding shares. Pursuant to the terms of his Employment Agreement, Mr. Liberman may not directly or indirectly solicit our customers using confidential information for a period of 12 months following the termination of his Employment Agreement and he may not disclose any confidential information during or after his employment.

Our Compensation Committee typically determines each executive officer s annual bonus and will consider the officer s performance in light of corporate goals and objectives relevant to executive compensation, such as our net revenues, competitive market data pertaining to executive compensation at comparable companies, and such other factors as it may deem relevant.

Options Granted in the Year Ended December 31, 2004

The following table sets forth information concerning individual grants of stock options in 2004 to the Named Executive Officers:

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term[4]	
Name	**Number of Securities Underlying Options Granted**	**Percent of Total Options Granted to Employees[2]**	**Exercise or Base Price Per Share[3]**	**Expiration Date**	**5%**	**10%**
David E. Siminoff	300,000[1]	5.8%	$ 9.55	03/15/09	$ 791,547	$ 1,749,111
	1,250,000	24.3	4.24	08/12/09	773,588	1,709,428
Todd Tappin	1,200,000[5]	23.3	7.09	02/19/05[6]	2,350,604[7]	5,194,219[7]
Joe Y. Shapira						
Alon Carmel						
Michael Riddell	25,000	0.5	9.34	07/08/09	64,512	142,554
Peter Voutov						

[1] Mr. Siminoff originally received options to purchase 300,000 ordinary shares and this grant was subsequently reduced to 25,000 ordinary shares by amendment when Mr. Siminoff became our President and Chief Executive Officer in August 2004.

[2] The total number of options granted to our employees, excluding 160,000 shares underlying options granted to non-employee directors, during 2004 was 5,141,500 shares underlying options.

[3] The exercise price per share of options granted represents the fair market value of the underlying shares on the date the options were granted.

[4] In order to comply with the rules of the SEC, we are including the gains or option spreads that would exist for the respective options we granted to the Named Executive Officers. We calculated these gains by assuming an annual compound stock price appreciation of 5% and 10% from the date of the option grant until the termination date of the

option. These gains do not represent our estimate or projection of the future price of the ordinary shares.

[5] Upon his resignation as our President and Chief Executive Officer in August 2004, Mr. Tappin forfeited all of his unvested options. Prior to this forfeiture, 218,181 of his options had vested.

[6] The option term of Mr. Tappin s options accelerated upon his resignation as our President and Chief Executive Officer in August 2004.

[7] Based on the original option term of five years.

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Options Exercises and Options Values for Year Ended December 31, 2004

The following table sets forth information concerning option exercises in 2004 and option values as of December 31, 2004 to the Named Executive Officers:

	Shares Acquired		Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End[3]	
Name	on Exercise[1]	Value Realized[2]	Exercisable	Un-exercisable	Exercisable	Un-exercisable
David E. Siminoff			25,000	1,250,000	$	$ 5,904,940
Todd Tappin			218,181		413,452	
Joe Y. Shapira	400,000	2,083,746	2,500,000		17,068,492	
Alon Carmel	900,000	3,759,942	2,000,000		13,346,180	
Michael Riddell	120,000	888,290	126,428	25,000	830,217	
Peter Voutov	109,000	591,250	41,000		307,449	

[1] Shares acquired on exercise includes all shares underlying the share option or portion of the option exercised, without deducting shares held to satisfy tax obligations, if any, sold to pay the exercise price or otherwise disposed of.

[2] The value realized of exercised options is the product of (a) the excess of the per share fair market value of the ordinary share on the date of exercise over the per share option exercise price and (b) the number of shares acquired upon exercise.

[3] The value of unexercised in-the-money options is based on a price per share of $8.93, which was the price of a share as quoted on the Frankfurt Stock Exchange at the close of business on December 31, 2004, minus the exercise price, multiplied by the number of shares underlying the option.

Benefit Plans

2004 Share Option Scheme

Our 2004 Share Option Scheme (2004 Option Scheme) provides us the ability to grant share options to employees, consultants and directors, and is administered by our Board of Directors, which determines the option grant date, option price and vesting schedule of each option in accordance with the terms of our 2004 Option Scheme. Although our Board of Directors determines the exercise prices of options granted under the 2004 Option Scheme, the exercise price per share may not be less than 85% of the fair market value, as defined in the 2004 Option Scheme, on the date of grant. Options granted under the 2004 Option Scheme vest and terminate over various periods at the discretion of our Board of Directors, but subject to the terms of the 2004 Option Scheme. Moreover, the exercise of options may be made subject to such performance or other conditions as our Board of Directors may determine. Options granted under the 2004 Option Scheme are personal to the option holder to whom they are granted and no transfer or assignment is permitted, other than a transfer to the option holder s personal representatives on death.

Our 2004 Option Scheme terminates on September 20, 2014, unless our Board of Directors terminates it earlier. Nevertheless, options granted under the 2004 Option Scheme may extend beyond the date of termination. Our Board of Directors has the discretion, subject to limitations set forth in the 2004 Option Scheme, to determine different exercise and lapse provisions. If a third party makes an offer to all shareholders to acquire all or a majority of our issued and outstanding shares, other than those shares which are already owned by the offeror, an option holder under the 2004 Option Scheme may exercise any of his or her options at any time within six months of the offeror obtaining control of us; provided, however that the options do not lapse pursuant to a separate provision under the 2004 Option

Scheme prior to exercise. If an effective resolution in general meeting for our voluntary winding-up is passed before the date on which an option lapses, such an outstanding option then becomes exercisable for a period of three months after such resolution becomes effective. However, no exercise of an option is permitted at any time after the option has lapsed under a separate provision of the 2004 Option Scheme. At the end of the three month period all options will lapse.

In addition to the terms described above, options granted to employees and service providers of our Israeli subsidiary who are resident in Israel are also subject to the Sub-Plan for Israeli Employees and

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Service Providers. The Sub-Plan, which incorporates the 2004 Plan by reference, provides additional rules applicable to options granted to those Israeli Employees and Service Providers, as defined by the Sub-Plan.

As of June 30, 2005, 2,647,500 share options were outstanding under the 2004 Option Scheme at prices ranging from $5.91 to $9.35 per share.

2000 Share Option Scheme

Under the terms of our 2000 Executive Share Option Scheme (2000 Option Scheme), our Board of Directors was able to grant options, in their discretion, to our employees, directors and consultants. The Board of Directors determined the option price, vesting schedule and termination provisions of each option, subject to limitations contained in the 2000 Option Scheme. In September 2004, our Board of Directors resolved to cease granting options under the 2000 Option Scheme although, pursuant to the provisions of the 2000 Option Scheme, all outstanding options previously granted under the 2000 Option Scheme continue in full force and effect. Our Board of Directors intends to use our 2004 Option Scheme to grant options to employees, consultants and directors in the future.

As of June 30, 2005, 6,301,500 share options were outstanding under the 2000 Option Scheme at prices ranging from $0.90 to $9.52 per share.

Employee Benefit Plan

We have a defined contribution plan under Section 401(k) of the U.S. Internal Revenue Code covering all full-time employees, and providing for matching contributions by us, as defined in the plan. Participants in the plan may direct the investment of their personal accounts to a choice of mutual funds consisting of various portfolios of stocks, bonds, or cash instruments. Contributions made by us to the plan for the years ended December 31, 2002, 2003 and 2004 were approximately $88,000, $110,000 and $184,000, respectively.

Indemnification of Directors and Officers and Limitation of Liability

Pursuant to our Articles of Association and in accordance with the Companies Act 1985, we provide the following indemnification to our directors and other officers:

(a) Indemnification of directors in respect of proceedings brought by third parties (covering both legal costs and the financial costs of any adverse judgment, except for the legal costs of unsuccessful defenses of criminal proceedings, fines imposed in criminal proceedings and penalties imposed by certain regulatory bodies);

(b) Payment of directors defense costs as they are incurred, including if the action is brought by the company itself. A director in this situation would still be liable to pay any damages awarded to our company and to repay his defense costs to the company if his defense were unsuccessful, other than where the company chooses to indemnify him in respect of legal costs incurred in certain types of civil third party proceedings; and

(c) Indemnification of our officers who are not directors without the restrictions that apply to indemnification of directors.

We intend to enter into indemnification agreements with our directors and executive officers that will require us to indemnify them from and against all liabilities, costs, including legal costs, claims, actions, proceedings, demands, expenses and damages arising in connection with the performance by them of their respective duties to the fullest extent permitted by our Memorandum and Articles of Association and applicable law, each as modified from time to time.

We are required to disclose such indemnities in our annual directors   report which is publicly filed with the Registrar of Companies for England and Wales. Shareholders are able to inspect any relevant indemnification agreement.

We maintain a directors   and officers   insurance policy. The policy insures directors and other officers against unindemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses our company for those losses for which we have lawfully indemnified our directors and officers. The policy contains various exclusions.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Advances to Executives

Pursuant to then-existing compensation arrangements, we made advances to two executive employees, Joe Y. Shapira and Alon Carmel, of approximately $700,000 each as payments under guaranteed compensation arrangements as of December 31, 2002. During 2003, our Board of Directors declared the guarantees to have been earned during the year and the receivable was charged against operating results. As of December 31, 2003, Joe Y. Shapira was our Chief Executive Officer and is currently our Executive Chairman of the Board. Alon Carmel was our President as of December 31, 2003 and is no longer employed by our company.

Remote Concepts LLC

In 2003, we entered into a verbal marketing arrangement with Remote Concepts LLC, an entity owned 32.5% by each of Joe Y. Shapira and Alon Carmel. Remote Concepts LLC has developed a table top wireless paging system for use by patrons at restaurants. Further to the verbal arrangement, we expensed approximately $120,000 paid to Remote Concepts LLC for ad placement on these systems. The $120,000 was paid and expensed in 2003. We have not paid or expensed any amounts related to Remote Concepts LLC since that time.

Severance of Former General Counsel

In 2004, Adam Kravitz resigned as our General Counsel. In connection with his resignation and further to the terms of his employment agreement, we paid Mr. Kravitz as severance an aggregate of approximately $2.4 million. Mr. Kravitz resigned from our Board of Directors in June 2004.

Efficient Frontier

In 2004, we entered into an agreement with Efficient Frontier, a provider of online marketing optimization services to procure and manage a portion of our online paid search and keyword procurement efforts. The Chief Executive Officer of Efficient Frontier is Ms. Ellen Siminoff, who is the wife of our Chief Executive Officer, David E. Siminoff. We paid approximately $169,000 to Efficient Frontier in the first half of 2005 and $61,000 in 2004.

Yobon, Inc.

In 2004, we invested $250,000 in Yobon, Inc., a provider of web toolbar technology. In exchange for our investment in Yobon, we received a secured convertible promissory note. The note will automatically convert into equity of Yobon upon its completion of an equity financing of at least $1,000,000, if such equity financing is completed within certain timeframes. Our Chief Technology Officer, Phil Nelson, is the Chairman of Yobon.

Other Relationships

Until August 31, 2005, we employed Elraz Sela, the nephew of Alon Carmel, our former Co-Executive Chairman of the Board, in an executive position for which we compensated him $120,000 per year. In addition, several other relatives of each of Joe Y. Shapira, our Executive Chairman of the Board, and Alon Carmel hold non-executive positions with us and Spark Networks Israel for which they are compensated less than $60,000.

PRINCIPAL AND SELLING SHAREHOLDERS

This prospectus covers the offer and sale by the selling shareholders from time to time of up to an aggregate of 33,234,496 ordinary shares in the form of ADSs, including 6,595,000 ordinary shares underlying options that were issued to selling shareholders and 430,000 ordinary shares underlying warrants that were issued to selling shareholders.

The following table sets forth certain information with respect to the beneficial ownership of our ordinary shares, as of October 19, 2005, for:

- each selling shareholder;
- each person or entity who we know beneficially owns more than 5% of our ordinary shares;
- each of our Named Executive Officers and each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to the securities. The number of shares of ordinary shares outstanding, on an as-converted basis, used in calculating the percentage for each listed person or entity includes ordinary shares underlying options or a warrant held by the person or entity, all of which are being registered in this registration statement, but excludes ordinary shares underlying options or warrants held by any other person or entity. In addition, each person s or entity s warrants and options that exercisable within 60 days of October 19, 2005 is disclosed below. Percentage of beneficial ownership is based on 26,209,496 ordinary shares outstanding as of October 19, 2005.

The term selling shareholders also includes any transferees, pledgees, donees, or other successors in interest to the selling shareholders named in the table below. To our knowledge, except as provided below or in any prospectus supplements, none of the selling shareholders has had a material relationship with us within the past three years other than as a result of the ownership of the shares covered by this prospectus. To our knowledge, except as indicated by footnote and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the ordinary shares set forth opposite such person s name. Unless otherwise indicated, the address of our officers and directors is c/o: Spark Networks plc, 8383 Wilshire Blvd., Suite 800, Beverly Hills, California 90211.

	Ordinary Shares Beneficially Owned Prior to the Offering			**Ordinary Shares Beneficially Owned After Completion of the Offering**[1]	
Name of Beneficial Owner	**Number of Shares**	**Percentage of Shares**	**Number of Ordinary Shares Registered for Sale Hereby**	**Number of Shares**	**Percentage of Shares**
5% stockholders:					
Tiger Global Management, L.L.C.[2]	6,631,085	25.3%	6,631,085		%
Capital Research and Management Company [3]	2,505,000	9.6	2,505,000		

Criterion Capital Management LLC[4]	3,341,337	12.7	3,341,337
FM Fund Management Limited[5]	2,201,890	8.4	2,201,890
Named Executive Officers and Directors:			
David E. Siminoff[6]	1,887,000	6.9	1,887,000
Todd Tappin		*	
Joe Y. Shapira[7]	4,512,639	15.9	4,512,639

	Ordinary Shares Beneficially Owned Prior to the Offering			Ordinary Shares Beneficially Owned After Completion of the Offering[1]	
Name of Beneficial Owner	Number of Shares	Percentage of Shares	Number of Ordinary Shares Registered for Sale Hereby	Number of Shares	Percentage of Shares
Alon Carmel[8]	4,430,348	15.7	4,430,348		%
Michael Riddell		*			
Peter Voutov		*			
Scott Shleifer[9]		*			
Michael Brown[10]	80,000	*	80,000		
Benjamin Derhy[11]	80,000	*	80,000		
Laura Lauder[12]	180,000	*	180,000		
Martial Chaillet[13]	200,000	*	200,000		
All directors and executives as a group (10 persons)[14]	7,689,639	25.0%	7,689,639		%
Other Selling Shareholders:					
Europlay Capital Advisors LLC[15]	447,741	1.7%	447,741		%
Gregory R. Liberman[16]	250,000	*	250,000		
Mark Thompson[17]	250,000	*	250,000		
Philip Nelson[18]	250,000	*	250,000		
Sherman Networks Ltd.[19]	200,000	*	200,000		
EuroClear Bank	189,880	*	189,880		
Alex Sandel	180,930	*	180,930		
Jason Yair Barzilay	142,710	*	142,710		
The Levy Family Trust of 1997 Dtd 7/10/98 Charles M. Levy & Lydia Levy TTEEs	96,776	*	96,776		
Michael McCullough & Ana Rowen McCullough Comm. Prop	82,350	*	82,350		
John B. Peterson[20]	75,000	*	75,000		
Natalie N. Peterson[21]	75,000	*	75,000		
ODL Securities Limited	50,000	*	50,000		
Steamer Partners LP	46,000	*	46,000		
Ursula Siekmann	40,000	*	40,000		
Giesen GBR	30,000	*	30,000		
Karen Coster	27,500	*	27,500		
AE Recyber LLC	28,945	*	28,945		
Brigitte Kandel	20,000	*	20,000		
Dogmoch Group of Companies	20,000	*	20,000		
Peter Kandel	20,000	*	20,000		

Yaacov Metzler & Nancy Metzler JTWROS	20,000	*	20,000
OJDR Bear Stearns Int l Ltd.	19,299	*	19,299
Patrick J. Ferrell	18,039	*	18,039
Douglas J. Hirsch TTEE of The Douglas Hirsch Living Trust	15,000	*	15,000

	Ordinary Shares Beneficially Owned Prior to the Offering			Ordinary Shares Beneficially Owned After Completion of the Offering[1]	
Name of Beneficial Owner	Number of Shares	Percentage of Shares	Number of Ordinary Shares Registered for Sale Hereby	Number of Shares	Percentage of Shares
John Benjamin Peterson and Natalie Nicole Peterson[22]	13,188	*	13,188		%
David Martin	12,300	*	12,300		
Gilmartin & Trevor, A Law Corporation	11,838	*	11,838		
Dr. Eithan Ephrati	11,000	*	11,000		
UBS Stm Cust UBS Ldn. Prop. Trad.	10,770	*	10,770		
Christopher Kandel	10,000	*	10,000		
Norman Agran	10,000	*	10,000		
Steven G. Small	10,000	*	10,000		
Christopher K. Harris	10,000	*	10,000		
John J. Lucena Sole TTEE John J. Lucena Living Trust	10,000	*	10,000		
Cortal Consors Germany	10,000	*	10,000		
Reid Hoffman	9,478	*	9,478		
Stefanie Giesen Anderle	9,000	*	9,000		
Stephen Andrew Nichols	8,000	*	8,000		
AE Recyber LLC	7,399	*	7,399		
Barry J. Uphoff and Linda A. Uphoff JTWROS	7,000	*	7,000		
Ron Kenan	6,500	*	6,500		
Roger Filer	6,250	*	6,250		
David Pomije	5,918	*	5,918		
Bank of Jerusalem Ltd.	5,810	*	5,810		
Henry C. McCullough & Dana McCullough JTWROS	5,500	*	5,500		
Donna Raffaniello IRA R/ O	5,000	*	5,000		
Trendline Capital LP	5,000	*	5,000		
Brent Eric Wood	4,250	*	4,250		
Greg Lahann	4,143	*	4,143		
Barry J. Uphoff	4,100	*	4,100		
Bruce Cunningham	4,034	*	4,034		
Allen Blue	4,000	*	4,000		
Chris Saccheri	4,000	*	4,000		
David Cullinan	4,000	*	4,000		
Lauren Jacobsen	4,000	*	4,000		

Leslie Grant	4,000	*	4,000
Catherine Giesecke	4,000	*	4,000
Isaac Zaharoni	3,000	*	3,000
Stuart Shleifer Rollover IRA	3,000	*	3,000
Merrill Lynch International	3,000	*	3,000

	Ordinary Shares Beneficially Owned Prior to the Offering			**Ordinary Shares Beneficially Owned After Completion of the Offering**[1]	
Name of Beneficial Owner	**Number of Shares**	**Percentage of Shares**	**Number of Ordinary Shares Registered for Sale Hereby**	**Number of Shares**	**Percentage of Shares**
Terra Terwilliger	2,959	*	2,959		%
United Mizrahi Bank Ltd. Trust Account	2,800	*	2,800		
Andres Martinez	2,600	*	2,600		
Sung J. Chyun	2,500	*	2,500		
Steve Kaufman	2,061	*	2,061		
David Breskin	2,000	*	2,000		
David Rowland	2,000	*	2,000		
Michael Gerard	2,000	*	2,000		
Michael Grant	2,000	*	2,000		
Niel Bennet Brandon	2,000	*	2,000		
Sanjay Zaveri	2,000	*	2,000		
Vincent Eric Johnson	2,000	*	2,000		
David Lee	2,000	*	2,000		
Richard L. Turnure Ex	2,000	*	2,000		
Roger Mcomber	2,000	*	2,000		
Sheila C. Ruby TTEE Sheila C. Ruby Trust	2,000	*	2,000		
Stanley Lee Marshall	2,000	*	2,000		
Tinker Settlement Trust	2,000	*	2,000		
First Int l Bank of Israel Ltd. Trust A/ C	1,960	*	1,960		
Galli Francesco	1,350	*	1,350		
Robert E. Enslein Jr.	1,170	*	1,170		
Nuri Halperin	1,150	*	1,150		
Amit Korda	1,000	*	1,000		
Amit Korda Avk Acct	1,000	*	1,000		
Christopher Lee	1,000	*	1,000		
Eli Amir	1,000	*	1,000		
Gidon Hilb	1,000	*	1,000		
Naama Korda	1,000	*	1,000		
James E. Heyer IRA	1,000	*	1,000		
Jonathan Mazer	1,000	*	1,000		
Ohad Safran	1,000	*	1,000		
US Clearing Corp.	1,000	*	1,000		
Tamara L. Thompson	887	*	887		
Jedidiah Ben Rosenzweig	875	*	875		

Knight Equity Markets L.P.	676	*	676
Alisande M. Rozynko	591	*	591
Law Office of David J. Heyer, Ltd. Retirement Plan PSP	500	*	500
NFS/FMTC IRA FBO Kathryn Pitcher	500	*	500

	Ordinary Shares Beneficially Owned Prior to the Offering			Ordinary Shares Beneficially Owned After Completion of the Offering[1]	
Name of Beneficial Owner	Number of Shares	Percentage of Shares	Number of Ordinary Shares Registered for Sale Hereby	Number of Shares	Percentage of Shares
NFS/FMTC IRA FBO Miles C. Pitcher	500	*	500		%
Ronald F. Mcgraw	500	*	500		
Tim C. Chen	500	*	500		
Don MacKenzie	357	*	357		
Michael Scott Kabrin & Holly Sue Kabrin Jt. Ten	350	*	350		
Niquette Hunt	346	*	346		
Ryan Koonce	312	*	312		
Marc De Luise	300	*	300		
Scott Gerstein	300	*	300		
Robert Marinelli & Monserrate Marinelli Jt. Ten	273	*	273		
Michal Freeman-Shor	268	*	268		
Mike Torgersen	260	*	260		
Monique Konat Mann	250	*	250		
Virginia W. Wei	236	*	236		
Allan Rosenthal TTEE Rosenthal Bypass Trust U/ A	200	*	200		
Avi Baratz	200	*	200		
Scott M. Gerstein SEP/ IRA FCC as Custodian U/ A Dtd 1/26/01	200	*	200		
Shawn J. Fried	200	*	200		
Yehuda Riess & Candi L. Riess	200	*	200		
Greg Oberfield	180	*	180		
Edward Kessler	173	*	173		
Mark Castillo	146	*	146		
Brian O. Lucena	135	*	135		
Lautz Grotte Engler & Swimley LLC	123	*	123		
Diana Cruz	99	*	99		
Scottrade, Inc. TR FBO Bradley A. Vugrinovich IRA	93	*	93		
Yan Pujante	84	*	84		
Paul Soltoff	83	*	83		
Karl Fluis	69	*	69		
Karl Maurer	54	*	54		

Scott J. Boland	50	*	50
Linda E. Burgdorf	41	*	41
Rima Vogensen	29	*	29
Naomi Bloom	26	*	26
Donald Oberfield	13	*	13
Debra Vernon	10	*	10

	Ordinary Shares Beneficially Owned Prior to the Offering		**Number of Ordinary Shares Registered for Sale Hereby**	**Ordinary Shares Beneficially Owned After Completion of the Offering[1]**	
Name of Beneficial Owner	**Number of Shares**	**Percentage of Shares**		**Number of Shares**	**Percentage of Shares**
Scott D. Bretschneider	3	*	3		
Nigel Coster	1	*	1		
All Other Selling Shareholders[23]	4,274,806				
	33,234,496	16.3%	4,274,806		
Total					

* Less than 1%.

[1] Represents the amount of shares that will be held by the selling shareholder after completion of this offering based on the assumption that all shares registered for sale hereby will be sold. However, the selling shareholders may offer all, some or none of the shares pursuant to this prospectus and any prospectus supplement.

[2] Consists of 5,183,695 shares held by Tiger Global, L.P.; 1,313,392 shares held by Tiger Global, Ltd.; and 133,998 shares held by Tiger Global II, L.P. Each entity has sole voting power over the shares it holds; Tiger Global Management, L.L.C. is the investment manager of Tiger Global, L.P., Tiger Global, Ltd. and Tiger Global II, L.P. and it has shared investment power over the 6,631,085 shares; Charles P. Coleman III is the sole managing member of the Tiger Global Management, L.L.C. Tiger Global Performance, L.L.C. is the sole general partner of Tiger Global, L.P.; Charles P. Coleman III is the sole managing member of the general partner of Tiger Global, L.P.; Tiger Global Performance, L.L.C. is the sole general partner of Tiger Global II, L.P.; Charles P. Coleman III is the sole managing member of Tiger Global II, L.P. The address for Tiger Global Management, L.L.C., Tiger Global, L.P. and Tiger Global II, L.P. is 101 Park Avenue, 48th Floor, New York, New York 10178. The address for Tiger Global, Ltd. is c/o Ironshore Corporate Services Limited, Queensgate House, South Church Street, P.O. Box 1234, George Town, Grand Cayman, Cayman Islands.

[3] Capital Research and Management Company, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of 2,505,000 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Capital Research and Management Company has sole dispositive power over these shares. Included in the holdings of Capital Research and Management Company is the holding of SMALLCAP World Fund, Inc., an investment company registered under the Investment Company Act of 1940, which is advised by Capital Research and Management Company. SMALLCAP World Fund, Inc. is the beneficial owner of 1,850,000 shares, of which it has sole voting power. The persons controlling the investment decisions with respect to the shares held by Capital Research and Management Company and SMALLCAP World Fund are Gordon Crawford, J. Blair Frank, J. Dale Harvey, Claudia Huntington , Jonathan Knowles and Mark Denning. The address for both entities is 333 South Hope Street, Los Angeles, California 90071.

[4] Criterion Capital Management LLC, of which Christopher H. Lord is the sole manager, purchased shares on the open market with no special arrangements with the Company.

[5] The registered office of FM Fund Management Limited is Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. Florian Homm has voting and investment powers for the shares held by FM Fund Management Limited.

[6] Includes 1,275,000 shares issuable upon exercise of share options, 337,500 shares of which underlie options exercisable within 60 days of October 19, 2005.

[7] Includes (i) 2,250,000 shares issuable upon exercise of share options, 2,093,750 shares of which underlie options exercisable within 60 days of October 19, 2005, (ii) 1,062,415 shares held by the Joe Shapira Family Trust of which Mr. Shapira is trustee, (iii) 550,000 shares held by the Shapira Children s Trust of which Mr. Shapira is trustee, and (iv) 12,000 shares, of which he disclaims beneficial ownership, except to the extent of his pecuniary interest, held by a custodian for Mr. Shapira s children.

[8] Includes (i) 2,000,000 shares issuable upon exercise of share options exercisable within 60 days of October 19, 2005, and (ii) 8,000 shares held by his spouse.

[9] Excludes 5,183,695 shares held by Tiger Global, L.P. and 133,998 shares held by Tiger Global II, L.P., of which Scott Shleifer is a limited partner. Mr. Shleifer holds the position of Managing Director at Tiger Global Management, L.L.C.

[10] Represents shares issuable upon exercise of share options, 20,000 shares of which underlie options exercisable within 60 days of October 19, 2005.

[11] Represents shares issuable upon exercise of share options, 20,000 shares of which underlie options exercisable within 60 days of October 19, 2005.

[12] Includes 80,000 shares issuable upon exercise of share options, 15,000 shares of which underlie options exercisable within 60 days of October 19, 2005.

[13] Includes 80,000 shares issuable upon exercise of share options, 15,000 shares of which underlie options exercisable within 60 days of October 19, 2005.

[14] Shares beneficially owned by all executive officers and directors as a group include options to purchase 4,595,000 shares, 2,752,501 shares of which are currently exercisable or exercisable within 60 days of October 19, 2005.

[15] Includes 430,000 ordinary shares issuable upon the exercise of warrants that are currently exercisable. In August 2003, we issued warrants to Europlay Capital Advisors, LLC (ECA) for the purchase of up to 1,000,000 ordinary shares at an exercise price of $2.49 per share in exchange for financial consulting services provided to us by ECA. In December 2004, ECA and our company agreed to accelerate vesting of 250,000 of the remaining 500,000 unvested warrants, and cancel the remaining 250,000 unvested warrants. Accordingly, we issued a warrant certificate for 750,000 shares.

[16] Consists of 250,000 ordinary shares issuable upon the exercise of options, which includes 38,751 shares issuable upon the exercise of options that are currently exercisable or exercisable within 60 days of October 19, 2005 and 50,000 shares issuable upon the exercise of options that will vest upon the listing of our securities on the American Stock Exchange. Mr. Liberman is our Chief Operating Officer, General Counsel and Corporate Secretary.

[17] Consists of 250,000 ordinary shares issuable upon the exercise of options, which includes 50,000 shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of October 19, 2005 and 50,000 shares issuable upon exercise of options that will vest upon the listing of our securities on the American Stock Exchange. Mr. Thompson is our Chief Financial Officer.

[18] Consists of 250,000 ordinary shares issuable upon the exercise of options, which includes 62,500 shares issuable upon the exercise of options that are currently exercisable or exercisable within 60 days of October 19, 2005. Mr. Nelson is our Chief Technology Officer. In 2004, we invested $250,000 in Yobon, Inc., a provider of web toolbar technology. In exchange for our investment in Yobon, we received a secured convertible promissory note. The note will automatically convert into equity of Yobon upon its completion of an equity financing of at least $1,000,000, if such equity financing is completed within certain timeframes. Mr. Nelson, is the Chairman of Yobon.

[19] In July 2005, we issued 200,000 ordinary shares to Sherman Networks Ltd. in exchange for services.

[20] In June 2005, we issued 150,000 ordinary shares to two shareholders of MingleMatch, Inc., one of which was Mr. Peterson, in connection with our acquisition of MingleMatch.

[21] In June 2005, we issued 150,000 ordinary shares to two shareholders of MingleMatch, Inc., one of which was Ms. Peterson, in connection with our acquisition of MingleMatch.

[22] In June 2005, each of Mr. and Mrs. Peterson received 75,000 ordinary shares in connection with our acquisition of MingleMatch, Inc.

[23] Represents shares for which we are unable to obtain information regarding the beneficial owners. Our ordinary shares are traded on the Frankfurt Stock Exchange in the form of GDSs. The ordinary shares that are traded in the form of GDSs constitute approximately 75% of our outstanding shares, all of which are on deposit with The Bank of New York, our depositary bank for the GDSs. We have been unable to obtain information for beneficial owners who hold their securities through non-U.S. brokers and certain beneficial owners who have chosen not to provide information. We will provide information regarding such beneficial holders through the filing of prospectus supplements. We will file a prospectus supplement each time that an ordinary share is deposited with the Bank of New York to obtain an ADS, including when selling shareholders that hold their ordinary shares in the form of GDSs offer and sell their shares in the United States by surrendering those GDSs to the Bank of New York and requesting it to deliver ADSs to the order of the purchaser. We will instruct the Bank of New York that when a holder deposits an ordinary share for an ADS, the holder must provide the Bank of New York with information regarding the beneficial owner, including, but not limited to, the name, total amount of shareholdings (including options and warrants), whether the beneficial owner is a broker- dealer or an affiliate of a broker-dealer, and whether the holder has had a material relationship with us within the past three years. Such information will be used to prepare the prospectus supplements that we file with the Securities and Exchange Commission to update the selling shareholders table.

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DESCRIPTION OF SHARE CAPITAL

Description of Ordinary Shares

We are providing you with a summary description of our ordinary shares and the material rights of holders of our ordinary shares. Please remember that summaries by their nature lack the precision of the information summarized and that a person s rights and obligations as a holder of our ordinary shares will be determined by reference to our Memorandum and Articles of Association and applicable English law, each as modified from time to time, and not by this summary. We urge you to review our Memorandum and Articles of Association in their entirety and to seek appropriate professional advice regarding their interpretation and applicable English law.

General

Our authorized share capital is £800,000 divided into 80,000,000 ordinary shares of £0.01 each. Set forth below is information concerning the share capital and related summary information concerning the material provisions of our Memorandum and Articles of Association, or Memorandum and Articles, and applicable English company law.

Voting rights

Every holder of ordinary shares who, being an individual, is present in person or by proxy or, being a corporation, has an authorized representative present who is not himself a shareholder, at a general meeting has one vote on a show of hands. Proxies voting on a show of hands do not have more than one vote each, even if they hold a number of proxies or are shareholders themselves. On a poll, every holder of ordinary shares present in person, by its authorized representative or by proxy has one vote for each share held. Voting at a general meeting is by a show of hands unless a poll is demanded. A poll may be demanded by:

- the chairman of the meeting;
- not less than three shareholders present at the meeting in person, by proxy or represented by an authorized representative and entitled to vote;
- any shareholder or shareholders present at the meeting in person, by proxy or represented by an authorized representative and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at such meeting; or
- any shareholder or shareholders present in person, by proxy or represented by an authorized representative and holding a number of ordinary shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all of the shares conferring that right.

Where a poll is not demanded, the interests of beneficial owners of ordinary shares who hold through a nominee may not be reflected in votes cast on a show of hands if that nominee does not attend the meeting or receives conflicting voting instructions from different beneficial owners for whom it holds the shares as nominee. Since, under English law, voting rights are only conferred on registered holders of shares, a person holding through a nominee may not directly demand a poll.

Unless otherwise required by law or the Memorandum and Articles, voting in a general meeting is by ordinary resolution. An ordinary resolution, for example, a resolution for the appointment of directors, the declaration of a final dividend, the appointment of the auditors, the increase of authorized share capital or grant of authority to allot shares, requires the affirmative vote of a majority of the shareholders (a) present in person or by an authorized representative or by proxy, excluding the chairman of the meeting in his role as proxy, in the case of a vote by show of hands or (b) present in person, by an authorized representative or by proxy and holding shares conferring in the aggregate a majority of the votes actually cast on the ordinary resolution, in the case of a vote by poll. In the case of a tied vote, whether on a show of hands or on a poll, the chairman of the meeting is entitled to cast a deciding vote. A special resolution, for example, a resolution amending the Memorandum and Articles, changing the name of our company or waiving statutory pre-emption rights on the issue of shares for cash, or an extraordinary resolution, for example, modifying the rights of any class of shares at a meeting of the holders of such class or relating to matters concerning the liquidation of our company, requires the affirmative vote of not less than three-quarters of shareholders present in person, represented by an authorized representative or by proxy and holding shares conferring in aggregate at least three-quarters of the votes actually cast on the resolution, on a vote by poll.

Unless our Board of Directors determines otherwise, no shareholder is entitled to vote in respect of any share held by him either personally or by proxy or to exercise any other right conferred by membership in relation to any shareholders meetings, if any sum is payable by him to us in respect of that share. Our Memorandum and Articles of Association do not contain restrictions on the right of non-UK residents or foreign owners to be registered holders or exercise voting rights in respect of our ordinary shares.

Notices of Shareholder Meetings

An Annual General Meeting and any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to our company shall be called on least 21 days written notice and any other Extraordinary General Meeting is required to be called on at least 14 days written notice. The period of notice in each case is exclusive of the day on which the notice is served or deemed to be served and of the day of the meeting itself.

General Meetings may be held on shorter notice than that specified above if such shorter notice is approved by (i) in the case of an Annual General Meeting, all the shareholders entitled to attend and vote at that meeting; and (ii) in the case of an Extraordinary General Meeting by a majority in number of the shareholders entitled to attend and vote at the meeting, such majority holding at least 95% in nominal value of the shares giving the right to attend and vote at that meeting.

The accidental omission to give notice to or the non-receipt of a notice by any shareholder will not invalidate the proceedings at the relevant meeting.

Our articles provide that where a notice or other document is served or sent by post, service or delivery is deemed to be effected on the expiry of 24 hours after the relevant document is posted.

Dividends

The payment of final dividends with respect to any financial year must be recommended by our Board of Directors and approved by the shareholders by ordinary resolution, provided that no such dividend shall exceed the amount recommended by our Board of Directors. If, in the opinion of our Board of Directors, our financial position justifies such payments, the Board of Directors may also from time to time pay interim dividends of amounts, on dates and in respect of periods as they think fit.

No dividend can be paid other than out of profits available for distribution under the provisions of the Companies Act 1985, as amended, and accounting principles generally accepted in the United Kingdom, which differ in some respects from U.S. GAAP. In addition, as a public limited company, we may make a distribution only if and to the extent that, at the time of distribution and following the distribution, the amount of our net assets is not less than the aggregate of the called-up share capital and undistributable reserves (as such terms are defined in the Companies Act 1985) and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate. No dividend or other moneys payable on or in respect of a share shall bear interest as against us unless otherwise provided by the rights attached to the share. Any dividend unclaimed after a period of 12 years from the date on which it was declared or became due for payment will be forfeited and will revert to us. Our Memorandum and Articles of Association do not contain restrictions on the right of non-UK resident holders of our ordinary shares to receive dividends and other payments.

Winding up

If our company is wound up, the liquidator may, pursuant to the authority given by an extraordinary resolution of our company and any other sanction required by English statutory law, divide among the members, in specie or in kind, the whole or any part of our assets and, for that purpose, value any assets as he deems fair and determine how the division is carried out among shareholders or different classes of shareholders. No shareholder will be compelled to accept any shares or other property in respect of which there is a liability. Distributions to shareholders on a winding up are only usually made after the settlement of claims of the various classes of creditor and subject to applicable company and insolvency laws. Early distributions can be made subject to shareholders providing appropriate forms of indemnity. Where a distribution is proposed to be made to a particular class of shareholders on a winding up, such a distribution is usually made pro rata to their holdings of shares in the company.

Shareholder Derivative Suits

Under English law, our shareholders generally have no right to sue on our behalf. When a wrong has been done to or against us, we are usually the proper plaintiff. There are exceptions including in the case of fraud on minority shareholders, the case of a breach of a duty owed personally to a shareholder where that shareholder has suffered personal loss separate and distinct from any loss suffered by the company and when the act complained of is illegal or ultra vires. English law permits an individual shareholder of ours to apply for a court order when our affairs are being or have been conducted in a manner unfairly prejudicial to the interests of one or more of our shareholders or when any actual or proposed act or omission by us is or would be prejudicial. When granting relief, a court has wide discretion and may authorize civil proceedings to be brought on our behalf by a shareholder on such terms as the court may direct.

Issues of shares and pre-emption rights

The directors of English companies may only allot shares and disapply statutory pre-emption rights if authorized by the shareholders. The current authority for this purpose expires on December 10, 2009 but we may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and our Board of Directors may allot equity securities pursuant to any such offer or agreement as if the authority had not expired.

Transfer of shares

Any holder of shares in a certified form may transfer in writing all, or any, of its shares in any usual or common form or in any other form which our Board of Directors may approve. The instrument of transfer of a share must be signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor will remain the holder of the shares concerned until the name of the transferee is entered in our register of shareholders. The transfer of uncertificated shares may be made in accordance with and be subject to the Uncertificated Securities Regulations 1995.

Our Board of Directors may, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares, not being fully paid shares. Our Board of Directors may also refuse to register an allotment or transfer shares, whether fully paid or not, to more than four persons jointly. Moreover, the registration of transfers may be suspended at such times and for such periods, but not exceeding thirty days in any year, as our Board of Directors may from time to time determine.

Our Board of Directors may decline to recognize any instrument of transfer unless it is in respect of only one class of shares and is lodged, duly stamped if required, at the Registrar s Office accompanied by the relevant share certificate(s) together with such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. In the case of a transfer by a recognized clearing house or a nominee of a recognized clearing house or of a recognized investment exchange, the lodgment of share certificates is only necessary if and to the extent that certificates have been issued in respect of the shares in question.

Disclosure of transactions of ownership

The Companies Act 1985 provides that a person, including a company and other legal entities, that acquires any interest of 3% or more of any class of our relevant share capital, which includes ADSs and GDSs representing shares, is required to notify us in writing of its interest within two days following the day on which the obligation arises. Relevant share capital, for these purposes, means our issued share capital carrying the right to vote in all circumstances at a general meeting. After the 3% level is exceeded, similar notifications must be made where the interest falls below the 3% level or otherwise in respect of increases or decreases of a whole percentage point.

For purposes of the notification obligation, the interest of a person in shares means any kind of interest in shares including interests in any shares:

- in which a spouse, or child or stepchild under the age of 18, is interested;

- in which a company is interested, which includes interests held by other companies over which that company has effective voting power, and either (a) that company or its directors generally act in accordance with that person s directions or instructions or (b) that person controls one-third or more of the voting power of that company at general meetings; or

- in which another party is interested and the person and that other party are parties to an agreement under section 204 of the Companies Act 1985. Such an agreement is one which provides for two or more parties to acquire interests in shares of a particular public company and imposes obligations or restrictions on any of the parties as to the use, retention or disposal of such interests acquired pursuant to such agreement, if any interest in the company s shares is in fact acquired by any of the parties pursuant to the agreement.

Some non- material interests may be disregarded for the purposes of calculating the 3% threshold, but the obligation of disclosure will still apply where such interests exceed 10% or more of any class of our relevant share capital and to increases or decreases through a whole percentage point.

In addition, pursuant to section 212 of the Companies Act 1985, we may, as a public company and by written notice, require a person whom we know or have reasonable cause to believe to be, or to have been at any time during the three years immediately preceding the date on which the notice is issued, interested in shares comprised in our relevant share capital to confirm that fact or to indicate whether or not that is the case.

Where a person holds or during the previous three years had held an interest in the shares, that person must give any further information that may be required relating to this interest and any other interest in the shares of which this person is aware.

Where we serve a notice under the foregoing provisions on a person who is or was interested in the shares and that person fails to give us any information required by the notice within the time specified in the notice, we may apply to the English courts for an order directing that the shares in question be subject to restrictions prohibiting, among other things, any transfer, the exercise of voting rights, the taking up of rights and, other than during a liquidation, payments in respect of those shares.

A person who fails to fulfill the obligations imposed by sections 198 and 212 of the Companies Act 1985 may be subject to criminal penalties.

Variation of rights and alteration of share capital

Whenever our share capital is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of English statutory law, be varied or abrogated, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise, and may be so varied or abrogated either while our company is a going concern or during or in contemplation of a winding up. At every such separate general meeting, the necessary quorum is at least two persons holding or representing by proxy issued shares of the class and any holder of shares of the class present in person or by proxy may demand a poll and will have one vote for every share of the class held by him. At any adjourned meeting any holder of shares of the class present in person or by proxy is a quorum.

We may from time to time by ordinary resolution at a general meeting:

- increase the share capital by the creation of new shares of such amount as the resolution shall prescribe with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise as may be determined and which may be redeemable;

- consolidate and divide all or any of the share capital into shares of larger amount than our existing shares;

- cancel shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of shares so cancelled; and

- subdivide all or any of the shares into shares of a smaller amount than is fixed by the Memorandum and Articles and may by resolution determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any restrictions, as we have the power to attach to unissued or new shares.

Subject to English statutory law, we may purchase our own shares of any class, including redeemable shares, but so that if there shall be in issue any shares convertible into equity share capital of our own company then no purchase of our own shares shall be made unless it has first been approved by an extraordinary resolution passed at a separate meeting of the holders of such convertible shares.

Subject to the provisions of English statutory law, we may, by special resolution, reduce our share capital, capital redemption reserve, share premium account or other undistributable reserve in any way.

Directors

Unless otherwise determined by ordinary resolution of the holders of ordinary shares, our Articles provide that there shall not be less than three directors. At each annual general meeting one-third (or the number nearest to but not exceeding one-third) of our Board of Directors shall retire from office by rotation. Our directors who retire by rotation include any director who wishes to retire and not to offer himself for re-election. Any further directors who retire by rotation are those who have been longest in office since their last re-election, but, as between persons who become directors on the same day, those to retire (unless they otherwise agree among themselves) are determined by lot. A retiring director is eligible for re-election. Any director may be removed from office at any time by an ordinary resolution of which special notice has been given in accordance with the Act. Our Memorandum and Articles do not provide for a maximum age for directors.

Our Articles provide that a director may be party to or be interested in any contract or transaction to which we are a party, and a director, or any firm of which he is a member, may be remunerated for any services provided to us or any office held (other than the office of Auditor) relating to us. In any such case, the director may retain all profits and advantages accruing to him. Our Articles also provide that (subject to certain exceptions), a director who is in any way interested in a contract or proposed contract with our company shall declare his interest to the Board, and, subject to certain exceptions, will not be entitled to vote at Board meetings in respect of any contract, arrangement or proposal in which that Director has a material interest , nor will that Director be counted towards the quorum in relation to any resolution on which he is prohibited from voting.

Our Articles provide that our Board of Directors may exercise all of our powers to borrow money and to mortgage or charge our undertaking, property, and uncalled capital and, subject to applicable English law, to issue debentures and other securities. The Board is required to restrict our borrowings, in the absence of shareholders approval, in accordance with a formula set out in the Articles.

The ordinary remuneration of our directors for holding office as such shall from time to time be determined by our Board of Directors. However, such remuneration may not exceed £200,000 per annum in aggregate or such higher amount as the shareholders may, by ordinary resolution, determine and will be divisible among our Board of Directors as they agree. Our Board of Directors may also grant additional remuneration to any director who holds any executive office or who serves on any committee of our Board of Directors and, have the power to pay and agree to pay gratuities, pensions or other retirement, death or disability benefits to any Director or ex-Director. Our Board of Directors are also entitled to be repaid all reasonable expenses incurred by them respectively in the performance of their duties.

Description of American Depositary Shares

The Bank of New York is the depositary for the American Depositary Shares, or ADSs. The Deposit Agreement is available for inspection at the Corporate Trust Office of the Bank of New York. The Bank of New York s principal executive office is located at One Wall Street, New York, New York 10286.

American Depositary Shares are frequently referred to as ADSs and represent ownership interests in securities that are on deposit with the depositary bank. ADSs are normally evidenced by certificates that are commonly known as American Depositary Receipts or ADRs. The depositary bank typically appoints a custodian to safekeep the securities on deposit.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that a holder s rights and obligations as an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety.

Each ADS represents the right to receive one ordinary share on deposit with the custodian. An ADS will also represent the right to receive any other property received by the depositary bank or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of the ADR that evidence your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as an owner of ADSs and those of the depositary bank. The deposit agreement and the ADRs are governed by New

York law. However, our obligations to the holders of ordinary shares will continue to be governed by the laws of the United Kingdom, which may be different from the laws in the United States.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name or through a brokerage or safekeeping account. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as an ADS owner. Please consult with your broker or bank to determine what those procedures are. This summary description assumes you have opted to own the ADSs directly by means of an ADR registered in your name and, as such, we will refer to you as the holder. When we refer to you, we assume the reader owns ADSs and will own ADSs at the relevant time.

Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian. To date, we have never declared or paid cash dividends on our ordinary shares, and we do not anticipate paying any cash dividends on our ordinary shares or the ADSs that represent our ordinary shares in the foreseeable future. In addition, your receipt of any dividends and distributions may be limited, by practical considerations and legal limitations. These practical considerations and legal limitations include situations such as where the value of ordinary shares or rights to be distributed is too small to justify the expense of making the distribution, as well as the inability to distribute rights or other securities to holders of ADSs in a jurisdiction where such distribution would require registration of the securities to be distributed. Holders will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of a specified record date.

Distributions of Cash

If and whenever we make a cash distribution for the securities on deposit with the custodian, we will notify the depositary bank and deposit the funds with the custodian. Upon receipt of such notice and confirmation of the deposit of the requisite funds, the depositary bank will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to any restrictions imposed by the laws and regulations of the United Kingdom.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. For example, it may not be practicable to convert foreign currency into U.S. dollars where the depositary determines the cash to be distributed is too small to be distributed in light of expenses of conversion into dollars, or where such conversion or distribution can be effected only with the approval or license of any government or agency that is denied or not obtainable. Where a conversion does take place, the amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary will apply the same method for distributing the proceeds of the sale of any property, such as undistributed rights, held by the custodian in respect of securities on deposit.

Distributions of Shares

If and whenever we make a free distribution of ordinary shares in respect of the securities on deposit with the custodian, we will notify the depositary bank and deposit the applicable number of ordinary shares with the custodian. Upon receipt of notice of such deposit, the depositary bank will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-ordinary shares ratio, in which case each ADS you hold will represent rights and interests in the additional ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary shares ratio upon a distribution of ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary bank may sell all or a portion of the new ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (*e.g.*, the U.S. securities laws) or if it is not reasonably practicable. It may not be reasonably practicable to distribute shares where the value of such shares to be distributed is too small to justify the expense of making the distribution. If the depositary bank does not distribute new ADSs as described above, it may sell the ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

If and whenever we intend to distribute rights to purchase additional ordinary shares, we will give prior notice to the depositary bank and we will assist the depositary bank in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders. It may not be reasonably practicable to distribute rights where the value of such rights to be distributed is too small to justify the expense of making the distribution. Moreover, if registration under the United States Securities Act of 1933, as amended, or the Securities Act, or other applicable law is required, the depositary bank will not offer you the rights unless a registration statement covering the distribution of the rights and the underlying securities to all our ADS holders is effective. We are under no obligation to file a registration statement for any of these rights or underlying securities or to endeavor to cause a registration statement to be declared effective.

The depositary bank may establish procedures to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement, such as opinions to address the lawfulness of the transaction. You may be required to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights.

The depositary bank will not distribute the rights to you if:

We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or

We fail to deliver satisfactory documentation to the depositary bank; or

The depositary bank determines that it is not reasonably practicable to distribute the rights, such as where the value of the rights to be distributed is too small to justify the expense of making the distribution.

The depositary bank may sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary bank is unable to sell the rights, it will allow the rights to lapse.

Other Distributions

If and whenever we intend to distribute property other than cash, ordinary shares or rights to purchase additional ordinary shares, we will notify the depositary bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary bank in determining whether such distribution to holders is lawful and reasonably practicable. Lawful and practicable considerations include situations such as where the value of distribution is too small to justify the expense of making the distribution, as well as the inability to make a distribution to holders of ADSs in a jurisdiction where such distribution would require registration of the securities to be distributed.

If it is reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will distribute the property to the holders in the manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will not distribute the property to you and will sell the property if:

- We do not deliver satisfactory documentation to the depositary bank; or
- The depositary bank determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Changes Affecting Ordinary Shares

The ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the ordinary shares held on deposit. The depositary bank may in such circumstances deliver new ADSs to you or call for the exchange of your existing ADSs for new ADSs. If the depositary bank may not lawfully distribute such property to you, the depositary bank may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs Upon Deposit of Ordinary Shares

The depositary bank will create ADSs on your behalf if you or your broker deposit ordinary shares with the custodian. The depositary bank will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the ordinary shares to the custodian, including stamp duty stamp duty reserve tax and stock transfer taxes or fees. Your ability to deposit ordinary shares and receive ADSs may be limited by U.S. and U.K. legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary bank or the custodian receives confirmation that all required approvals have been given and that the ordinary shares have been duly transferred to the custodian. The depositary bank will only deliver ADSs in whole numbers.

When you make a deposit of ordinary shares, you will be responsible for transferring good and valid title to the depositary bank. As such, you will be deemed to represent and warrant that:

- The ordinary shares are duly authorized, validly issued, fully paid, and non-assessable;
- All preemptive, and similar, rights, if any, with respect to such ordinary shares have been validly waived or exercised;
- You are duly authorized to deposit the ordinary shares; and
- The ordinary shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, restricted securities, as defined in the deposit agreement.

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Furthermore, upon your deposit of ordinary shares with the depositary bank for ADSs, including any surrender of GDSs to the depositary bank and request for ADSs, you will be required to provide certain information to the depositary bank prior to the issuance of the ADSs, including information regarding (i) the total number securities (including options and warrants) you beneficially hold in our company, (ii) whether you are a registered broker-dealer or an affiliate of a broker-dealer, (iii) whether you have had a material relationship with our company during the past three years, and (iv) such other information that may be required to be included in any prospectus supplement for the sale of the shares pursuant to this prospectus. No ADRs will be issued until you provide the information to the depositary bank.

Transfer, Combination and Split-Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary bank and also must:

Ensure that the surrendered ADR certificate is properly endorsed or otherwise in proper form for transfer;

Provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;

Provide any transfer stamps required by the State of New York or the United States; and

Pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary bank with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split-up of ADRs.

Withdrawal of Ordinary Shares Upon Cancellation of ADSs

As a holder, you will be entitled to surrender your ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying ordinary shares at the custodian s offices. Your ability to withdraw the ordinary shares may be limited by U.S. and U.K. legal considerations applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares being withdrawn, including stamp duty, stamp duty reserve tax and stock transfer taxes or fees. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement. If you hold an ADR registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your ADSs. The withdrawal of the ordinary shares represented by your ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. The depositary bank will only accept ADSs for cancellation that represent a whole number of securities on deposit. If you surrender a number of ADSs for withdrawal representing other than a whole number of ordinary shares, the depositary bank will either return the number of ADSs representing any remaining fractional ordinary shares or sell the ordinary shares represented by the ADSs you surrendered and remit the net proceeds of that sale to you as in the case of a distribution in cash.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (1) the transfer books for the ordinary shares or ADSs are closed, or (2) ordinary shares are immobilized on account of a shareholders meeting or a payment of dividends;
- Obligations to pay fees, taxes and similar charges; and
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the ordinary shares represented by your ADSs. For a description of the voting rights of holders of ordinary shares, see Description of Ordinary Shares Voting Rights.

At our request and at our expense, the depositary will distribute to you any notice of shareholders meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the ordinary shares underlying the ADSs.

The depositary bank will set a record date by which it must receive valid voting instructions from a holder of ADSs. Upon the timely receipt of written instructions of a holder of ADSs in the manner specified by the depositary bank, the depositary bank shall endeavor, insofar as practicable and permitted under applicable law and our Memorandum and Articles, to vote the ordinary shares represented by such holder s ADSs in accordance with such holder s instructions. The depositary bank will only vote or attempt to vote the ordinary shares underlying your ADSs as you instruct.

If the depositary bank has solicited voting instructions from you and no instructions are received by the depositary on or before the date established by the depositary for such purpose, the depositary will deem that you have instructed the depositary to give a discretionary proxy to a person designated by us with respect to your deposited securities and the depositary will give a discretionary proxy to a person designated by us to vote your deposited securities, provided, that no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary that we do not wish such proxy given, substantial opposition exists or such matter materially and adversely affects the rights of holders of shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary bank to vote your shares. In addition, the depositary bank and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions as long as they act in good faith.

Notices and Reports

The depositary bank will make available for inspection by registered holders at its corporate trust office any reports and communications, including any proxy soliciting material, received from us, which are both (a) received by the depositary bank as the holder of the deposited ordinary shares, and (b) made generally available to the holders of such deposited ordinary shares by us. The depositary bank will also, upon our written request, send to the registered holders copies of such reports when furnished by us pursuant to the deposit agreement. Any such reports and communications, including any proxy soliciting materials, furnished to the depositary bank by us will be furnished in English.

Fees and Charges

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

Fee of $5.00 or less per 100 ADSs or portion thereof for the execution and delivery of ADRs and the surrender of ADRs;

Fee of $0.02 or less per ADS for any cash distribution made pursuant to the deposit agreement;

Fee for the distribution of shares, such fee being in an amount equal to the fee for the execution and delivery of ADSs referred to above which would have been charged as a result of the deposit of such shares but which shares are instead distributed by the depositary to holders; and

Fee not in excess of $1.50 per certificate for an ADR or ADRs for transfers made pursuant to the terms of the Deposit Agreement.

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the United Kingdom, *e.g.*, upon deposit and withdrawal of ordinary shares;

Expenses incurred for converting foreign currency into U.S. dollars;

Fees and expenses incurred by the depositary in compliance with exchange controls or other regulatory requirements;

Expenses for cable, telex and fax transmissions and for delivery of securities;

Taxes and duties upon the transfer of securities, e.g., when ordinary shares are deposited or withdrawn from deposit; and

Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

We have agreed to pay certain other charges and expenses of the depositary bank. Note that the fees and charges you may be required to pay may vary over time and may be changed by agreement between us and the depositary bank. You will receive prior notice of such changes.

Amendments and Termination

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. Any modifications that would materially prejudice any of your substantial rights under the deposit agreement will not become effective as to outstanding ADRs until 30 days after notice is given to registered holders of that amendment. You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the ordinary shares represented by your ADSs except to comply with applicable law.

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 30 days before termination.

On and after the date of termination, you will be entitled to delivery of the amount of our ordinary shares represented by the ADSs evidenced by your ADRs upon (i) surrender of such ADRs at the

Corporate Trust Office of the depositary bank, (ii) payment of the fee of the depositary bank for the surrender of ADRs, and (iii) payment of any applicable taxes or governmental charges. If any ADRs remain outstanding after the date of termination, the depositary bank will discontinue the registration of transfers of ADSs and suspend the distribution of dividends and other distributions to such ADR holders. In addition, the depositary bank will not give any further notices or perform any further acts under the deposit agreement, except that the depositary bank will continue to collect dividends and other distributions pertaining to deposited securities, sell rights and other property as provided in the deposit agreement, and continue to deliver deposited securities in exchange for ADRs surrendered to the depositary bank.

At any time after the expiration of one year from the date of termination, the depositary bank may sell the deposited securities then held and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it, unsegregated and without liability for interest, for the pro rata benefit of the holder of ADRs that have not been surrendered. After making such sale, the depositary bank will be discharged from all obligations under the deposit agreement, except to account for the net proceeds and other cash from the sale, after deducting, in each case, applicable fees, expenses and taxes. Upon the termination of the deposit agreement, we will be discharged from all obligations under the deposit Agreement except for our obligations under certain surviving provisions, such as indemnification.

Books of Depositary

The depositary bank will maintain ADS holder records at its depositary office. You may inspect such records at that office during regular business hours solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary bank will maintain in The City of New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs. These facilities may be closed from time to time, except to the extent prohibited by law.

Limitations on Obligations and Liabilities

The deposit agreement expressly limits our obligations and the obligations of the depositary bank. It also limits our liability and the liability of the depositary bank. We and the depositary bank:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;

- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;

- are not liable if either of us exercises discretion permitted under the deposit agreement;

- have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the deposit agreement on your behalf or on behalf of any other person;

- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

In the deposit agreement, we agree to indemnify the depositary bank for acting as depositary, except for losses caused by the depositary s own negligence or bad faith, and the depositary bank agrees to indemnify us for losses resulting from its negligence or bad faith.

Pre-Release Transactions

The deposit agreement permits the depositary bank to deliver ADSs before deposit of our ordinary shares. This is called a pre-release of the ADS. The depositary bank may also deliver shares upon surrender of pre-released ADSs (even if the ADSs are surrendered before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depositary bank. The depositary bank may receive ADSs instead of shares to close out a pre-release. The depositary bank may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depositary bank considers appropriate; and (3) the depositary bank must be able to close out the pre-release on not more than five business days notice. In addition, the depositary bank will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depositary bank may disregard the limit from time to time, if it thinks it is appropriate to do so.

Taxes

You will be responsible for the taxes and other governmental charges payable on your ADSs and the securities represented by your ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due on your ADSs and the securities represented by your ADSs.

The depositary bank may refuse to deliver ADSs, to deliver transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by you. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations.

Foreign Currency Conversion

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may be required to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.

- Distribute the foreign currency to holders for whom the distribution is lawful and practical.

- Hold the foreign currency without liability for interest for the applicable holders.

The Custodian

The depositary bank has agreed with the custodian that the custodian will receive and hold the deposited securities for the account of the depositary bank in accordance with the deposit agreement. If the custodian resigns or is discharged from its duties under the deposit agreement, the depositary bank will promptly appoint a successor custodian. The resigning or discharged custodian will deliver the deposited securities and related records to the custodian designated by the depositary bank. If the depositary bank resigns or is discharged from its duties under the deposit agreement, the custodian will continue to act as custodian and will be obligated to comply with the direction of the successor depositary.

Governing Law

The deposit agreement is governed by the laws of the State of New York. We and the depositary bank have agreed that the federal or state courts in The City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between us that may arise out of or in connection with the deposit agreement. We also submitted to the jurisdiction of these courts and we have appointed an agent for service of process in The City of New York.

Warrants

As of October 19, 2005, warrants to purchase a total of 430,000 ordinary shares were outstanding with exercise prices of $2.49 per share. Each warrant contains provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrant in the event of certain types of reorganizations and significant corporate transactions. Warrant holders have certain registration rights once the only trading market for our securities is located within the United States. These registration rights expire when the shares can be sold pursuant to Rule 144 of the Securities Act of 1933.

Registrar

The registrar for our ordinary shares is Capita IRG, plc.

Listing

We intend to apply to have our ADSs approved for quotation on the American Stock Exchange under the trading symbol LOV.

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SHARES ELIGIBLE FOR FUTURE SALE

As of October 19, 2005, we had 26,209,496 ordinary shares issued and outstanding, including those represented by Global Depository Shares, or GDSs.

This registration statement registers all of our outstanding ordinary shares, including those represented by GDSs, under the Securities Act of 1933, as amended. All of our ordinary shares, represented by ADSs, will be freely tradable within the United States without restriction or further registration under the Securities Act, unless these ordinary shares are purchased by affiliates as that term is defined in Rule 144 under the Securities Act. Immediately prior to this offering, there was no public market for ADSs in the United States. Our ordinary shares in the form of GDSs are freely tradable on the Frankfurt Stock Exchange in Germany. Upon effectiveness, this registration statement would also have the effect of allowing holders of our GDSs to surrender the GDSs and hold ordinary shares in the form of ADSs and publicly trade such ADSs in the United States, subject to volume and manner of sales limitations as set forth in Rule 144 with respect to affiliates. Once GDSs have been surrendered for ordinary shares, the shares may not be re-deposited for GDSs, and if and when all GDSs have been surrendered, we intend to terminate the GDS deposit agreement such that our ordinary shares will only be traded in the form of ADSs. We do not currently intend to remove the trading of our shares on the Frankfurt Stock Exchange, and shareholders may continue to trade on the Frankfurt Stock Exchange after the effectiveness of the registration statement. Future sales of substantial amounts of ADSs or GDSs in the public markets could adversely affect prevailing market prices of our ADSs.

Rule 144

All 26,209,496 of our ordinary shares are being registered in this offering and will be freely tradable without restriction or further registration under the Securities Act of 1933. If shares are sold by our affiliates, as that term is defined in Rule 144 under the Securities Act of 1933, pursuant to Rule 144 their sales of shares would be governed by the limitations and restrictions that are described below.

In general, under Rule 144, as currently in effect, a person who owns ordinary shares that were acquired from us or an affiliate of us at least one year prior to the proposed sale is entitled to sell within any three-month period, a number of ordinary shares that does not exceed the greater of:

- 1% of the number of ordinary shares then outstanding, which as of October 19, 2005 will equal approximately 262,095 ordinary shares; or

- the average weekly trading volume of our ordinary shares in the form of ADSs on the American Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the ordinary shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate of us, is entitled to sell such ordinary shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, consultants or advisors who purchase ordinary shares from us in connection with a compensatory stock or option plan or other written agreement will be eligible to resell such ordinary shares 90 days after we become subject to

Section 13 or 13(d) of the Exchange Act in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144. Grants of options under the 2000 Option Scheme, and the exercise thereof, do not comply with the requirements of Rule 701 and therefore Rule 701 is not applicable to ordinary shares purchased pursuant to the exercise of such options.

Additional Registration of Ordinary Shares

As of October 19, 2005, options to purchase 8,760,688 ordinary shares were issued and outstanding under our share option schemes and 14,372,562 ordinary shares were available for issuance under our share option schemes. We plan to file a registration statement under the Securities Act on Form S-8 covering ordinary shares issued or reserved for issuance under our share option schemes. After such registration statement becomes effective, shares registered under that registration statement will, subject to vesting provisions and Rule 144 volume limitation, manner of sale, notice and public information requirements applicable to our affiliates, be available for sale in the open market.

We also had 430,000 ordinary shares issuable upon the exercise of warrants outstanding as of October 19, 2005. All of the ordinary shares underlying these warrants are being registered in this registration statement.

PLAN OF DISTRIBUTION

The selling shareholders, and any of their transferees, pledgees, assignees and successors-in-interest, may, from time to time, sell any or all of their shares of our ordinary shares in the form of ADSs on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling shareholders may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

settlement of short sales entered into after the date of this prospectus;

broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;

a combination of any such methods of sale; or

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise.

The selling shareholders may also sell shares under Rule 144 under the Securities Act of 1933, if available, rather than under this prospectus and any prospectus supplement.

Broker-dealers engaged by the selling shareholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, which commissions and discounts are not expected to exceed what is customary in the types of transactions involved.

In connection with the sale of our ordinary shares in the form of ADSs or interests therein, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the ADSs in the course of hedging the positions they assume. The selling shareholders may also sell shares of our ADSs short and deliver these securities to close out their short positions, or loan or pledge the ADSs to broker-dealers that in turn may sell these securities. The selling shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus and any prospectus supplement, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling shareholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. We are not aware of any selling shareholders that have any agreement or understanding, directly or indirectly, with any person to distribute our ADSs.

We have paid certain fees and expenses incurred by us incident to the registration of the shares.

Because selling shareholders may be deemed to be underwriters within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act. We are not aware if any selling shareholder has entered into any agreements, understandings or arrangements with any underwriter or broker-dealer regarding the sale of the ordinary shares. There is no underwriter or coordinating broker acting in connection with the proposed sale of the ordinary shares by the selling shareholders.

We intend to keep this prospectus effective until all of the shares have been sold pursuant to the prospectus and any prospectus supplement or Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the ordinary shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, any person engaged in the distribution of the ordinary shares may not simultaneously engage in market making activities with respect to our ADSs for a period of one or five business days, depending on our public float and average daily trading volume, prior to the commencement of the distribution. In addition, the selling shareholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of our ADSs by the selling shareholders or any other person. We will make copies of this prospectus and any prospectus supplement available to the selling shareholders and will inform them of the need to deliver a copy of this prospectus and any prospectus supplement to each purchaser at or prior to the time of the sale.

TAXATION

United Kingdom Tax Considerations

The following is a summary of the U.K. tax considerations relevant to shareholders and ADS holders. The summary is intended only as a general guide to current U.K. tax legislation and Inland Revenue practice and applies only to our shareholders and ADS holders who hold shares and ADSs as an investment and who are the absolute beneficial owners thereof. Certain categories of our shareholders and ADS holders may be subject to special rules and this summary does not apply to such shareholders and ADS holders. For example, certain categories of shareholders or ADS holders such as dealers, and shareholders and ADS holders who receive such shares and ADSs upon the exercise of warrants or options to purchase such shares may be subject to special rules. If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than the U.K., you should consult an appropriate professional adviser immediately.

This summary does not purport to be a complete analysis or listing of all of the potential tax consequences of holding our shares or ADSs. Prospective purchasers of our ADSs and shares are advised to consult their own tax advisers concerning the consequences under U.K. laws of the acquisition, ownership and disposition of the ADSs and/or shares.

This summary is based on the existing tax laws of the United Kingdom as in effect on the date hereof and what is understood to be current U.K. Inland Revenue published practice as at the date hereof, all of which are subject to change or changes in interpretation, possibly with retroactive effect. In addition, this summary is based in part upon the representations of The Bank of New York as at the date hereof and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

Taxation of Dividends

Under current U.K. taxation legislation, no tax will be withheld or deducted for or on account of income tax from dividends paid by us.

A U.K. resident individual shareholder will generally be entitled to a tax credit in respect of any dividend received. The amount of the tax credit is equal to one-ninth of the cash dividend or 10% of the aggregate of the cash dividend and the associated tax credit (the Gross Dividend). An individual shareholder who, taking account of the Gross Dividend he or she receives, is liable to income tax at the basic or starting rate will pay income tax at 10% of the Gross Dividend so that the tax credit will satisfy his income tax liability on the Dividend Payment. An individual shareholder must, to the extent that his income, including the Gross Dividend, exceeds the threshold for higher rate income tax, pay income tax at 32.5% of the Gross Dividend. After deducting the tax credit, he would therefore have to account for additional income tax at 22.5% of the Gross Dividend.

U.K. resident shareholders who are not liable to U.K. tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by us.

A U.K. resident corporate shareholder will generally not be subject to U.K. corporation tax on dividends. Such shareholders will not be able to claim repayment of the tax credit attaching to dividends paid by us.

A non-U.K. resident shareholder is not generally entitled to the benefit of a tax credit in respect of any dividend received. A non-U.K. resident shareholder may also be subject to foreign taxation on dividend income under local law. A shareholder who is not resident in the U.K., for tax purposes, should consult his own tax adviser concerning his tax liabilities on dividends.

The tax treatment described above will also apply where dividends are received in respect of shares held in ADS form.

Taxation of Capital Gains

A holder who is not resident or ordinarily resident in the U.K. and whose shares or ADSs are not attributable to a trade, profession or vocation carried on in the United Kingdom through a branch or agency, or permanent establishment, will not be subject to U.K. tax on any gains realized on a disposal of the shares or ADSs, except as mentioned below in relation to temporarily non-U.K. resident individuals. Such a holder may however be liable to non-U.K. tax under local law.

A disposal of shares by a shareholder, or ADSs by an ADS holder, who is resident or, in the case of an individual, ordinarily resident for tax purposes in the United Kingdom or who is not U.K.-resident but carries on a trade, profession or vocation in the United Kingdom through a branch or agency, or permanent establishment, to which the shares or ADSs are attributable, may, depending on the holder s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains.

A holder who is an individual and who has, on or after March 17, 1998, ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than 5 complete tax years and who disposes of the shares or ADSs during that period may also be liable to U.K. taxation of chargeable gains, subject to any available exemption or relief, if that holder returns to the United Kingdom as resident or ordinarily resident within that period.

On a disposal of shares or ADSs by an individual who is resident or ordinarily resident in the United Kingdom for taxation purposes, the shares or ADSs may attract taper relief, which reduces the amount of chargeable gains according to how long the shares or ADSs have been held.

A holder of shares or ADSs who is a company resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with changes in the retail prices index and reduces any chargeable gain accordingly.

U.K. Inheritance and Gift Taxes

Our shares and ADSs will be assets situated in the U.K. for the purposes of U.K. inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may, subject to certain exemptions and reliefs, give rise to a liability to U.K. inheritance tax even if the holder is neither domiciled in the U.K. nor deemed to be domiciled in the U.K. under certain rules relating to long residence or previous domicile. For U.K. inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains a benefit. Special rules also apply to close companies and to trustees of settlements who hold shares bringing them within the charge to U.K. inheritance tax.

An individual who is domiciled in the U.S. for the purposes of the United Kingdom/ United States Estate and Gift Tax Convention (the Estate Tax Treaty) and who is not a national of the U.K. for the purposes of the Estate Tax Treaty will generally not be subject to U.K. inheritance tax in respect of our shares or ADSs on the individual s death or on a lifetime gift of shares or ADSs, provided that the applicable U.S. federal gift or estate tax liability is paid, unless the shares or ADSs are part of the business property or a permanent establishment of an enterprise in the U.K. or pertain to a fixed base in the U.K. of an individual used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor who, at the time of the settlement, was a U.S. national, the shares or ADSs will generally not be subject to U.K. inheritance tax provided that the settlor, at the time of the settlement, was treated as domiciled in the U.S. for the purposes of the Estate Tax Treaty. In the exceptional case where the shares or ADSs are subject to both U.K. inheritance tax and to U.S. federal gift or estate tax, the Estate Tax Treaty generally provides for the tax paid in the U.K. to be credited against the tax paid in the U.S. or for tax paid in the U.S., to be credited against tax payable in the U.K. based on priority rules set out in that Treaty.

Shareholders should consult an appropriate professional adviser if they make a gift of any kind of the shares or ADSs or intend to hold any shares or ADSs through trust arrangements.

U.K. Stamp Duty and Stamp Duty Reserve Tax

The transfer on sale of a share in an English company will generally be liable to ad valorem stamp duty at the rate of 0.5% of the amount or value of the consideration for the transfer rounded up to the nearest £5. An exception to this principle is where shares are traded on CREST, an electronic share trading settlement system, which does not currently apply to our shares. The purchaser normally pays the stamp duty.

An unconditional agreement to sell a share will generally give rise to a liability on the purchaser to stamp duty reserve tax, or SDRT at the rate of 0.5% of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is entered into or, if later, the date on which it becomes unconditional, any SDRT paid is repayable, generally with interest, and any unpaid SDRT charge is cancelled. There is no reciprocal tax treaty between England and the U.S. regarding withholdings related to U.K. stamp duty.

Issues or transfers of shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts or (2) to, or to a nominee or agent for, a person whose business is or includes providing clearance services, will generally be subject to stamp duty or SDRT at 1.5% of the amount or value of the consideration or the issue price, or, in certain circumstances, the value of the shares transferred, rounded up to the nearest £5 in the case of stamp duty. Strictly, the depositary or clearance operator, or its nominee, as the case may be, will be accountable for this liability for stamp duty or SDRT. However, it is anticipated that any stamp duty or SDRT payable by the Depositary will be charged to the holder of the ADS or the depositor of any security represented by the ADS.

No U.K. stamp duty will be payable on the acquisition or transfer of an ADS following its initial issuance provided that the transfer and any separate instrument of transfer remains at all times outside the United Kingdom and that the instrument of transfer is not executed in or brought into the United Kingdom. An agreement to transfer an ADS will not give rise to SDRT. On a transfer of shares from the custodian or depositary to a holder of an ADS upon cancellation of the ADS, a fixed stamp duty of £5 per instrument of transfer will be payable.

Any transfer for value of the underlying shares represented by ADSs or agreement to transfer these underlying shares may give rise to a liability on the transferee to stamp duty or SDRT at 0.5% of the value of the consideration for the transfer.

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United States Tax Considerations

The following summary describes the material United States federal income tax consequences that are relevant to the acquisition, ownership and disposition of ordinary shares or ADSs acquired by holders in this initial offering. This summary is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing final, temporary and proposed Treasury Regulations, rulings and judicial decisions, all as currently in effect and all of which are subject to prospective and retroactive rulings and changes. We will not seek a ruling from the Internal Revenue Service with regard to the United States federal income tax treatment relating to investment in our equity shares or ADSs and, therefore, there can be no assurance that the IRS will agree with the conclusions stated herein. This summary is not a comprehensive description of all United States federal income tax consequences that may be relevant to a particular investor, and you are urged to consult your own tax advisor regarding your specific tax situation. This summary does not address the state, local and foreign tax consequences of an investment in our equity shares or ADSs. In addition, this summary applies only to holders who hold equity shares or ADSs as capital assets (generally, property held for investment) under the U.S. Internal Revenue Code, and does not address the tax consequences that may be relevant to investors subject to special tax treatment, such as:

- *tax-exempt organizations;*
- *regulated investment companies and real estate investment trusts;*
- *insurance companies;*
- *broker-dealers and traders in securities;*
- *banks or other financial institutions;*
- *investors whose functional currency is not the United States dollar;*
- *investors that hold our equity shares or ADSs as part of a hedge, straddle or conversion transaction;*
- *investors that own, directly, indirectly, or by attribution 10% or more of our total combined voting stock;*
- *investors subject to the United States alternative minimum tax;*
- *United States expatriates and those investors who are U.S. Holders (as defined below) and who are also tax residents of any other country; or*
- *persons holding ADSs or ordinary shares through partnerships or other pass through entities.*

You should consult your own tax advisor regarding the United States federal, state, local and foreign and other tax consequences of purchasing, owning, and disposing of our equity shares or ADSs in your particular circumstances.

We believe that in 2004 we were not a passive foreign investment company as defined in Section 1297(a) of the U.S. Internal Revenue Code and do not expect to become a passive foreign investment company in the future, and this summary so assumes.

Taxation of U.S. Holders

You are a U.S. Holder if you are a beneficial owner of equity shares or ADSs and you are for United States federal income tax purposes:

a citizen or resident of the United States;

a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;

an estate the income of which is subject to United States federal income tax regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust, or if the trust has made a valid election under U.S. Treasury regulations to be treated as a United States person.

If a partnership holds equity shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding our equity shares or ADSs should consult their own tax advisors.

Distributions on Equity Shares or ADSs

The gross amount of any distribution (other than in liquidation), including the fair market value of all distributions of ordinary shares whenever a U.S. Holder may elect to receive cash distributions in lieu of ordinary share distributions, that you receive with respect to our ordinary shares or ADSs (before reduction for U.K. income tax, if any, withheld from such distributions) generally will be included in your gross income on the day on which you, in the case where you own ordinary shares, or the Depositary, in the case where you own ADSs, receive the distribution. This distribution will be taxed to you as a dividend to the extent such distribution does not exceed our current or accumulated earnings and profits, as calculated for U.S. federal income tax purposes. Dividends received by an individual U.S. Holder during taxable years before 2009 will generally be taxed at a maximum rate of 15%, provided certain holding period requirements and other conditions are satisfied. Although no such rules are currently in effect, the U.S. Internal Revenue Service may require in the future that, as a prerequisite to the application of the reduced maximum 15% rate on our dividends, we certify that we are not a passive foreign investment company. We will undertake reasonable steps to provide such a certification, if so required; however, if we are unable to so certify because we determine that we are in fact a passive foreign investment company or the certification process is materially burdensome to us, our dividends will be taxed at ordinary income tax rates, currently, up to 35%.

To the extent any distribution exceeds our earnings and profits, the distribution will first be treated as a tax-free return of capital to the extent of your adjusted tax basis in our ordinary shares or ADSs, as applicable, and will be applied against and reduce such basis. To the extent that such distribution exceeds your adjusted tax basis, the distribution will be taxed as gain recognized on a sale or exchange of our ordinary shares or ADSs, as applicable. See Sale or Exchange of Equity Shares or ADSs, below. Because we are not a United States corporation, generally, no dividends-received deduction will be allowed to a corporate U.S. Holder with respect to dividends paid by us, except as provided in Section 245 of the U.S. Internal Revenue Code.

Any dividends paid by us in pound sterling will be equal to the U.S. dollar value of such pound sterling on the date such distribution is received by the depositary, in the case of ADSs, or by you, in the case of shares, regardless of whether the payment is in fact converted into U.S. dollars at that time. Gain or loss, if any, realized on the sale or other disposition of such pound sterling will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Unless we are treated as a U.S.-owned foreign corporation , dividends paid by us to individual U.S. Holders should generally be treated as foreign source income for U.S. foreign tax credit limitation purposes, and subject to certain limitations, U.K. taxes, if any, withheld from a distribution will be eligible for credit against your U.S. federal income tax liability. We will be treated as a U.S.-owned foreign corporation if fifty percent or more of the total combined voting power of all classes of our stock or of its total value is owned, directly or indirectly, by U.S. Holders, in which case only part of our dividend that is apportioned to our earnings and profits from non-U.S. sources would be treated as foreign source income for U.S. foreign tax credit limitation purposes. If a refund of the tax withheld is available to you under the laws of the U.K. or under an applicable treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your U.S. federal income tax liability and will not be eligible for the deduction against your U.S. federal taxable income. If the dividends are qualified dividend income, the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to ADSs or shares will generally constitute passive income or, in the case of certain U.S. Holders, financial services income. Recently enacted legislation will modify the foreign tax credit limitation by reducing the number of classes of foreign source income to two for taxable years beginning after December 31, 2006. Under this recently enacted legislation, dividends distributed by us with respect to ADSs or ordinary shares would generally constitute passive category income but could, in the case of certain U.S. Holders, constitute general category income. The rules regarding the availability of foreign tax credits are complex, and U.S. Holders may be subject to different rules regarding the source of income on dividends and to various limitations on the amount of foreign tax credits that are available. We therefore urge you to consult your own tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Sale or Exchange of Equity Shares or ADSs

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange or other disposition of the equity shares or ADSs measured by the difference between the U.S. dollar value of the amount received and the U.S. Holder s tax basis (determined in U.S. dollars) in the equity shares or ADSs. Any such gain or loss will generally be U.S. source gain or loss and will be treated as long-term capital gain or loss, if your holding period in the ADSs or the shares exceeds one year. If you are a non-corporate U.S. Holder, any capital gain generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Passive Foreign Investment Company Rules

U.S. Holders generally will be subject to a special adverse tax regime that would differ in certain material respects from the tax treatment described above if we are, or were to become, a passive foreign investment company for United States federal income tax purposes. We would be classified as a passive foreign investment company for any taxable year if either: (a) at least 75% of our gross income is passive income, or (b) at least 50% of the value of our assets (determined on the basis of a quarterly average) of our assets produce or are held for the production of passive income. Although the determination of whether a corporation is a passive foreign investment company is made annually, and thus may be subject to change, we do not believe that in 2004 we were a passive foreign investment company as defined in Section 1297(a) of the U.S. Internal Revenue Code, and we do not expect to become a passive foreign investment company in the future. We urge you to consult your own tax advisor regarding the adverse tax consequences of owning the equity shares or ADSs of a passive foreign investment company.

Taxation of Non-U.S. Holders

A Non-U.S. Holder is a beneficial owner of equity shares or ADSs that is not a U.S. Holder.

Distributions on Equity Shares or ADSs

Non-U.S. Holders generally will not be subject to United States federal income or withholding tax on dividends received from us with respect to equity shares or ADSs, unless such income is considered effectively connected with the Non-U.S. Holder s conduct of a United States trade or business (and, if required by an applicable income tax treaty, the income is attributable to a permanent establishment maintained in the United States).

Sale or Exchange of Equity Shares or ADSs

Non-U.S. Holders generally will not be subject to United States federal income tax on any gain realized upon the sale, exchange or other disposition of equity shares or ADSs unless:

such gain is considered effectively connected with the Non-U.S. Holder s conduct of a United States trade or business (and, if required by an applicable income tax treaty, the income is attributable to a permanent establishment maintained in the United States); or

if such Non-U.S. Holder is an individual that is present in the United States for 183 days or more during the taxable year of the disposition and certain other conditions are met.

In addition, if you are a corporate Non-U.S. Holder, any effectively connected dividend income or gain (subject to certain adjustments) may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

Backup Withholding and Information Reporting

In general, dividends on equity shares or ADSs, and payments of the proceeds of a sale, exchange or other disposition of equity shares or ADSs, paid to a U.S. Holder within the United States or through certain United States-related financial intermediaries are subject to information reporting and may be subject to backup withholding at a rate currently equal to 28% unless the holder:

is a corporation or other exempt recipient; or

provides an accurate taxpayer identification number and makes any other required certification.

Non-U.S. Holders generally are not subject to information reporting or backup withholding. However, such holders may be required to provide a certification to establish their non-U.S. status in connection with payments received within the United States or through certain U.S.-related financial intermediaries.

You generally will be allowed a credit of the amount of any backup withholding against your United States federal income tax liability, or you may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the U.S. Internal Revenue Service.

THE ABOVE SUMMARIES REFLECT CERTAIN ASPECTS OF CURRENT LAW AND PRACTICE IN THE UNITED KINGDOM AND THE UNITED STATES. PROSPECTIVE SHAREHOLDERS AND ADS HOLDERS SHOULD CONSULT THEIR PROFESSIONAL ADVISERS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, OWNING, AND DISPOSING OF SUCH HOLDERS EQUITY SHARES OR ADS IN SUCH HOLDERS PARTICULAR CIRCUMSTANCES.

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LEGAL MATTERS

Kirkpatrick & Lockhart Nicholson Graham LLP, Los Angeles, California, will pass for us upon certain legal matters. Steptoe & Johnson, London, England will pass for us as to the validity under English law of the ordinary shares being offered by this prospectus.

EXPERTS

The consolidated financial statements of Spark Networks plc at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of MingleMatch, Inc. at December 31, 2004 and 2003, and for each of the two years in the period ended December 31, 2004, appearing in this prospectus and registration statement have been audited by Tanner LC, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the SEC for the ADSs that the selling shareholders are offering by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for addition information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document. We will be required to file annual, quarterly and special reports, proxy statements and other information with the SEC commencing sixty days from the date on which we file a registration statement on Form 10 with the SEC.

You can read our SEC filings, including the registration statement, over the Internet at the SEC s Web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, N.E. Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our SEC filings are also available at the office of the American Stock Exchange. For further information on obtaining copies of our public filings at the American Stock Exchange, you should call (212) 306-1000.

We maintain a corporate Web site at www.spark.net. You may access our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed with, or furnished to, the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, with the SEC free of charge at our Web site as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our Web address is provided for informational purposes only and does not constitute incorporation by reference of the information contained at this Web site.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Spark Networks plc (formerly known as MatchNet plc):

We have audited the accompanying consolidated balance sheets of Spark Networks plc (formerly known as MatchNet plc) as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Spark Networks plc (formerly known as MatchNet plc) as of December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California
March 7, 2005

SPARK NETWORKS PLC
(formerly known as MatchNet plc)
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31,		June 30,
	2003	2004	2005
			(unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 2,035	$ 4,265	$ 8,092
Marketable securities	3,780	3,158	200
Restricted cash		1,330	1,393
Accounts receivable, net of allowance of $13 for June 30, 2005 and December 31, 2004	410	641	942
Advances to employees	330	20	1
Prepaid expenses and other	902	879	2,168
Total current assets	7,457	10,293	12,796
Property and equipment, net	4,273	6,467	6,069
Goodwill, net	2,024	7,955	15,808
Intangible assets, net	987	1,069	5,300
Investment in noncontrolled affiliate		1,167	1,143
Deposits and other assets	2,228	408	369
Total assets	$ 16,969	$ 27,359	$ 41,485
Liabilities and Shareholders Equity			
Current liabilities:			
Accounts payable	$ 3,385	$ 3,014	$ 2,507
Accrued liabilities	4,555	8,052	7,930
Deferred revenue	3,232	3,933	3,925
Notes payable current portion		400	10,475
Current portion of obligations under capital leases	316	173	
Total current liabilities	11,488	15,572	24,837
Obligations under capital leases, net of current portion	171		
Other liabilities			203
Notes payable long term		1,300	1,300
Total liabilities	11,659	16,872	26,340
Shares subject to rescission (Note 10)		3,819	3,819
Commitments and contingencies (Note 13)			
Shareholders equity:			
Authorized capital £800,000 divided into 80,000,000 ordinary shares of 1p each; issued and outstanding	313	401	426

25,901,160 shares as of June 30, 2005, 24,587,351 shares as of December 31, 2004, 19,556,699 shares as of December 31, 2003 at a stated value of:			
Additional paid-in-capital	39,737	50,423	53,921
Deferred share-based compensation	(2,572)	(305)	(41)
Accumulated other comprehensive (loss)	(40)	(13)	(270)
Notes receivable from employees	(120)	(203)	(203)
Accumulated deficit	(32,008)	(43,635)	(42,507)
Total shareholders equity	5,310	6,668	11,326
Total liabilities and shareholders equity	$ 16,969	$ 27,359	$ 41,485

See accompanying notes.

SPARK NETWORKS PLC
(formerly known as MatchNet plc)
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

-		$ 1,408,901	$ -	$ -		$ 1,408,901	$ -	$
-	-	1,914,740	-	-		1,914,740	-	
,031	1,953,973	583,146	960,000	-	4	2,184,150	-	
-	185,877			-		185,877	-	
	24,139,475			-		24,139,475	-	
-	-	-	-	3,000,000	6	3,000,000	-	
,031	26,279,325	3,906,787	960,000	3,000,000		32,833,143	-	
				74,533,000	6	74,533,000		
,276	-	-	18,946,276	-	2	-	18,946,276	18,946,2
,307	26,279,325	3,906,787	19,906,276	77,533,000		107,366,143	18,946,276	18,946,2
-	-	-	-	-		-	-	
738	-	-		529	2,5	1,267	241	
	973,108	1,076,992				2,050,100	-	
,250	-	-	2,668,980	41,553,747	2,3,5,6	83,165,017	18,946,035	
,566	-	-	3,571,330	-	5,7	(2,302,764)	-	
,554	973,108	1,076,992	6,240,310	41,554,276		82,913,620	18,946,276	
-	28,582,799	-	-	-		28,582,799	-	
,554	29,555,907	1,076,992	6,240,310	41,554,276		111,496,419	18,946,276	
,861	$ 55,835,232	$ 4,983,779	$ 26,146,586	$ 119,087,276		$ 218,862,562	$ 37,892,552	$ 18,946,2

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
September 30, 2008

Balance Sheet pro forma notes
assuming no conversions:

Note 1	To reflect release of cash held in trust			
	Increase	Cash and cash equivalents	$	63,501,302
	Decrease	Cash held in trust account, interest available for working capital and taxes		(521,011)
	Decrease	Cash held in trust account- restricted		(62,980,291)
Note 2	To record reversal of conversion liability upon consummation of merger			
	Decrease	Common stock subject to conversion	$	18,946,276
	Increase	Par Value		(241)
	Increase	Additional Paid-in Capital ("APIC")		(18,946,035)
Note 3	To record additional underwriters compensation payable upon consummation of merger			
	Decrease	APIC-3.277% underwriters commission	$	2,108,980
	Decrease	APIC-non-accountable expense allowance		560,000
	Decrease	Cash		(2,668,980)
Note 4	To record contractual payment of bridge loan placement fee for CN Network on consummation of merger			
	Decrease	Accrued expenses	$	960,000
	Decrease	Cash		(960,000)
Note 5	To record Purchase Price consideration to be paid on closing:			
	Increase	Program Rights	$	39,608,000
	Decrease	Cash		(17,000,000)
	Increase	Common Stock		(288)
	Increase	APIC		(22,607,712)
	Decrease	Retained earnings (accumulated deficit)		683,330
	Decrease	Deferred fees target acquisition costs		(683,330)
Note 6	To record contingent Purchase Price consideration to be paid upon the occurrence of future events			
	Increase	Program Rights	$	76,650,000
	Decrease	Retained earnings (accumulated deficit)		883,000
	Increase	Liability for contingent purchase price consideration - current		(3,000,000)
	Increase	Liability for contingent purchase price consideration		(74,553,000)
Note 7	To record additional deal costs to be incurred in the period from November 1, 2008 to the merger closing date			
	Decrease			2,005,000

		Retained earnings (accumulated deficit)		
	Decrease	Cash		(2,005,000)
Assuming maximum conversion:				
Note 8	To reinstate the conversion liability – full redemption assumption			
	Decrease	Par Value	$	241
	Decrease	APIC		18,946,035
	Increase	Common stock subject to redemption		(18,946,276)
Note 9	To reflect cash payment in satisfaction of redemption liability			
	Increase	Common stock subject to redemption	$	18,946,276
	Decrease	Cash		(18,946,276)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Three Months Ended September 30, 2008

lyst Acquisition Corp./China Networks International Holdings LTD.	China Networks Media, LTD.	China Networks (Carve-Out)	Pro Forma Adjustments - no conversion		Notes	Pro Forma Combined-no conversion	Pro Forma Adjustments - maximum allowable conversion		No
			Dr	Cr			Dr	Cr	
$ -	$ -	$ 4,439,548	$ -	$ -		$ 4,439,548	$ -	$ -	
-	-	1,547,094	-	-		1,547,094	-	-	
-	-	346,603	-	-		346,603	-	-	
135,553	1,614,995	778,340	3,571,330	14,281	F,G	6,085,937	-	-	
(135,553)	(1,614,995)	1,767,511	(3,571,330)	(14,281)		(3,540,086)	-	-	
-	-	-	1,843,000	-	A	1,843,000	-	-	
(135,553)	(1,614,995)	1,767,511	(5,414,330)	(14,281)		(5,383,086)	-	-	
347,520	83,510		94,000	-	C	337,030	105,000	-	
	(1,303,354)		-	-		(1,303,354)	-		
-	7,352	-	-	-		7,352	-	-	
347,520	(1,212,492)	-	94,000	-		(958,972)	105,000	-	
211,967	(2,827,487)	1,767,511	(5,508,330)	(14,281)		(6,342,058)	(105,000)	-	
-	(11,835)	-	884,000	-	D	(895,835)	-	-	
-	(12,457)	-	-	-		(12,457)	-	-	
211,967	(2,851,779)	1,767,511	(6,392,330)	(14,281)		(7,250,350)	(105,000)	-	
(96,021)	-	-	-	96,021	F	-	-	-	
$ 115,946	$ (2,851,779)	$ 1,767,511	$ (6,392,330)	$ 110,302		$ (7,250,350)	$ (105,000)	$ -	

7,381,081	5,293,319	H		12,674,400	2,413,319
7,381,081	8,447,243	H		15,828,324	2,413,319
			$	(0.57)	
			$	(0.46)	
			$	8.80	

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Year Ended June 30, 2008

	Alyst Acquisiti Corp.	China Networks Media, LTD.	China Networks (Carve- Out)	Pro Forma Adjustments - no conversion		Notes	Pro Forma Combined-no conversion	Pro Forma Adjustments – maximum allowable conversion		Notes	Pro F Comb Max allow conv
				Dr	Cr			Dr	Cr		
es	$ -	$ -	$ 19,735,361	$ -	$ -		$ 19,735,361	$ -	$ -		$ 19,7
revenue			5,933,127	-	-		5,933,127	-	-		5,9
x	-	-	1,640,758	-	-		1,640,758	-	-		1,6
and trative	319,003	128,152	1,927,311	3,571,330	52,175	F,G	5,893,621	-	-		5,8
ng income efore ation of les	(319,003)	(128,152)	10,234,165	(3,571,330)	(52,175)		6,267,855	-	-		6,2
ation of les	-	-	-	6,873,000	-	A	6,873,000	-	-		6,8
(loss) rolling	(319,003)	(128,152)	10,234,165	(10,444,330)	(52,175)		(605,145)	-	-		(6
ntrolling	-	-	-	5,131,000		D	(5,131,000)	-	-		(5,1
come e):											
income	2,426,933	-	-	655,000	-	C	1,771,933	732,000	-	E	1,0
(expense)	-	-	-								
	-	-	28,802	-	-		28,802	-	-		
her income e), net	2,426,933	-	28,802	5,786,000	-		(3,330,265)	732,000	-		(4,0
(loss) ncome	2,107,930	(128,152)	10,262,967	(16,230,330)	(52,175)		(3,935,410)	(732,000)	-		(4,6
tax benefit e)	(951,394)	-	-	-	951,394	F	-	-	-		
E (LOSS)	$ 1,156,536	$ (128,152)	$ 10,262,967	$ (16,230,330)	$ 1,003,569		$ (3,935,410)	$ (732,000)	$ -		$ (4,6
na d average n shares ding:											
	7,381,081				5,293,319	H	12,674,400	2,413,319		I	10,2
	7,381,081				8,607,653	H	15,988,734	2,413,319		I	13,5

na income			
mon share:			
	$	(0.31)	$
	$	(0.25)	$

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
June 30, 2008 and September 30, 2008

Income Statement Pro Forma Notes to Pro Forma Statements of Operations for the year ended June 30, 2008 and three months ended September 30, 2008

Assuming no conversions:

				Three months ended September 30, 2008		Year ended June 30, 2008
Note A	To record intangible asset amortization of program rights					
	Expense	Amortization - Program Rights	$	1,843,000	$	6,873,000
Note B	Not used					
Note C	To adjust interest income for impact on application towards merger					
	Expense	Interest Income	$	94,000	$	655,000
Note D	To reflect impact on carved out entry earnings of merger					
	Expense	Non controlling interest expense	$	884,000	$	5,131,000
Note F	To eliminate income tax provision assuming status BVI entity					
	Income	General and Administrative	$	(14,281)	$	(52,175)
	Income	Income Tax Provision	$	(96,021)	$	(951,394)
Note G	To expense transaction costs upon consummation of merger					
	Expense	Transaction costs – legal, accounting, etc	$	2,005,000	$	2,005,000
	Expense	Transaction costs – writeoff of deferred target acquistions costs	$	683,330	$	683,330
	Expense	Transaction costs – contingent placement fee	$	883,000	$	883,000

Assuming full conversions:

				Three months ended September 30, 2008		Year ended June 30, 2008
Note E	To adjust impact on interest income for conversion liability assuming full conversion					
	Expense	Interest income	$	105,000	$	732,000

Notes H and I

Determination of additional shares that would have been required to be issued and the resulting pro forma common shares outstanding as of June 30, 2008 and September 30, 2008:

Reconciliation of weighted average common shares outstanding - June 30, 2008

	Without Contingent Consideration		With Contingent Consideration	
	Basic	Diluted	Basic	Diluted
Shares outstanding, June 30, 2008	9,794,400	9,794,400	9,794,400	9,794,400
Less:conversion shares as a liability	(2,413,319)	(2,413,319)	(2,413,319)	(2,413,319)
Shres assumed outstanding on maximum conversion	7,381,081	7,381,081	7,381,081	7,381,081
Conversion shares add-back assuming no conversion	2,413,319	2,413,319	2,413,319	2,413,319
Shares issued - merger consideration on closing	2,880,000	2,880,000	2,880,000	2,880,000
Fully diluted - before contingent consideration	12,674,400	12,674,400	12,674,400	12,674,400
Dilutive shares issuable based upon the application of the treasury stock method with respect to dilutive Alyst warrants outstanding		3,314,334		3,314,334
Shares issued - purchase price - contingent consideration			9,000,000	9,000,000
Assuming no conversion	12,674,400	15,988,734	21,674,400	24,988,734
Note Reference	H	H		
Less conversion shares - assuming maximum conversion	(2,413,319)	(2,413,319)	(2,413,319)	(2,413,319)
Shares outstanding assuming maximum conversion, June 30, 2008	10,261,081	13,575,415	19,261,081	22,575,415
Note Reference	I	I		

Reconciliation of weighted average common shares outstanding - September 30, 2008

	Without Contingent Consideration		With Contingent Consideration	
	Basic	Diluted	Basic	Diluted
Shares outstanding, September 30, 2008	9,794,400	9,794,400	9,794,400	9,794,400
Less:conversion shares as a liability	(2,413,319)	(2,413,319)	(2,413,319)	(2,413,319)
Shres assumed outstanding on maximum conversion	7,381,081	7,381,081	7,381,081	7,381,081
Conversion shares add-back assuming no conversion	2,413,319	2,413,319	2,413,319	2,413,319

Shares issued - merger consideration on closing	2,880,000	2,880,000	2,880,000	2,880,000
Fully diluted - before contingent consideration	12,674,400	12,674,400	12,674,400	12,674,400
Dilutive shares issuable based upon the application of the treasury stock method with respect to dilutive Alyst warrants outstanding		3,153,924		3,153,924
Shares issued - purchase price - contingent consideration			9,000,000	9,000,000
Assuming no conversion	12,674,400	15,828,324	21,674,400	24,828,324
Note Reference	H	H		
Less conversion shares - assuming maximum conversion	(2,413,319)	(2,413,319)	(2,413,319)	(2,413,319)
Shares outstanding assuming maximum conversion, September 30, 2008	10,261,081	13,415,005	19,261,081	22,415,005
Note Reference	I	I		

COMPARATIVE PER SHARE DATA

The following table sets forth unaudited pro forma combined per share ownership information of Alyst and China Networks Media after giving effect to the merger, assuming (i) no conversions and (ii) conversion of 30% of Alyst's common shares (less one share) by Alyst stockholders. You should read this information in conjunction with the selected summary historical financial information the unaudited pro forma condensed combined financial information, and the historical financial statements of Alyst and China Networks Media and related notes that are included elsewhere in this proxy statement/prospectus. The unaudited Alyst and China Networks Media pro forma combined per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial information and related notes included elsewhere in this proxy statement/prospectus.

The unaudited pro forma combined earnings per share information below do not purport to represent the earnings per share which would have occurred had the companies been combined, nor earnings per share for any future date or period. The unaudited pro forma combined book value per share information below does not purport to represent the value of Alyst and China Networks Media had the companies been combined.

	Alyst	China Networks Media	Combined Company
	(in thousands, except per share data)		
Number of ordinary shares outstanding upon consummation of the merger:			
Assuming no conversions (1)			12,674
Assuming conversion of 30% less one share (2)			10,261
Earnings (loss) per share - historical quarter ended September 30, 2008			
Basic	$ 0.11	$ 0.99	
Diluted	$ 0.09	$ 0.76	
Earnings (loss) per share - proforma quarter ended September 30, 2008			
Assuming no conversion (1)			
Basic			$ (0.57)
Diluted			$ (0.46)
Assuming conversion of 30% less one share (2)			
Basic			$ (0.71)
Diluted			$ (0.55)
Earnings (loss) per share - historical year ended June 30, 2008			
Basic	$ 0.01	$ (0.11)	
Diluted	$ 0.01	$ (0.08)	
Earnings (loss) per share - proforma year ended June 30, 2008			
Assuming no conversion (1)			
Basic			$ (0.31)
Diluted			$ (0.25)

Assuming conversion of 30% less one share (2)			
Basic			$ (0.45)
Diluted			$ (0.34)
Book value - historical September 30, 2008	$ 45,550	$ 30,606	
Book value - proforma September 30, 2008			
Assuming no conversion (1)			$ 111,469
Assuming conversion of 30% less one share (2)			$ 92,523
Book value per share - historical September 30, 2008	$ 3.59	$ 2.41	
Book value per share- proforma September 30, 2008			
Assuming no conversion (1)			$ 8.79
Assuming conversion of 30% less one share (2)			$ 9.02

1. Assumes that no Alyst stockholders seek conversion of their Alyst stock into pro rata shares of the trust account.

2. Assumes that 2,413,319 shares of Alyst common stock were converted into their pro rata share of the trust account.

PRICE RANGE OF SECURITIES AND DIVIDENDS

Alyst

Alyst's common stock, warrants and units are currently listed on the NYSE Alternext under the symbols AYA, AYA.WS and AYA.U, respectively. The closing price for these securities on August 15, 2008, the last trading day before announcement of the entering into of the Merger Agreement, was $7.46, $7.85 and $.45, respectively. The closing price for the securities on January 22, 2009, the most recent trading day practicable before the date of this proxy statement/prospectus, was $7.54, $0.05 and $7.50, respectively.

Alyst units commenced public trading on July 5, 2007, and common stock and warrants commenced separate public trading on July 16, 2007. The table below sets forth, for the calendar quarters indicated, the high and low sales prices for the securities as reported on the NYSE Alternext in U.S. dollars.

	Common Stock		Warrants		Units	
	High	Low	High	Low	High	Low
			(US$)			
2007						
Second Quarter*	–	-	-	-	8.03	8.03
Third Quarter*	7.35	7.20	0.90	0.72	8.17	7.77
Fourth Quarter	7.30	7.20	0.76	0.52	8.00	7.68
2008						
First Quarter	7.43	7.22	0.73	0.25	7.90	7.45
Second Quarter	7.53	7.27	0.60	0.25	7.93	7.48
Third Quarter	7.70	7.30	1.07	0.29	8.80	7.57
Fourth Quarter	7.55	7. 00	0.45	0.01	7.60	6.91
2009						
First Quarter (throught January 22)	7.61	7.45	0.07	0.02	7.50	7.35

* The stock prices from the Second Quarter of 2007 begin on the dates which Alyst's securities first commenced trading.

Holders of Alyst common stock, warrants and units should obtain current market prices for their securities. The market price of these securities could vary at any time before the Business Combination is completed.

Alyst anticipates that CN Holdings' securities will be listed on the Nasdaq Stock Market after the Business Combination under the symbols CHTV, CHTV.W and CHTV.U. There can be no assurance that a trading market will develop for these securities.

Holders of Alyst. As of January 20, 2009 there were, of record, 14 holders of common stock, 11 holders of warrants, and 1 holder of units. Alyst believes the number of beneficial holders of each of these securities is significantly greater than the number of record holders.

Dividends. Alyst has not paid any dividends on its common stock to date and does not intend to pay dividends prior to the completion of the Business Combination.

China Networks Media

China Networks Media securities are not publicly traded.

Holders. As of January 20, 2009 there were two record holders of China Networks Media's ordinary shares and 27 holders of class A preferred shares.

Dividends

The payment of dividends by CN Holdings in the future will be contingent upon revenues and earnings, if any, capital requirements and the general financial condition subsequent to completion of the Business Combination. The payment of any dividends subsequent to that time will be within the discretion of the Board of Directors serving at that time. It is the present intention of the Board to retain all earnings, if any, for use in business operations and, accordingly, it does not anticipate declaring any dividends in the foreseeable future. Loans or credit facilities may also limit CN Holdings' ability to pay dividends.

THE ALYST SPECIAL MEETING

Alyst is furnishing this proxy statement/prospectus to its stockholders as part of the solicitation of proxies by the Board of Directors for use at the Special Meeting in connection with the proposed Redomestication Merger of Alyst to the British Virgin Islands and the proposed Business Combination with China Networks Media. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the Special Meeting.

Date, Time and Place. Alyst will hold the Special Meeting at 10:00 a.m., Eastern time, on [ ], 2009, at 340 Madison Avnue, 2nd Floor, New York, New York to vote on the proposals.

Purpose. At the Special Meeting, holders of Alyst common stock will be asked to approve:

(a) The redomestication of Alyst from the State of Delaware to the British Virgin Islands by merging Alyst with and into China Networks International Holdings Ltd. ("CN Holdings"), its wholly-owned British Virgin Islands subsidiary (the "Redomestication Merger"), in conjunction with the acquisition of China Networks Media, Ltd. ("China Networks Media"), a private limited liability British Virgin Islands company, as set out in paragraph (b) below. In connection with the Redomestication Merger, Alyst will change its name to China Networks International Holdings Ltd. and adopt the Amended and Restated Memorandum and Articles of Association of CN Holdings, which will contain provisions equivalent in substance to Alyst's amended and restated certificate of incorporation and by-laws, respectively. However, the CN Holdings Amended and Restated Memorandum and Articles of Association will provide for a perpetual existence. This proposal is called the "Redomestication Proposal" and is conditioned upon approval of the Business Combination Proposal discussed in paragraph (b) below:

(b) The proposed merger of China Networks Merger Co., Ltd., a wholly-owned British Virgin Islands subsidiary of CN Holdings ("China Networks Merger Co."), with and into China Networks Media, resulting in China Networks Media becoming a wholly-owned subsidiary of CN Holdings (the "Business Combination"), and the related transactions contemplated by the Agreement and Plan of Merger, dated August 13, 2008, by and among Alyst, China Networks Media, CN Holdings, China Networks Merger Co., Ltd., Mr. Li Shuangqing, Kerry Propper and MediaInv Ltd. (the "Merger Agreement"). Pursuant to the Merger Agreement, CN Holdings will pay China Networks Media's shareholders an aggregate merger consideration of (i) 2,880,000 CN Holdings ordinary shares, (ii) an aggregate of $17,000,000 in cash, (iii) deferred cash payments of up to $6,000,000 and deferred share payments of up to 9,000,000 ordinary shares of CN Holdings, in each case subject to the achievement of specified financial milestones set forth in the Merger Agreement, and (iv) $21,910,000 of proceeds from the exercise of CN Holdings warrants. This proposal is called the "Business Combination Proposal" and is conditional upon approval of the Redomestication Proposal discussed in paragraph (a) above; and

(c) The proposed 2008 Omnibus Securities and Incentive Plan (the "Share Incentive Plan") pursuant to which directors, officers. employees and consultants of CN Holdings or its subsidiaries may be granted options to purchase up to 2,500,000 million ordinary shares of CN Holdings. This proposal is called the ''Share Incentive Plan Proposal;" and

(d) Any adjournment or postponement of the Special Meeting for the purpose of soliciting additional proxies in the event Alyst does not receive the requisite stockholder vote for approval of the Redomestication Proposal and the Business Combination Proposal – this proposal is called the ''Adjournment and Postponement Proposal.''

Pursuant to Alyst's amended and restated certificate of incorporation and the Merger Agreement, Alyst is required to obtain stockholder approval of the Business Combination with China Networks Media. Pursuant to the Merger Agreement, the Redomestication Merger will not be consummated unless the Business Combination is also approved.

Similarly, the Business Combination will not take place if the Redomestication Merger is not approved. If China Networks Media's Board of Directors chooses to waive those conditions to the Business Combination, Alyst will still not be able to go forward with the Business Combination. Consequently, each of the Redomestication Proposal and the Business Combination Proposal must be approved for either transaction to be completed.

Alyst's Board of Directors determined that the Redomestication Merger, the Business Combination and the Share Incentive Plan are fair to and in the best interests of Alyst and its stockholders, approved and declared each of them advisable, and recommends that Alyst stockholders vote ''FOR'' (i) the Redomestication Merger, (ii) the Business Combination, (iii) the Share Incentive Plan and (iv) the approval of any adjournment or postponement of the Special Meeting. The Board of Directors has also determined that the fair market value of China Networks Media is at least 80% of Alyst's net assets, which is necessary to satisfy the provisions of its amended and restated certificate of incorporation enabling it to consummate the Business Combination.

The Special Meeting has been called only to consider approval of the Redomestication Merger Proposal, the Business Combination Proposal, the Share Incentive Plan Proposal and the Adjournment or Postponement Proposal of the Special Meeting. Under Delaware law and Alyst's bylaws, no other business may be transacted at the Special Meeting.

Record Date; Who is Entitled to Vote. The ''record date'' for the Special Meeting is [ ], 2009. Record holders of Alyst common stock at the close of business on the record date are entitled to vote or have their votes cast at the Special Meeting. On the record date, there were 9,794,400 outstanding shares of Alyst common stock, of which 8,044,400 shares were sold to the public in Alyst's IPO. Each share of common stock is entitled to one vote per proposal at the Special Meeting. Alyst's warrants do not have voting rights.

Pursuant to letter agreements with Alyst, Alyst's initial stockholders have agreed to vote all of their 1,750,000 shares, which were purchased by them prior to the IPO, in accordance with the vote of the holders of a majority of the public shares on the Business Combination Proposal in person or by proxy at the meeting. If holders of a majority of the public shares voting at the meeting vote for or against, or abstain with respect to, the Business Combination Proposal, the initial stockholders will cast the 1,750,000 shares in the same manner as such majority votes on such proposal. No initial stockholders will demand conversion of any shares owned by them. The initial stockholders intend to vote all of their shares in favor of the Redomestication Merger Proposal. The 1,750,000 shares that Alyst's initial stockholders will vote in favor of the Redomestication Merger represent 17.87% of Alyst's outstanding shares of common stock. By voting these shares for the Redomestication Merger, Alyst's initial stockholders increase the number of shares held by Alyst's public stockholders that must be voted against the Redomestication Merger Proposal to reject the proposal.

Alyst shareholders are being asked to approve actions that will be taken by CN Holdings (including the entry into of the Business Combination and related transactions) because the Amended and Restated Memorandum and Articles of Association of CN Holdings was filed with the Registrar of Corporate Affairs in the British Virgin Islands Companies Registry on [ ], 2009 to include protective provisions substantially identical to those contained in Alyst's amended and restated certificate of incorporation at the time of its IPO. As a result, immediately following the completion of the Redomestication Merger, the charter documents of CN Holdings will require that the majority of the shares issued in Alyst's IPO approve its Business Combination with China Networks Media. Since the laws of the British Virgin Islands also require the affirmative vote of a majority of the shares of China Networks Media and China Network Merger Co., the shareholders of each such corporation will be approving such actions by written consent, effective upon receipt of corresponding approval of Alyst's shareholders. Such action by written consent, together with the approval by Alyst's shareholders at the Special Meeting, will be effective under British Virgin Islands law and China Networks Media Holding's amended charter documents.

Vote Required. Approval of the Business Combination requires the affirmative vote of a majority of the votes cast at the Special Meeting. Approval of the Redomestication Merger Proposal will require the affirmative vote of a majority of the outstanding shares of Alyst's common stock, provided there is a quorum and that the Business Combination is also approved. The Adjournment and Postponement Proposal will require the affirmative vote of a majority of the shares represented in person or by proxy and entitled to vote at the meeting. If the stockholders approve the Business Combination, the Business Combination will only proceed if holders of shares purchased in Alyst's IPO, representing less than 30% of the total shares sold in the IPO, exercise their conversion rights. Alyst's Board of Directors will abandon the Business Combination if holders of 2,413,320 (which number represents 30% of the total shares sold in Alyst's IPO) or more of the shares of common stock issued in Alyst's IPO vote against the Business Combination and exercise their right to convert their shares into a pro rata portion of the trust account. In addition, pursuant to the Merger Agreement, it is a condition to the obligation of Alyst and China Networks Media to consummate the Business Combination that the Redomestication Merger Proposal be approved by Alyst's stockholders. If the Business Combination is approved, but the Redomestication Merger is not approved, Alyst will still not be able to complete the Business Combination with China Networks Media.

Abstaining from voting or not voting on a proposal (including broker non-votes), either in person or by proxy or voting instruction, will not have an effect on the vote relating to the Business Combination, since Alyst's amended and restated certificate of incorporation provides that only votes cast at the meeting will count toward the vote on the Business Combination. An abstention will not count toward the 30% ''against and converting'' vote that would result in the Business Combination's abandonment, and if you abstain you will be unable to exercise any conversion rights upon approval of the Business Combination. With respect to the Redomestication Merger Proposal, an abstention or a broker non-vote will have the same effect as a vote against the proposal. If the proposal relating to the Redomestication Merger is not approved, Alyst will not be able to go forward with the Business Combination with China Networks Media.

Broker Non-Votes. A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in ''street name'') but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors and ratification of auditors. The matters currently planned to be considered by the stockholders are not routine matters. As a result, brokers can only vote the Alyst shares if they have instructions to do so. Broker non-votes will not be counted in determining whether the proposals to be considered at the meeting are approved.

Voting Your Shares. Each share of common stock that you own in your name entitles you to one vote per proposal. Your proxy card shows the number of shares you own.

There are three ways to vote your shares at the Special Meeting:

By signing and returning the enclosed proxy card. If you vote by proxy card, your ''proxy,'' whose names are listed on the proxy card, will vote your shares as you instruct on the card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted as recommended by the Alyst Board ''FOR'' approval of each proposal.

By telephone. You can vote this way by following the telephone voting instructions included with your proxy card. If you do, you should not return the proxy card. If you vote this way, however, you will not be able to exercise conversion rights.

You can attend the Special Meeting and vote in person. We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way Alyst can be sure that the broker, bank or nominee has not already voted your shares.

Conversion Rights. Any holder of shares that were purchased in Alyst's IPO who votes against the Business Combination may, at the same time, demand that Alyst convert his or her shares into a pro rata portion of the funds available for conversion in the trust account. If so demanded and the Business Combination is consummated, Alyst will convert the shares.

SIMPLY VOTING AGAINST THE BUSINESS COMBINATION (WHETHER IN PERSON, BY PROXY OR BY TELEPHONE) OR CHECKING THE ''EXERCISE CONVERSION RIGHTS'' BOX ON A PROXY CARD DOES NOT PERFECT YOUR CONVERSION RIGHTS – YOU MUST ALSO SEND ALYST THE WRITTEN DEMAND LETTER DESCRIBED BELOW.

Pursuant to the arrangements established at the time of Alyst's IPO, shareholders of Alyst representing up to 2,413.319 shares of the outstanding shares issued in Alyst's IPO may exercise conversion rights in the event they vote against the Business Combination and send a written demand letter to Alyst as described in the section entitled ''The Special Meeting.'' A stockholder who has not properly exercised conversion rights may still exercise those rights prior to the Special Meeting by submitting a later dated proxy, together with a demand that Alyst will convert these shares into a pro rata portion of funds held in the trust account plus interest, as of the record date. After the Special Meeting, an Alyst stockholder may not exercise conversion rights or correct invalidly exercised rights. You will only be entitled to receive cash for these shares if you continue to hold them through the closing of the Business Combination and then tender your stock certificate(s) to Alyst or to Alyst's duly appointed tender agent. If you exercise your conversion rights, then you will be exchanging your shares for cash and will no longer own these shares. Exercise of conversion rights will not affect any warrants held by that stockholder. Do not send your stock certificate(s) with your proxy. If the Business Combination is consummated, converting stockholders should expect to receive the conversion amount.

You will lose your conversion rights if you submit an incomplete or untimely demand for conversion. To exercise conversion rights a Alyst stockholder must:

- Vote against the Business Combination Proposal;
- Contemporaneous with that vote against the Business Combination Proposal, send a written demand to Alyst (Attn: William Weksel) at 233 E. 69th Street, #6J, New York, NY 10021, which demand must state:

a) The name and address of the stockholder;

b) That the stockholder has voted against the Business Combination;

c) That the stockholder demands conversion of the stockholder's shares into cash; and

d) The address for delivery of the check for the aggregate conversion payment to be received by the stockholder if the shares are converted for cash; and

e) deliver your shares to the transfer agent in the manner described below.

If the Business Combination is approved by the Alyst stockholders and is consummated, Alyst will promptly pay to any holder who properly and timely demanded conversion and who has submitted the holder's stock certificate(s) to Alyst, or to its duly appointed tender agent, the stockholder's pro rata portion of funds in the trust account. Any such payment will only be made after the holder submits his or her stock certificates to Alyst or to its duly appointed tender agent. The certificate(s) representing the shares being converted need not be submitted prior to the meeting or at the time that the converting stockholder votes against the Business Combination and submits the written demand for conversion, but only after the Business Combination has been approved. Alyst recommends sending the certificate by registered mail with proper insurance, since risk of loss will remain with the stockholder until the certificate is received by Alyst. Alyst will not charge any stockholder for costs incurred by Alyst with respect to the exercise of conversion rights, such as the costs of converting shares from street name to a physical certificates.

The closing price of Alyst's common stock on [ ], 2009 was $[ ] and the amount of cash held in the IPO trust account on December 31, 2008 was $63,154,286 (plus accrued interest of $74,718). If a public stockholder would have elected to exercise conversion rights on such date, he or she would have been entitled to receive approximately $7.86 per share.

Questions About Voting. If you have any questions about how to vote or direct a vote in respect of your Alyst common stock, you may call Michael Weksel of Alyst, at (646) 290-6104. You may also want to consult your financial and other advisors about the vote.

Revoking Your Proxy and Changing Your Vote. If you give a proxy, you may revoke it or change your voting instructions at any time before it is exercised by:

- If you sent in a proxy, by sending another proxy card with a later date;
- If you voted by telephone, by calling the same number and following the instructions;
- Notifying Alyst in writing before the Special Meeting that you have revoked your proxy; or
- Attending the Special Meeting, revoking your proxy and voting in person.

If your shares are held in ‘‘street name,’’ consult your broker for instructions on how to revoke your proxy or change your vote.

If you do not vote your shares of Alyst common stock in any of the ways described above, it will have the same effect as a vote against the adoption of the Business Combination Proposal and the Redomestication Proposal, but will not have the effect of a demand of conversion of your shares into a pro rata share of the trust account in which a substantial portion of the proceeds of Alyst’s IPO are held.

Appraisal Rights. Under Delaware corporate law, neither the Redomestication Merger of Alyst with CN Holdings nor the Business Combination results in the stockholders of Alyst having appraisal rights due to the fact that the securities of Alyst are listed on the NYSE Alternext and the securities of CN Holdings will be listed on Nasdaq.

Solicitation Costs. Alyst is soliciting proxies on behalf of the Alyst Board of Directors. This solicitation is being made by mail, but also may be made in person or by telephone or other electronic means. Alyst and its respective directors, officers, employees and consultants may also solicit proxies in person or by mail, telephone or other electronic means. In addition, China Networks Media stockholders, officers and directors may solicit proxies in person or by mail, telephone or other electronic means on Alyst’s behalf. These persons will not be paid for doing this.

Alyst has not hired a firm to assist in the proxy solicitation process but may do so if it deems this assistance necessary. Alyst will pay all fees and expenses related to the retention of any proxy solicitation firm.

Alyst will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. Alyst will reimburse them for their reasonable expenses.

Stock Ownership. Information concerning the holdings of certain Alyst stockholders is set forth above in the Summary and below under ‘‘Beneficial Ownership of Securities.’’

THE BUSINESS COMBINATION PROPOSAL

Alyst Acquisition Corp. is a Delaware corporation incorporated on August 16, 2006 in order to serve as a vehicle for the acquisition of an operating business in any industry, with a focus on the telecommunications industry, through a merger, capital stock exchange, asset acquisition or other similar business combination. On July 5, 2007, Alyst consummated its IPO of 8,044,400 of its Units, including 1,044,400 Units subject to the underwriters' over-allotment option. Each Unit consists of one share of common stock, $.0001 par value per share, and one warrant to purchase one share of common stock at an exercise price of $5.00 per share. The Units were sold at an offering price of $8.00 per Unit, generating gross proceeds of $64,355,200. Simultaneously with the consummation of the IPO, the Company consummated a private placement of 1,820,000 warrants at a price of $1.00 per warrant, generating total proceeds of $1,820,000. After deducting the underwriting discounts and commissions and offering expenses, an amount of $63,154,286 was placed in an interest-bearing trust account and the remaining proceeds of approximately $50,000, plus up to $1,680,000 accrued interest from the trust account became available to be used to provide for business, legal, accounting, due diligence on prospective business combinations and continuing operating expenses. Alyst's management has broad discretion with respect to the specific application of the net proceeds of the private placement and the public offering, although substantially all of the net proceeds of the offerings are intended to be generally applied toward consummating a business combination. As of December 31, 2008, approximately $63,154,286 (plus accrued interest of $74,718) was held in the trust account.

The warrants issued in Alyst's private placement were purchased by Robert A. Schriesheim, Alyst's Non-Executive Chairman of the Board, Dr. William Weksel, Alyst's Chief Executive Officer, Robert H. Davies, Alyst's Chief Strategist, Michael E. Weksel, Alyst's Director, Chief Operating Officer, and Chief Financial Officer and Secretary, Paul Levy, one of Alyst's Former Directors, and Ira Hollenberg IRA, Silverman Realty Group, Inc. Profit Sharing Plan (LCPSP), Norbert W. Strauss, David Strauss and Jonathan Strauss, each a stockholder of Alyst. The warrants are identical to the warrants included in the Units sold in the IPO except that they are exercisable on a cashless basis if Alyst calls the warrants for redemption so long as they are held by these purchasers or their affiliates. The purchasers of the warrants issued in the private placement have agreed that the warrants issued in the private placement will not be sold or transferred by them until Alyst has completed a business combination.

General Description of the Business Combination

The following discussion of the principal terms of the Agreement and Plan of Merger, dated August 13, 2008, by and among Alyst, China Networks Media, CN Holdings, China Networks Merger Co., Mr. Li Shuangqing, Kerry Propper and MediaInv Ltd. (the ''Merger Agreement''), is subject to, and is qualified in its entirety by reference to the Merger Agreement. A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Pursuant to the Merger Agreement, Alyst established a wholly-owned subsidiary, CN Holdings in April 17, 2008. As part of the series of transactions contemplated by the Merger Agreement, Alyst will merge with and into CN Holdings in the Redomestication Merger immediately prior to the Business Combination. CN Holdings will be the surviving entity of the Redomestication Merger, and the separate corporate existence of Alyst will cease at the effective time thereof. Immediately afterwards, CN Holdings' wholly-owned subsidiary, China Network Merger Co. will merge with and into China Networks Media, which owns 100% of Advertising Networks Ltd. (''ANT''), a Hong Kong holding company that: (1) owns 50% of each of Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. and Kunming Taishi Information Cartoon Co., Ltd., (collectively "JV Tech Cos"), each PRC joint venture companies formed with PRC TV Stations, and (2) controls Beijing Guangwang Hetong Advertising & Media Co., Ltd. (''Hetong''), a PRC company, which in turn, owns (a) 50% of Kunming Kaishi Advertising Co. Ltd., and (b) 50% of Taiyuan Advertising Networks Advertising Co., Ltd. (collectively "JV Ad Cos") with PRC TV Stations. JV Ad Cos collects advertising revenue earned by JV Tech Cos, a joint venture holding assets of PRC TV Stations. As a result of the Business Combination, the shareholders of China Networks Media will own approximately 23% of the outstanding shares of CN Holdings, assuming full participation in the Redomestication Merger and no conversions. The foregoing percentage does not reflect the effect that an exercise of the currently outstanding warrants would have.

If Alyst does not consummate the Business Combination with China Networks Media, it will continue to seek another target business until it is required to liquidate and dissolve pursuant to its amended and restated certificate of incorporation. Under its amended and restated certificate of incorporation as currently in effect, if Alyst does not acquire at least majority control of a target business by June 29, 2009, Alyst will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets. Following dissolution, Alyst would no longer exist as a corporation.

Background of the Business Combination

The following is a brief discussion of the background of Alyst's efforts to identify potential candidates for a business combination, the selection of China Networks Media, and the negotiation of the Merger Agreement relating to the Business Combination and related transactions.

Shortly after Alyst's IPO offering in July 2007, it actively started to seek a target business for a business combination. In the months after Alyst's IPO, Alyst's management, including Dr. William Weksel, Mr. Michael E. Weksel, and Mr. Robert H. Davies reviewed information on over 75 companies in their search for a target business. Although the focus of this effort was to find a suitable acquisition candidate that owned an operating business in the telecommunications industry, the prospective target business was not limited to any particular industry, or any particular geography. As disclosed in the prospectus for the IPO, at no time prior to the consummation of the IPO did Alyst, or any of its officers, directors, advisors, consultants or affiliates, contact, or engage in any discussions regarding a business combination with, any potential target on behalf of Alyst.

During July 2007, Alyst management developed representative criteria to be used in the screening and evaluating of target companies for Alyst to acquire. These criteria were utilized during the ensuing months by the Alyst team in the search and evaluation process. While management felt it would not necessarily have been possible to find a target that fully met all of the criteria, the team sought to identify those companies with characteristics that were in close alignment with the criteria.
The following is a summary of the criteria:

- Strong organic growth potential
- Attractive purchase price
- Growing market for targets' goods/services
- Scalable business model
- Potential for add-on acquisitions
- Strong competitive position in industry
- Experienced management team
- Diversified customer and supplier base

In the initial months after the IPO, Alyst management initiated conversations (i) directly with potential targets they believed could make attractive business combination partners, (ii) with lawyers, accountants, consultants, investment bankers and other professionals and (iii) with its own network of contacts. Alyst educated these parties on the SPAC structure and Alyst's criteria for an acquisition. Alyst also responded to inquiries from investment bankers or other similar professionals who represented companies engaged in sale or financing processes.

On a regular basis, the Alyst board of directors was updated with respect to the status of the business combination search. These efforts through Alyst's professional network resulted in a multitude of potential targets. These opportunities were evaluated based on Alyst's stated criteria. Many did not fit Alyst's criteria, while some were eliminated for various reasons including the target being too small and the sellers' valuation expectations being too high. The screening process was repeated multiple times, and Alyst remained in continual dialogue with its sourcing network. Through these efforts, the volume of potential targets remained high.

Negotiation with Potential Targets

As a result of its efforts, Alyst identified three companies, in addition to China Networks, which it found sufficiently attractive to engage in meaningful negotiations regarding the terms of a potential transaction. All three of these potential targets were in the telecommunications industry.

One target was a provider of multimedia content for use with cellular telephones, based in the European Union. This target developed and marketed ring tones and pictures for use with cellular telephones as well as related software, and had 2008 projected annual revenues of approximately $50 million and earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately $12 million. Alyst discussed a draft term sheet for an acquisition with the owners of this target. Discussions between Alyst and this party terminated due to the inability of the parties to reach agreement on valuation.

Another target with whom Alyst had significant discussions was an independent U.S. regional provider of rural cellular telephone services. This potential target had 2008 projected revenues of approximately $50 million and operating earnings of approximately $12 million. Alyst terminated discussions with this target due to Alyst's conclusion that the value of the target was not large enough to enable Alyst to successfully acquire it.

A third target with whom Alyst had significant discussions was a company that sells satellite-based telecommunications services. Alyst discussed a draft term sheet for an acquisition with the owners of this target, which was engaged in an auction process to identify a buyer. Alyst determined not to pursue this target after Alyst determined that the target was unwilling to suspend its auction process in order to negotiate exclusively with Alyst with respect to a transaction.

History of Discussions between China Networks Media and Alyst

During February 2008, Mr. George Kaufman, a director in investment banking for Chardan Capital Markets, LLC contacted Alyst to discuss the opportunity for Alyst to acquire China Networks. On February 13, 2008, at the offices of Chardan Capital Management, Dr. Weksel, Mr. Weksel, and Mr. Davies (the "Alyst Team") met with a representative of MediaInv Ltd., the majority shareholder of China Networks, Mr. Kerry Propper and Mr. Kaufman to discuss the business and prospects of China Networks and the potential for a business combination between China Networks and Alyst.

In the ensuing weeks, Alyst, Chardan and China Networks held numerous additional discussions regarding a potential transaction in person and by teleconference which resulted in the execution of a non-binding letter of intent on March 5, 2008 that described many economic terms and conditions of a potential business combination between the Alyst and China Networks.

On March 9, 2008, the Alyst Team traveled to Beijing, China to conduct on-site due diligence of China Networks. In Beijing, the Alyst Team met with Mr. Li Shuangqing, the Chairman and Chief Executive Officer of China Networks, the then Co-Chairman of China Networks and three other senior executives of China Networks, Mr. Zhou Chuangsheng, Ms. Guan Yong and Mr. Liu Rui, to discuss (i) the television advertising industry in the Peoples Republic of China; (ii) China Networks' overall business model; (iii) China Networks' target television station acquisition plan; (iv) the legal and financial structural possibilities for a potential deal; (v) China Networks proposed business and investment plans, (vi) financial forecasts for China Networks, and (vii) the business experience and background of the China Networks management team. The Alyst Team, Mr. Li and another representative of China Networks then traveled to Kunming, China. There the Alyst Team met with the top managers of the Kunming television station to discuss the business and operations of the television station and potential joint venture between the station and China Networks. On April 7, 2008, Dr. Weksel and Mr. Davies returned to China to conduct further due diligence, including additional meetings with the management of China Networks and visits to Zhuhai, China and Taiyuan, China to conduct meetings with the top managers of the television stations in those cities to discuss the business and operations of the television stations and potential joint ventures between the stations and China Networks.

Commencing shortly thereafter, Alyst and its legal advisors commenced legal due diligence on China Networks and began discussions regarding the agreement and plan of merger and related legal documents. These discussions continued through March and April. During this time, the legal counsel for China Networks, Loeb & Loeb LLP, and the legal counsel for Alyst McDermott Will & Emery LLP, exchanged several drafts of the Merger Agreement and held several conference calls and in-person meetings to discuss and negotiate the terms of the Merger Agreement. By the last week of April, the parties were very close to agreement on the major terms of the form of merger agreement, though they still had not reached final agreement.

On March 24, 2008, Alyst held a meeting of its board of directors to discuss the status of the search for a potential business combination and to discuss the status of the proposed transaction with China Networks. After detailed discussion of China Networks and the television industry in China, the Board authorized management to continue due diligence and negotiations with China Networks, including preparing a definitive agreement relating to such transaction, and to update the Board as negotiations progressed.

On April 30, 2008, Alyst held a meeting of its board of directors that was attended by its legal counsel from McDermott, Will & Emery as well as George Kaufman of Chardan Capital, Alyst's financial adviser. At the meeting, which was attended in person or telephonically by all board members, Michael Weksel reviewed for the directors the overall strategy of China Networks in the Chinese media and advertising marketplace. A representative of SkillNet connected to the meeting telephonically and reviewed with the board the market research that SkillNet had conducted on behalf of Alyst with respect to the Chinese advertising and media marketplace and China Network's strategy. A representative of McDermott, Will & Emery LLP then discussed with the directors (i) the terms and conditions of the proposed merger agreement whereby the Company would acquire China Networks and reincorporate as a British Virgin Islands company; (ii) the fiduciary duties of directors under Delaware law in connection with their decision whether or not to approve the proposed Merger Agreement and (iii) certain tax aspects of the Merger Agreement. Michael Weksel and William Weksel described the due diligence that had been conducted regarding China Networks, including: (i) the due diligence trips conducted in China to assess the prospects of the television stations China Networks is seeking to enter into partnership with in China; (ii) the background checks that had been performed on the principals of China Networks; and (iii) the review of the "carve-out financials" of the partnerships to be formed by China Networks that had been conducted. George Kaufman of Chardan Capital then made a presentation to the Board describing the proposed merger agreement and its projected impact upon Alyst, its stockholders and its stock price.

The Alyst board of directors considered and discussed the terms of the Merger Agreement and the business, financial and legal due diligence that had been conducted with respect to China Networks, its business and finances. After concluding its deliberations, the Alyst board of directors unanimously resolved to approve the form of Merger Agreement, declare it to be advisable for Alyst to enter into the Merger Agreement and authorized Alyst's management to finalize and execute the Merger Agreement substantially in the form presented at the meeting, with such amendments as the management of Alyst deemed necessary and appropriate. Alyst's board of directors also determined that China Networks, assuming the closing of the acquisition of the TV stations, had a fair market value equal to at least 80% of Alyst's trust value.

The management of Alyst then resumed its negotiations with China Networks. The parties continued their discussions and negotiations sporadically from May 1, 2008 through June 19, 2008. On June 19, 2008, Alyst, China Networks and the other parties to the Merger Agreement entered into an escrow agreement whereby they agreed to cease negotiations and place the Merger Agreement, together with executed signature pages of each party, in an escrow arrangement with Ed Grushko, Esq. (the counsel to the investors providing the Financing discussed below) acting as the escrow agent. Pursuant to the escrow agreement, the parties agreed that Mr. Grushko would release the signature pages to the respective parties upon the consummation by China Networks of its joint ventures with Yellow River TV Station and Kunming TV Station, the owners of television stations in the PRC. The consummation of such ventures was itself contingent upon China Networks obtaining regulatory approval for the joint ventures and the closing of bridge financing to fund its payment obligations pursuant to such joint ventures.

On August 12, 2008, China Networks informed the escrow agent that it had completed the joint ventures. On August 13, 2008 China Networks and Alyst requested the escrow agent to release the Merger Agreement from the escrow and the parties entered into the Merger Agreement.

In the months subsequent to its execution, the parties discussed entering into an amendment to the Merger Agreement to clarify the agreement of the parties that each holder of preferred stock of China Networks Media as of the closing of the Business Combination will receive a maximum of $50,000 of the cash received by CN Holdings in connection with the exercise of CN Holdings' warrants by warrantholders, for each 17,500 preferred shares held by each holder. The parties are in the process of presenting such amendment to the investors in the bridge financing for their approval.

On January 28, 2009, the parties agreed to amend certain provisions of the Merger Agreement relating to the Deferred Cash Payments, Deferred Stock Payments and Warrant Exercise Proceeds. The amended provisions serve to (i) increase the requisite thresholds of future earnings by which the common shareholders of China Networks Media are entitled to cash payments and (ii) decrease the amount of cash payments such shareholders are entitled to upon exercise of the public and insider warrants. All other provisions of the Merger Agreement remain unchanged.

Alyst announced that it had set __________, 2009 as the record date for the Special Meeting.

China Networks Media Financing

Mr. Shuangqing Li determined with Mr. Kerry Propper that China Networks Media would need to raise funds to support the acquisition of certain assets by China Networks Media in advance of the business combination with Alyst. Mr. Shuangqing engaged Chardan Capital Markets as advisor on this capital raise, because of Chardan's prior successful experiences raising funds for investments in China and its understanding of the structure of special purpose vehicles. It was determined that the proceeds would be used for acquisition through contractual arrangements of the networks under consideration, for working capital for China Networks Media, as well as a loan to Alyst to pay for merger transaction costs. From March 2008 until the closing of the $28 million bridge financing on July 21, 2008, Chardan worked closely with China Networks Media and Alyst on the financing efforts for China Networks Media.

On July 21, 2008, China Networks Media entered into a Purchase Agreement with several accredited investors (the "Purchase Agreement"), and consummated the private placement of $28,000,000 in units (the ''Financing''), each unit consisting of (i) a promissory note in the face amount of $499,825, bearing interest at the rate of 10% per annum (the "Note"), and (ii) 17,500 detachable shares of the China Networks Media's class A preferred stock (the "CN Media Units"). As security for the repayment of the Notes, MediaInv Ltd. and Mr. Propper, China Networks Media's two shareholders, pledged and granted to the investors, on a pro rata basis, a first priority lien on 50.1% of the ordinary shares of China Networks Media owned by them. The proceeds of the sale and issuance of the CN Media Units were used in the following manner: (a) $13.6 million was used for initial equity contributions due from ANT for the JV Tech Cos and (b) a fee of $980,000 paid to Chardan, as a placement fee for the Financing, and (c) the remaining proceeds are being used for working capital, including payment of certain administrative, legal and accounting fees.

In connection with the Financing, pursuant to the terms of a registration rights agreement, China Networks Media has agreed to register for resale the ordinary shares into which the shares of class A preferred stock issued as part of the CN Media Units conversion, on a registration statement to be filed with the Securities and Exchange Commission no later than the date that is 30 days after the consummation of the Business Combination. Alyst has agreed to assume these registration obligations in connection with the Business Combination. The shares to be registered as part of the Business Combination will be the ordinary shares of CN Holdings that will be exchanged for the common shares of Alyst.

For its activities as placement agent in the financing, Chardan received $980,000 in fees upon the closing of the Financing and will receive an additional $980,000 in fees upon the earlier of the consummation of the Business Combination and July 21, 2010.

It is expected that Li Shuangqing, Kerry Propper, Michael Weksel and four other individuals who will be appointed prior to Alyst's Special Meeting, of which three may be selected by Alyst, will become members of the Board of Directors of CN Holdings upon the completion of the Redomestication Merger.

Introduction of the Redomestication Merger

In addition to the subjects discussed above, during the structuring of the Financing, Mr. Kerry Propper also discussed with Mr. Shuangqing the obligations of being a U.S. reporting company, including compliance with the reporting requirements of the federal securities laws, restrictions on insider trading, accounting procedures and Sarbanes-Oxley requirements, public disclosure requirements and timing, shareholder communications, website disclosure, financial public relations, and transfer agent requirements.

As substantially all of the business operations of China Networks Media will be conducted outside the United States, Alyst management decided to consider redomesticating Alyst outside the United States prior to its merger with China Networks Media. It concluded that the Redomestication Merger will permit greater flexibility and possibly improved economic results in structuring future acquisitions and creating subsidiaries in China and other countries as China Networks Media expands, recognizing that potential acquisition targets may view the status of being a shareholder in a non-U.S. corporation more favorably than being a shareholder in a U.S. corporation. This reason is significant to China Networks Media in view of its strategic plans to acquire new networks. Alyst also believes that the regulatory burden in the British Virgin Islands is significantly less onerous than in the United States, particularly with respect to companies engaged in a series of acquisitions. Further, ownership of operating businesses in the PRC through a holding company organized in the British Virgin Islands is also well-established with the PRC authorities, reducing the risk of a challenge to the ownership structure by SARFT or other PRC governmental authorities. In addition, depending on the composition of the shareholder base of CN Holdings after the Business Combination or changes in board membership or location of its principal executive offices, there is the availability of foreign private issuer status for CN Holdings with the U.S. Securities and Exchange Commission. As a foreign private issuer, the reporting requirements under the Securities Exchange Act of 1934, as amended, would be reduced, resulting in less costs associated with financial and reporting compliance. Accordingly, a decision was made to reincorporate Alyst under the laws of the British Virgin Islands.

Interest of Alyst's Management in the Business Combination

When you consider the recommendation of Alyst's Board of Directors that you vote in favor of the Business Combination, you should keep in mind that Alyst's officers and directors have interests in the Business Combination that are different from, or in addition to, yours. These interests include the following:

- If the Business Combination is not approved and Alyst is therefore required to liquidate, the securities owned by Alyst's officers and directors will be worthless because they will not be entitled to receive any of the assets held in the trust account. In addition, the possibility that the members of the Board of Directors will be required to perform their obligations under the indemnity agreements referred to above will be substantially increased.

- In connection with the IPO, Alyst's current officers and directors agreed to indemnify Alyst for debts and obligations to vendors that are owed money by Alyst for services rendered or products sold to Alyst, but only to the extent necessary to ensure that certain liabilities do not reduce funds in the trust account. If the Business Combination is consummated, Alyst's officers and directors will not have to perform such obligations. As of January 21, 2009, Alyst believes that the maximum amount of the indemnity obligation of Alyst's officers and directors is small or non-existent because the total amounts owed to vendors for which Alyst has not received a waiver of such Vendor's right to sue the trust account is less than the amount of funds available to Alyst outside the trust account to pay such liabilities. If the Business Combination is not consummated, Alyst anticipates the obligations would total approximately $550,000. Alyst has sufficient funds outside of the trust account to pay these obligations. All vendors agreed to the waiver other than Alyst's legal counsel and accountants. If the Business Combination is not consummated, China Networks Media will be responsible for its own expenses incurred in connection with the Business Combination.

- Warrants to purchase Alyst common stock held by Alyst's directors and officers are potentially exercisable upon consummation of the Business Combination. Based upon the closing price of Alyst's common stock on January 22, 2009 of $7.30, if all warrants held by Alyst's directors and officers were exercised for common stock the value of such shares of common stock would be approximately $4,186,000.

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All rights specified in Alyst's amended and restated certificate of incorporation relating to the right of directors and officers to be indemnified by Alyst, and of Alyst's directors and officers to be exculpated from monetary liability with respect to prior acts or omissions, will continue after the Business Combination to the extent permitted by British Virgin Islands law. If the Business Combination is not approved and Alyst liquidates, it will not be able to perform its obligations under those provisions. If the Business Combination is ultimately completed, the combined company's ability to perform such obligations will probably be substantially enhanced.

- Alyst’s financial, legal and other advisors have rendered services for which they may not be paid if the Business Combination is not approved, and certain of them may have the opportunity to provide additional services to Alyst in the future. In connection with the China Networks Media negotiations, the drafting of the Merger Agreement and this proxy statement/prospectus, Alyst’s counsel, McDermott Will & Emery LLP, has provided approximately $[ ] of services for which it had not been paid as of January 22, 2009. In addition, [_________, _________, _________ and __________] were owed a total of approximately $___________ as of January 22, 2009, as to which waivers regarding proceeding against the trust account had been received from vendors representing approximately $[ ] of such expenses. As any recovery of such fees and expenses by these vendors will be much more difficult in the event the Business Combination is not approved, while such recovery is not expressly contingent on the outcome of the Alyst shareholder vote, these vendors could be viewed as having an interest in the outcome of such vote.

- The following table lists the securities owned by the members of Alyst’s current management team and Board of Directors and the amount of potential gain that each of them would realize if the Business Combination is consummated, based on the market price of Alyst’s securities on [ ], 2008. If a Business Combination is not consummated, the securities held by these individuals would be valueless since they would not be entitled to participate in distributions from the trust account.

	Securities in which named individual has a pecuniary interest		Value of such securities as of January 22, 2009 ($)		Aggregate Initial Purchase Price of Securities ($)		Gain on Securities as of January 21, 2009 ($)
Name	Shares	Units	Shares	Units	Shares	Units	
Dr. William Weksel	362,500(1)	0	2,733,250	0	5,178.57	0	2,728,071.43
Robert A. Schriesheim	362,500(1)	0	2,733,250	0	5,178.57	0	2,728,071.43
Robert H. Davies	362,500(1)(2)	0	2,733,250	0	5,178.57	0	2,728,071.43
Michael E. Weksel	362,500(1)(3)	0	2,733,250	0	5,178.57	0	2,728,071.43
Paul Levy	90,000(1)	0	678,600	0	1,285.71	0	677,314.29
Matthew Botwin	30,000	0	226,200	0	428.57	0	225,771.43

1. Does not include 227,500 shares of common stock issuable upon exercise of warrants held by this individual that are not currently exercisable and will not become exercisable within 60 days.

2. Includes 10,000 shares of common stock held by the 2006 Robert H. Davies Delaware Trust f/b/o Alexander B. Davies, a trust established for the benefit of Mr. Davies’ son.

3. Includes 12,500 shares of common stock held by the Carina Heart Weksel Irrevocable Trust, a trust established for the benefit of Mr. Weksel’s daughter.

Alyst’s Reasons for the Business Combination and Recommendation of the Alyst Board

Alyst’s Board of Directors concluded that the Merger Agreement with China Networks Media is in the best interests of Alyst’s stockholders.

Alyst’s Board of Directors considered a wide variety of factors in connection with its evaluation of the merger. Many of those factors, such as the international experience and operational expertise of China Networks Media’s management were not quantifiable. Those that could be quantified, such as the value of the company if certain projections of net income levels and earnings multiples were achieved based on assumed price/earnings ratios, were quantified, and some of the factors considered, such as historical growth rates, were inherently quantitative in nature. Alyst’s Board of Directors did not consider it useful to assign relative weights to each of the specific factors it considered in reaching its decision. Alyst’s Board of Directors focused instead on evaluating the relative collective weight of the several positive factors and the few negative factors in making its decision, in light of the fact that the pricing of the transaction would provide value to Alyst’s stockholders in excess of the conversion value of their stock.

Among the factors that the Alyst Board of Directors considered in connection with its evaluation of the Business Combination were: (i) the onsite due diligence visits to be conducted by officers and directors of Alyst; (ii) the conclusions of the analyses made by Skillnet with regards to the business concept, business case, market potential, product and services, technology and technical assets, competitive situation, marketing and sales strategy and organization; (iii) the analyses and discussion with its legal and financial advisers regarding the structure of a foreign investment in a PRC advertising company; (iv) the qualitative analysis of China Networks Media's management personnel and executive leadership; (v) the quantitative analysis of China Networks Media's revenue and projections; and (vi) a qualitative comparison of the proposed China Networks Media acquisition to the criteria previously established by the Alyst Board of Directors.

Among the factors that the advantages and disadvantages the Alyst Board of Directors considered in connection with its evaluation of the Business Combination are those described below.

Potential Advantages of the Business Combination with China Networks Media

A business combination with Alyst would strategically position China Networks Media in the rapidly growing Chinese advertising market.

Ranking fifth in size in the world in 2007, China's total advertising spending was approximately 3.25% of total worldwide spending, which was over $15 billion. Among the top ten countries, China is expected to experience a compounded annual growth rate of 17.33% from 2007 to 2010, which is nearly 4% higher than the next fastest growing advertising market. China's television advertising industry has been growing rapidly in recent years, and in 2008, comprised 39.6% of the total advertising market in the PRC, representing approximately $7.5 billion in 2008, according to industry reports. The Alyst Board of Directors believes that China Networks Media position in this growing marketplace makes it an attractive acquisition partner.

Fragmented industry poised for consolidation

The Chinese television industry is highly fragmented with no dominant provider of advertising services in the market. The fragmented nature of the TV industry in China creates significant demand for the expansion of the scale and scope of the joint-venture relationships China Networks Media intends to build with TV stations across the country. Industry conditions fit well with China Networks Media's expansion strategy and create the opportunity for the significant future growth that the Alyst Board of Directors found highly attractive.

Experienced management

Another criteria that was important to Alyst's Board of Directors in identifying an acquisition target was that the company have a seasoned management team with specialized knowledge of the markets within which it operates and the ability to lead a company in a rapidly changing environment. Alyst's Board of Directors concluded that China Networks Media's management has demonstrated that ability, addressing critical issues such as business strategy, competitive differentiation, business development, public market experience, operational experience and speed to market. The success and experience of China Networks Media's Chief Executive Officer, Mr. Li Shuangqing, in the field of media and communications, was also judged to be a significant factor supporting the company's future expansion and success.

Limited and constrained competition

The competitive situation that China Networks Media operates in is favorable. There are few short term or mid-term competitive threats. SARFT as the governing body favors traditional media such as broadcast television and protects it from new media distribution such as IPTV and direct-to-the-home satellite distribution. In addition, the capital cost to build a duplicate, competitive network is a barrier to entry limiting direct competition in the markets that China Networks Media chooses to serve.

China Networks Media's ability to execute its business plan, even with the risk that a significant number of Alyst's public stockholders would vote against the Business Combination and exercise their conversion rights

The Alyst Board concluded that, based on its review of China Networks Media's business plan and project financial performance, the business plan could be successfully executed even if significant numbers of Alyst stockholders determine to convert their stock into cash. This aspect of China Networks Media significantly mitigates the execution risk of the proposed transaction and was an attractive feature of the deal from the perspective of the Alyst Board of Directors.

If projected performance is achieved, the Business Combination is expected to create significant value for Alyst shareholders.

Based upon the projected financial performance of China Networks Media and the consideration being paid by Alyst in the Business Combination, a substantial amount of which is contingent upon successful post-closing financial performance, the Alyst Board of Directors concluded that the Business Combination could create substantial value for the Alyst stockholders in excess of the conversion value of the shares.

Potential Disadvantages of the Business Combination with China Networks Media

The Alyst Board of Directors evaluated potential disadvantages of a business combination with China Networks Media. They were not able to identify any factors associated specifically with China Networks Media or its industry that outweighed the advantages of a business combination. Potential disadvantages of acquiring China Networks Media considered by the Alyst Board of Directors are listed below:

Legal and regulatory regime in which China Networks Media will operate

Over the past several years, the Chinese government has pursued economic reform policies, including the encouragement of private economic activities and decentralization of economic regulation. Changes in policies by the Chinese government that result in a change of laws, regulations, their interpretation, or the imposition of high levels of taxation, restrictions on currency conversion or imports and sources of supply could materially and adversely affect China Networks Media’s business and operating results. In addition, the advertising industry in particular could become subject to more stringent regulation both in its activities and the ability of private enterprises to acquire assets from state-owned television stations.

Dependence of strategy upon partners not controlled by China Networks Media

The success of China Networks Media’s strategy of expanding in various locations in China depends upon the cooperation of various joint venture parties not under the control of China Networks Media. The Alyst Board of Directors considered the risks involved in securing and maintaining the cooperation of these parties to be a potential disadvantage of the business combination.

Potential difficulty in extracting profits from China

Renminbi, or RMB, is not presently a freely convertible currency, and the restrictions on currency exchanges may limit China Networks Media’s ability to use revenues generated in RMB or to make dividends or other payments in U.S. dollars to its investors. For example, SAFE recently issued a new regulation under which RMB converted from the registered capital must only be utilized in accordance with the purposes approved by the relevant government authority (including the local SAFE). While in the short to intermediate term it is not expected that China Networks Media would desire to extract cash from its operations outside of China, the Alyst Board of Directors nevertheless viewed the potential long-term difficulties to be a potential disadvantage of the business combination.

The Board of Directors concluded that, after the transaction is complete, the consolidated strength of the merger of Alyst and China Networks Media overcomes the negative factors that the Board of Directors had identified in its analysis.

Satisfaction of the 80% Test

It is a requirement that any business acquired by Alyst have a fair market value equal to at least 80% of Alyst’s net assets at the time of acquisition, which assets shall include the amount in the trust account. Based on standards generally accepted by the financial community, including the financial analysis of China Networks Media which was generally used to approve the Business Combination, Alyst’s Board of Directors determined that 80% test requirement was met and exceeded.

The Alyst Board of Directors believes, because of the financial skills and background of several of its members, it was qualified to perform the valuation analysis described above and to conclude that the acquisition of China Networks Media met this requirement.

Transaction Costs

Alyst anticipates that it will incur total transaction costs of approximately $[ ]million. Such costs do not include transaction costs of approximately $[ ] million anticipated to be incurred by China Networks Media. Approximately $[ ] of the $[ ] in non-contingent anticipated costs has been incurred and recorded as of [ ], 2008. The $[ ] primarily relates to the accountants and valuation consultants' fees, road show expenses, printer fees and other miscellaneous expenses.

Alyst's cash outside the trust and accrued expenses as of [ ], 2008 was approximately $[ ] and $[ ], respectively. Through [ ], 2009, approximately $[ ] of transaction costs had been paid in cash. Alyst expects to incur the remaining anticipated non-contingent transaction costs of approximately $[ ] before the Business Combination is approved in [ ] 2008. Additionally, recurring monthly operating expenses of approximately $[ ] per month will continue to accrue in following the Business Combination.

Alyst anticipates that the costs to consummate the Redomestication Merger and the Business Combination will exceed its available cash outside of the trust account (excluding borrowings) by approximately $[ ]. Alyst has not sought and does not anticipate seeking any fee deferrals. Alyst expects these costs would ultimately be borne by CN Holdings after the Business Combination and disbursed from the funds held in the trust if the proposed China Networks Media Business Combination is completed. If the Business Combination is not completed, the non-contingent excess costs of approximately $[ ] would be subject to the potential indemnification obligations of Alyst's officers and directors to the trust account related to expenses incurred for vendors or service providers. Alyst's officers and directors anticipate performing their obligations to the trust account regarding expenses incurred for vendors or service providers in the event the Business Combination is not consummated. Alyst's officers and directors are all accredited investors and as such, Alyst believes that they have the financial ability to meet such obligations but has not done an independent investigation to confirm such belief. If these obligations are not performed or are inadequate, it is possible that vendors and/or service providers could seek to recover these expenses from the trust account, which could ultimately deplete the trust account and reduce a stockholder's current pro rata portion of the trust account upon liquidation.

Potential Dilution of Share Ownership Post-Redomestication Merger and Post-Business Combination

The following table sets forth the number of shares and percentage ownership of CN Holdings after the Business Combination by each of (i) Alyst's initial stockholders, (ii) Alyst's former public stockholders, (iii) the former shareholders to China Networks Media and (iv) the officers and directors of CN Holdings.

	No Conversion		Maximum Conversion	
	# of shares	Percentage of ownership	# of shares	Percentage of ownership
Alyst initial stockholders	1,750,000	13.8%	1,750,000	17.1 %
Alyst former public stockholders	8,044,400	63.5%	5,631,081	54.9%
Former shareholders of China Networks Media	2,880,000	22.7%	2,880,000	28.1%
Officers and Directors of CN Holdings (1)	2,045,000	16.1%	2,045,000	19.9%
Total ownership	12,674,400		10,261,081	

(1) Includes 1,570,000 shares of Alyst officers and directors, included in Alyst initial stock holders above, and 475,000 ordinary shares of China Networks Media owned by Kerry Propper immediately prior to the merger, included in Former shareholders of China Networks Media above.

This table does not include the effect of shares that may be issuable for contingent merger consideration nor the effect of the exercise of outstanding warrants or options.

Conclusion of Alyst’s Board of Directors

After careful consideration of all relevant factors, Alyst’s Board of Directors determined that the Business Combination Proposal is in the best interests of Alyst and its stockholders. The Board of Directors has approved and declared the Business Combination Proposal advisable and recommends that you vote or give instructions to vote ‘‘FOR’’ the Business Combination Proposal.

The foregoing discussion of the information and factors considered by the Alyst Board is not meant to be exhaustive, but includes the material information and factors considered by the Board.

Terms of the Merger Agreement

The discussion in this proxy statement/prospectus of the Business Combination and the principal terms of the Merger Agreement catalogued below are qualified in their entirety by reference to the copy which is attached as Annex A and incorporated herein by reference. The following description summarizes the material provisions of the Merger Agreement, which agreement we urge you to read carefully because it is the principal legal document that governs the Business Combination. For this discussion, we refer to the Merger Agreement simply as the ‘‘Agreement,’’ unless the context otherwise requires.

The representations and warranties described below and included in the Agreement were made by Alyst, China Networks Media, Li Shuangqing, Kerry Propper, MediaInv Ltd, China Networks Holdings and China Networks Merger Co,. to each other as of specific dates. The assertions embodied in these representations and warranties may be subject to important qualifications and limitations agreed to by Alyst, China Networks Media Li Shuangqing, Kerry Propper, MediaInv Ltd, China Networks Holdings and China Networks Merger Co. in connection with negotiating its terms. The representations and warranties may also be subject to a contractual standard of materiality that may be different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk among the contracting parties, rather than establishing matters as facts. The Agreement is described in this proxy statement/prospectus and included as Annex A only to provide you with information regarding its terms and conditions at the time it was entered into by the parties. Accordingly, you should read the representations and warranties in the Agreement not in isolation but rather in conjunction with the other information contained in this document and in the other publicly available information regarding Alyst and China Networks Media.

General

Alyst intends to change its domicile from the State of Delaware to the British Virgin Islands by means of a merger with and into its wholly-owned subsidiary, CN Holdings, and as a result, change its name to China Networks International Holdings Ltd. The acquisition by Alyst of China Networks Media will be effected through a business combination in the form of a merger of China Network Merger Co. (the ‘‘China Networks Merger’’), a wholly-owned subsidiary of CN Holdings, with and into China Networks Media. China Networks Media will be the surviving corporation in the Business Combination and will become a wholly-owned subsidiary of CN Holdings.

Basic Deal Terms

The Redomestication Merger will result in all of Alyst’s issued and outstanding shares of common stock immediately prior to the Redomestication Merger converting into ordinary shares of CN Holdings, and all units, warrants and other rights to purchase Alyst’s common stock immediately prior to the Redomestication Merger being exchanged for substantially equivalent securities of CN Holdings at the rate set forth in the Merger Agreement. CN Holdings has applied to have its shares listed on Nasdaq upon consummation of the merger. Alyst will cease to exist and CN Holdings will be the surviving corporation, and in connection therewith, will assume all the property, rights, privileges, agreements, powers and franchises, debts, liabilities, duties and obligations of Alyst, which includes the assumption by CN Holdings of any and all agreements, covenants, duties and obligations of Alyst set forth in the Agreement. Alyst's amended and restated certificate of incorporation and by-laws in effect immediately prior to the Redomestication Merger shall cease and the Amended and Restated Memorandum and Articles of Association of CN Holdings will be the organizational documents of CN Holdings as the surviving corporation.

The Business Combination will be effected immediately after the Redomestication Merger. Each ordinary share of China Networks Media issued and outstanding prior to the Business Combination will be converted automatically into one ordinary share of CN Holdings, and each class A preferred share of China Networks Media outstanding immediately prior to the Business Combination will convert into one share of CN Holdings. In connection with the Business Combination, China Networks Media will assume all the property, rights, privileges, agreements, powers, franchises, debts, liabilities and duties of China Networks Merger. China Networks Media's Amended and Restated Memorandum and Articles of Association will remain as the organizational documents after the Business Combination.

Upon the consummation of the Redomestication Merger and the Business Combination, CN Holdings will own 100% of the issued and outstanding ordinary shares of China Networks Media. As of the closing, the shares of CN Holdings will be owned 77% by the previous stockholders of Alyst, 15% by the previous holders of ordinary shares of China Networks Media and 8% by the previous holders of class A preferred shares of China Networks Media.

Shares Subject to Appraisal Rights

Under the Delaware General Corporation Law, appraisal rights are not available to Alyst's stockholders in connection with the Redomestication Merger or the Business Combination.

Shareholders of China Networks Media's ordinary shares and class A preferred shares who vote against the Business Combination and who have properly exercised and perfected their appraisal rights, and not subsequently withdrawn or lost or waived their rights to demand payment with respect to their ordinary shares or class A preferred shares of China Networks Media, in accordance with BVI law, shall not have their shares converted into a right to receive shares of CN Holdings and shall be entitled only to such rights as are granted by BVI law. Each shareholder who becomes entitled to payment for such shares pursuant to BVI law shall receive payment therefore from CN Holdings in accordance with the BVI law, provided, however, that (i) if any shareholder who asserts appraisal rights in connection with the Business Combination has failed to establish his entitlement to such rights as provided under BVI law, or (ii) if any such shareholder has effectively withdrawn his demand for payment for such shares or waived or lost his right to payment for his shares under the appraisal rights process under BVI law the shares of China Networks Media held by such shareholder shall be treated as if they had been converted, as of the effective date of the Business Combination, into a right to receive shares of CN Holdings. China Networks Media shall give CN Holdings prompt notice of any demands for payment received by the China Networks Media from a shareholder asserting appraisal rights, and CN Holdings shall have the right to participate in all negotiations and proceedings with respect to such demands. China Networks Media shall not, except with the prior written consent of CN Holdings, make any payment with respect to, or settlement or offer to settle, any such demands.

Representations and Warranties

China Networks Media makes customary representations and warranties about itself, ANT, its wholly-owned Hong Kong subsidiary, and Hetong, a PRC company that is the 50% owner of JV Ad Cos. The representations and warranties relate to, among other things, organization standing and power, subsidiaries corporate and contractual formalities observed in connection with the Merger Agreement, capitalization; consents, approvals and authority in connection with the transactions contemplated by the Merger Agreement, absence of changes and undisclosed liabilities, restrictions on business activities, governmental authorizations, financial statements, pending and potential legal proceedings, title to property, intellectual property, governmental inquires, compliance with laws, compliance with taxes, employee benefits, interested party transactions, insurance coverage, material contractual arrangements, compliance with laws, foreign corrupt practices and money laundering.

Alyst makes customary representations and warranties relating to, among other things, its organization standing and power, capitalization, corporate and contractual formalities observed in connection with the Merger Agreement, financial statements, filings with the SEC, compliance with the Sarbanes-Oxley Act of 2002, pending and potential legal proceedings, employee benefit plans, labor matters interested party transactions, insurance coverage, transactions with affiliates, compliance with laws, consents, approvals and authority in connection with the transactions contemplated by the Merger Agreement, no conflicts, absence of certain changes and undisclosed liabilities, restrictions on business activities, no interest in properties, listing on the NYSE Alternext and funds held in the trust account.

Conduct of Business Pending Closing

Alyst agrees, and China Networks Media agrees on behalf of itself and its subsidiaries, to carry on their respective businesses in the ordinary course consistent with past practice and to pay all debts and taxes when due, to use reasonable best efforts to preserve their business organization, keep services available and preserve relationships with customers, suppliers, distributors, licensors, licensees and others having business dealings with them, and keep goodwill and their ongoing businesses unimpaired.

Both Alyst and China Networks Media agree not to, without the prior written consent of the other, amend their respective organizational documents, declare or pay dividends or alter their capital structure, including by splitting, combining, reclassifying, issuing, or repurchasing its stock, enter into material contracts, issue shares or securities convertible into shares, transfer or license intellectual property other than the license of non-exclusive rights to intellectual property in the ordinary course of business consistent with past practice, sell, lease, license or otherwise dispose of or encumber properties or assets, incur any indebtedness in excess of $100,000, pay or discharge any claims, liabilities or obligations in excess of $100,000, make any capital expenditures, additions or improvements except in the ordinary course of business in excess of $100,000, make any acquisitions, other than future acquisitions by China Networks Media of television advertising assets upon prior consultation with Alyst, make or change any election with respect to taxes and make any change to financial accounting policies and procedures.

Covenants

Alyst agreed to file this proxy statement/prospectus with the SEC as soon as reasonably practicable after receipt of all financial and other information required to be included herein, for the purpose of soliciting proxies from Alyst's stockholders to vote at the Special Meeting and, as soon as practicable after completing the SEC review process of this proxy statement/prospectus, to distribute the same to all of Alyst's stockholders and call the Special Meeting in accordance with Delaware law. Alyst has also agreed to negotiate and finalize the terms of the employment contracts with Li Shuangqing. China Networks Media agreed to use reasonable best efforts to obtain the vote or consent of its shareholders to effect the Business Combination.

The Merger Agreement provides that Alyst will, within 30 days after the closing of the Business Combination, file a registration statement relating to the resale of the shares of Alyst's common stock acquired by the stockholders of China Networks Media, and that Alyst will use its commercially reasonable best efforts to have the registration statement declared effective by the SEC within 120 days after the closing of the Business Combination.

Additional Agreements

China Networks Media agrees not to make any claims against the trust account for any reason whatsoever or any claim against Alyst. Alyst and China Networks Media both agree to provide reasonable access to ''due diligence'' information and promptly apply or otherwise seek to obtain all consents and approvals required to be obtained for the consummation of the Redomestication Merger and the Business Combination. Neither of Alyst nor China Networks

Media are required to divest any of their respective businesses, product lines or assets, or to take or agree to take any other action that could be expected to result in a material adverse effect on the business after the Redomestication Merger and Business Combination.

Alyst and China Networks Media both agree not to, directly or indirectly, solicit, encourage or enter into any negotiation or arrangement with any party that could reasonably be expected to lead to a proposal or offer for a stock purchase, asset acquisition, merger, consolidation or other business combination involving Alyst or China Networks Media, or any proposal to acquire in any manner a direct or indirect substantial equity interest in, or all or any substantial part of the assets of Alyst and China Networks Media.

Alyst and China Networks Media both agree to take all reasonable actions to complete the Redomestication Merger and Business Combination promptly, and cooperate with the other to obtain any necessary, consents, approvals and authorizations, registrations, declarations or perform any filings with any governmental entity or any other person in connection with the transactions contemplated by the Merger Agreement.

Closing Conditions

China Networks Media and Alyst's obligations to complete the Redomestication Merger and the Business Combination are subject to the satisfaction or waiver of the following conditions. Neither China Networks Media nor Alyst will waive any material closing condition.

(a) Alyst's stockholders' approval of the Redomestication Merger and the Business Combination, with public stockholders of less than 30% of the shares of common stock issued in Alyst's IPO, which is equivalent to 2,413,319 shares of common stock, electing to have their common stock converted for cash in the trust account;

(b) approval of the Merger Agreement and the Business Combination by the affirmative vote of a majority of the votes of the shares entitled to vote, held by the shareholders of the ordinary shares of China Networks Media, voting together with the shareholders of class A preferred stock of China Networks Media, voting on an as-converted basis;

(c) the material accuracy of Alyst and China Networks Media's respective representations and warranties and the material performance of Alyst and China Networks Media's respective obligations under the Merger Agreement;

(d) delivery of various documents in connection with the consummation of the Redomestication Merger and the Business Combination, including an executed employment agreement of Li Shuangqing, a lock-up Agreement executed by Alyst, a registration rights agreement and certificates and other agreements necessary to effect the Redomestication Merger and Business Combination;

(e) the absence of legal requirements or orders limiting or restricting the conduct or operation of business, and the absence of pending or threatened legal action or proceedings involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated by the Merger Agreement, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with the transactions contemplated by the Merger Agreement;

(f) no material adverse effect shall have occurred or any change that has a material adverse effect;

(g) all parties have timely obtained all approvals, waivers and consents from any governmental authority, including under BVI and PRC laws, that are necessary to consummate the transactions contemplated by the Merger Agreement;

(h) Alyst's common stock will be quoted on the NYSE Alternext and there will be no action or proceeding pending or threatened against Alyst, which would prohibit or termination the quotation of its common stock;

(i) Alyst shall be in compliance with all of Alyst's reporting requirements under the Securities Exchange Act of 1934, as amended, and have timely filed all reports under the Exchange Act for the twelve months prior; and

(j) Alyst's aggregate deferred business and operating expenses should not exceed $1,000,000, exclusive of legal fees, unless Alyst has prior approval from China Networks Media.

Survival of Representations and Warranties; Indemnification

The representations, warranties, covenants and obligations set forth in the Merger Agreement shall survive the closing of the Business Combination and expire on the first anniversary thereof.

MediaInv Ltd. and Kerry Propper, the principal shareholders of China Networks Media, have agreed to provide a limited indemnification to Alyst after the consummation of the Business Combination, from and against any liabilities, loss, claims, damages, fines, penalties, expenses or diminution of value, including taxes arising, directly or indirectly, from or in connection with any breach of any representation or warranty by China Networks Media in the Merger Agreement, any breach by the principal shareholder or China Networks Media of any covenants or obligations in the Merger Agreement, or the operation of the business of China Networks Media and its subsidiaries prior to the closing. Alyst will not be entitled to indemnification by Mr. Propper or MediaInv Ltd., unless and until the aggregate amount of damages to Alyst exceeds $500,000, at which time Alyst shall be entitled to indemnification for the total amount of such damages which shall be recovered solely by the return of no more than 250,000 shares of CN Holdings that Mr. Propper and MediaInv Ltd. will receive in exchange for their shares of China Networks Media in the Business Combination.

After the Redomestication Merger, CN Holdings will assume, among other things, all of Alyst's duties and obligations, which shall include Alyst's obligation to fulfill and honor all obligations of China Networks Media, pursuant to the indemnification provisions of its organizational documents in effect on the date of the Merger Agreement, after the Business Combination. In the event that any person to be indemnified is or becomes involved in any capacity in any action, proceeding or investigation in connection with any matter relating to the Merger Agreement or the transactions contemplated by the Merger Agreement, CN Holdings shall pay as incurred such indemnified person's reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith to the fullest extent permitted by the BVI law. To the extent there is a claim, action, suit, proceeding or investigation against an indemnified party that arises out of or pertains to any action or omission in his or her capacity as a director, officer, employee, fiduciary or agent of China Networks Media occurring prior to the Business Combination, or arises out of or pertains to the transactions contemplated by the Merger Agreement, the indemnification obligations of CN Holdings shall survive for a period of five years after the Business Combination.

Termination

The Merger Agreement may be terminated at any time prior to the consummation of the Redomestication Merger, whether before or after approval of the proposals being presented to Alyst's stockholders by:

- mutual consent of China Networks Media and Alyst;
- either China Networks Media or Alyst, if the Merger Agreement and the approval of the Redomestication Merger and Business Combination are not approved, or holders of more than 30% of Alyst's common stock issued in the IPO exercise their right to convert their common stock for cash from the trust account;
- either China Networks Media or Alyst, if without fault of the terminating party, the closing of the Business Combination does not occur on or before June 29, 2009;
- Alyst, if China Networks Media breaches any of its representations, warranties or obligations and such breach is not cured within 10 business days of receipt by China Networks Media of written notice of such breach;
- by China Networks Media, if Alyst breaches any of its representations, warranties or obligations and such breach is not cured within 10 business days of receipt by Alyst of written notice of such breach; or

- either China Networks Media or Alyst, if any permanent injunction or other order of a court prevents the consummation of the Redomestication Merger or the Business Combination, or the failure to obtain the required vote of Alyst's stockholders at the Special Meeting.

Effect of Termination

In the event of proper termination by either China Networks Media or Alyst, the Merger Agreement will become void and have no effect, without any liability or obligation on the part of China Networks Media or Alyst, except in connection with the provisions in the Merger Agreement regarding confidentiality obligations and expense and termination fees, and in the event that such termination results from the breach by a party of any of its representations, warranties or covenants in the Merger Agreement.

Whether or not the transactions contemplated by the Merger Agreement are consummated, all costs and expenses incurred in connection with the Merger Agreement shall be borne by the party incurring such expense. However, if China Networks Media or Alyst terminates the Agreement due to a breach by the other of its representations, warranties or obligations, such breaching party shall promptly reimburse the non-breaching party for all out-of-pocket costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby.

Amendment, Extension and Waiver

The parties may amend the Merger Agreement, provided that any amendment that is made after approval of the Merger Agreement shall not alter or change the amount or kind of consideration received on conversion of Alyst's common stock or China Networks Media's shares, alter or change any term of the organizational documents of CN Holdings, or alter or change any terms and conditions of the Merger Agreement if such alteration or change would materially adversely affect the China Networks Media shareholders.

At any time prior to the consummation of the Redomestication Merger, either Alyst or China Networks Media may, to the extent allowed by applicable law, extend the time for the performance of the obligations under the Merger Agreement, waive any inaccuracies in representations and warranties made to the other party and waive compliance with any of the agreements or conditions for the benefit of the other party. Any such extension or waiver must be in writing signed by both parties.

Regulatory and Other Approvals

Except for approvals required by Delaware and BVI corporate law and compliance with applicable securities laws and rules and regulations of the U.S. Securities and Exchange Commission, there are no federal, state or foreign regulatory requirements which remain to be complied with or other material approvals to obtain or filings to make in order to consummate the Business Combination or the Redomestication Merger.

Governing Law

The Agreement is governed by the laws of the State of Delaware.

Anticipated Accounting Treatment

The Business Combination will be accounted for under the purchase method of accounting as a forward acquisition in accordance with U.S. GAAP as stipulated in SFAS No. 141R "Business Combinations." The assets and liabilities of China Networks Media will be stated at fair value. China Networks Media's assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of Alyst after consummation of the merger. The pre-merger Alyst shareholders will have a controlling voting interest in CN Holdings and will have equal representation in the senior management CN Holdings. Further, Alyst will effect this merger through the distribution of cash and equity securities and the incurrence of contingent liabilities. With respect to the Business Combination and the Redomestication Merger, China Networks Media will have (i) the ability, upon consummation of the merger, to initially appoint a majority of the post-merger board of directors of CN Holdings under the Merger Agreement, and (ii) the benefit of voting agreements that the current holders of approximately 15% of Alyst's shares of common stock (which were not acquired in the IPO) have agreed to vote in favor of the merger. These rights, however, are not long term arrangements and therefore effective control by China Networks Media is not assured.

Regulatory Matters

The Business Combination is not subject to the Hart-Scott-Rodino Act or any federal or state regulatory requirement or approval, except for filings necessary to effectuate related transactions with the state of Delaware.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of the material U.S. federal income tax consequences of the Redomestication Merger to Alyst and the holders of Alyst's common stock and warrants (which we refer to collectively as our ''securities''), of the Business Combination to CN Holdings, and of the ownership of ordinary shares and warrants in CN Holdings following the Redomestication Merger and Business Combination. Because the components of a unit (i.e., the common stock or ordinary shares and warrants) are separable at the option of the holder, the holder of a unit should be treated, for U.S. federal income tax purposes (although there is no authority directly on point in the contest of the matters considered herein), as the owner of the underlying common stock, or ordinary shares, and warrants constituting the unit. Therefore, the discussion below of the U.S. federal income tax considerations for holders of common stock, or ordinary shares, and warrants should also apply to the holder of a unit. The discussion below of the U.S. federal income tax consequences to ''U.S. Holders'' will apply to a beneficial owner of our securities that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a beneficial owner of our securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a ''Non-U.S. Holder.'' The U.S. federal income tax consequences applicable to Non-U.S. Holders of owning common stock and warrants in CN Holdings are described below under the heading ''– Tax Consequences to Non-U.S. Holders of Ordinary Shares and Warrants of CN Holdings.''

This summary is based on the Internal Revenue Code of 1986, as amended (the ''Code''), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to CN Holdings, Alyst or any particular holder of our securities or of common stock and warrants of CN Holdings based on such holder's individual circumstances. In particular, this discussion considers only holders that own and hold our securities, and will acquire the ordinary shares and warrants of CN Holdings as a result of owning our securities and own and hold such ordinary shares and warrants as capital assets within the meaning of Code Section 1221. In addition, this discussion does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or ‘‘financial services entities’’;
- broker-dealers;
- taxpayers who have elected mark-to-market accounting;
- tax-exempt entities;

- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 10% or more of our voting shares;
- persons that hold our common stock or warrants as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; or
- persons whose functional currency is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws. Additionally, the discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our common stock and warrants, or will hold the ordinary shares and warrants of CN Holdings, through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our securities (or the ordinary shares and warrants of CN Holdings), the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

Alyst has not sought, and will not seek, a ruling from the Internal Revenue Service (‘‘IRS’’) as to any U.S. federal income tax consequence described herein. The IRS may disagree with the discussion herein, and its determination may be upheld by a court.

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ALYST, CN HOLDINGS OR ANY PARTICULAR HOLDER OF OUR SECURITIES OR OF THE ORDINARY SHARES OR WARRANTS OF CN HOLDINGS FOLLOWING THE REDOMESTICATION MERGER AND BUSINESS COMBINATION MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, EACH HOLDER OF OUR SECURITIES IS URGED TO CONSULT WITH ITS TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE REDOMESTICATION MERGER AND THE BUSINESS COMBINATION, AND THE OWNERSHIP AND DISPOSITION OF OUR SECURITIES AND OF THE ORDINARY SHARES AND WARRANTS OF CN HOLDINGS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS.

U.S. Federal Income Tax Consequences of the Redomestication Merger

The Redomestication Merger should qualify as a reorganization for U.S. federal income tax purposes under Code Section 368(a). However, due to the absence of guidance directly on point on how the provisions of Code Section 368(a) apply in the case of a merger of a corporation (such as Alyst) with no active business and only investment-type assets, this result is not free from doubt. The remainder of the discussion assumes that the Redomestication Merger qualifies as a reorganization under Code Section 368(a).

Tax Consequences to U.S. Holders of Alyst Common Stock and Warrants

If the Redomestication Merger qualifies as a reorganization under Code Section 368(a), a U.S. Holder of our securities should not recognize gain or loss upon the exchange of our securities solely for equivalent ordinary shares and warrants of CN Holdings pursuant to the Redomestication Merger. A U.S. Holder's aggregate tax basis in the ordinary shares and warrants of CN Holdings received in connection with the Redomestication Merger also should be the same as the aggregate tax basis of our securities surrendered in the transaction (except to the extent of any tax basis allocated to a fractional share for which a cash payment is received in connection with the transaction). In addition, the holding period of the ordinary shares and warrants in CN Holdings received in the Redomestication Merger should include the holding period of the securities of Alyst surrendered in the Redomestication Merger. A shareholder of Alyst who converts its shares of common stock for cash (or receives cash in lieu of a fractional share of our common stock pursuant to the Redomestication Merger) should recognize gain or loss in an amount equal to the difference between the amount of cash received for such shares (or fractional share) and its adjusted tax basis in such shares (or fractional share).

Tax Consequences to Alyst and CN Holdings

Code Section 7874(b) (‘‘Section 7874(b)’’) generally provides that a corporation organized outside the United States which acquires, directly or indirectly, pursuant to a plan or series of related transactions, substantially all of the assets of a corporation organized in the United States will be treated as a domestic corporation for U.S. federal income tax purposes if shareholders of the acquired corporation, by reason of owning shares of the acquired corporation, own at least 80% of either the voting power or the value of the stock of the acquiring corporation after the acquisition. If Section 7874(b) were to apply to the Redomestication Merger, then CN Holdings, as the surviving entity, would be subject to U.S. federal income tax on its worldwide taxable income following the Redomestication Merger and Business Combination as if it were a domestic (U.S.) corporation; in such case Alyst should not recognize gain (or loss) as a result of the Redomestication Merger.

After the completion of the Business Combination, which will occur immediately after and as part of the same plan as the Redomestication Merger, it is expected that the former shareholders of Alyst will own, by reason of their ownership of Alyst shares, less than 80% of the shares of CN Holdings. Accordingly, it is not expected that Section 7874(b) will apply to treat CN Holdings as a domestic corporation for U.S. federal income tax purposes. However, due to the absence of complete guidance on how the rules of Section 7874(b) will apply to the transactions contemplated by the Redomestication Merger and the Business Combination, this result is not free from doubt. If, for example, the Redomestication Merger were ultimately determined for purposes of Section 7874(b) as occurring prior to, and separate from, the Business Combination, the stock ownership threshold for applicability of Section 7874(b) generally would be satisfied (and CN Holdings would be treated as a domestic corporation for U.S. federal income tax purposes) because the shareholders of Alyst, by reason of owning shares of Alyst, would own all of the shares of CN Holdings immediately after the Redomestication Merger. Although the temporary regulations promulgated under Code Section 7874 support the view that the Redomestication Merger and the Business Combination should be viewed together for purposes of determining whether Section 7874(b) is applicable, because of the absence of guidance under Section 7874(b) directly on point, this result is not certain. The balance of the discussion set forth in this summary entitled “Material United States Federal Income Tax Considerations,” assumes that CN Holdings will be treated as a foreign corporation for U.S. federal income tax purposes.

Even if Section 7874(b) does not apply to a transaction, Code Section 7874(a) (‘‘Section 7874(a)’’) generally provides that where a corporation organized outside the United States acquires, directly or indirectly, pursuant to a plan or series of related transactions substantially all of the assets of a corporation organized in the United States, the acquired corporation will be subject to U.S. federal income tax on its ‘‘inversion gain’’ (which cannot be reduced by, for example, net operating losses otherwise available to the acquired corporation) if the shareholders of the acquired corporation, by reason of owning shares of the acquired corporation, own at least 60% (but less than 80%) of either the voting power or the value of the stock of the acquiring corporation after the acquisition. For this purpose, inversion gain includes any gain recognized under Code Section 367 by reason of the transfer of the properties of the acquired corporation to the acquiring corporation pursuant to the transaction.

Under Section 367 of the Code, Alyst should recognize gain (but not loss) realized with respect to any of its assets as a result of the Redomestication Merger in an amount equal to the excess, if any, of the fair market value of each such asset over such asset’s adjusted tax basis at the effective time of the Redomestication Merger. In addition, since after the completion of the Redomestication Merger and Business Combination it is expected that the former shareholders of Alyst will own, by reason of their ownership of Alyst shares, more than 60% of the shares of CN Holdings, under Section 7874(a), such gain, in the aggregate, will be subject to U.S. federal income tax without regard to any net operating losses that may otherwise be available to Alyst.

U.S. Federal Income Tax Consequences of the Business Combination to CN Holdings

CN Holdings should not recognize any gain or loss for U.S. federal income tax purposes as a result of the Business Combination.

U.S. Federal Income Tax Consequences to U.S. Holders of Ordinary Shares and Warrants of CN Holdings

Taxation of Distributions Paid on Ordinary Shares

Subject to the passive foreign investment company (‘‘PFIC’’) rules discussed below, a U.S. Holder will be required to include in gross income as ordinary income the amount of any dividend paid on the ordinary shares of CN Holdings. A distribution on such ordinary shares will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of current or accumulated earnings and profits of CN Holdings (as determined for U.S. federal income tax purposes). Such dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Distributions in excess of such earnings and profits will be applied against and reduce the U.S. Holder’s basis in its ordinary shares in CN Holdings and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such ordinary shares.

With respect to non-corporate U.S. Holders for taxable years beginning before January 1, 2011, dividends may be taxed at the lower applicable long-term capital gains rate (see ‘‘– Taxation on the Disposition of Ordinary Shares and Warrants’’ below) provided that (1) the ordinary shares of CN Holdings are readily tradable on an established securities market in the United States, (2) CN Holdings is not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. It is not entirely clear, however, whether a U.S. Holder’s holding period for its shares in CN Holdings would be suspended for purposes of clause (3) above for the period that such holder had a right to have its common stock in Alyst converted by Alyst. Under published IRS authority, ordinary shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include Nasdaq (the only exchange on which the ordinary shares of CN Holdings are currently anticipated to be listed and traded). Accordingly, it is possible that dividends paid on the ordinary shares of CN Holdings may qualify for the lower rate. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any dividends paid with respect to the shares of CN Holdings.

If PRC taxes apply to dividends paid to a U.S. Holder by CN Holdings, such taxes may be treated as foreign taxes eligible for credit against such holder’s U.S. federal income tax liability (subject to certain limitations). U.S. Holders should consult their own tax advisors regarding the creditability of any such PRC taxes. U.S. Holders should also consult their own tax advisors regarding their eligibility for the benefits of the income tax treaty between the United States and the PRC.

Taxation on the Disposition of Ordinary Shares and Warrants

Upon a sale or other taxable disposition of the ordinary shares or warrants in CN Holdings, and subject to the PFIC rules discussed below, a U.S. Holder should recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in the ordinary shares or warrants. See ‘‘– Exercise or Lapse of a Warrant’’ below for a discussion regarding a U.S. Holder’s basis in the ordinary shares acquired pursuant to the exercise of a warrant.

Capital gains recognized by U.S. Holders generally are subject to U.S. federal income tax at the same rate as ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders are generally subject to U.S. federal income tax at a maximum rate of 15% for taxable years beginning before January 1, 2011 (and 20% thereafter). Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for the ordinary shares or warrants exceeds one year. The deductibility of capital losses is subject to various limitations.

If PRC taxes apply to any gain from the disposition by a U.S. Holder of the ordinary shares or warrants in CN Holdings, such taxes may be treated as foreign taxes eligible for credit against such holder’s U.S. federal income tax liability (subject to certain limitations). U.S. Holders should consult their own tax advisors regarding the creditability of any such PRC taxes. U.S. Holders should also consult their own tax advisors regarding their eligibility for the benefits of the income tax treaty between the United States and the PRC.

Exercise or Lapse of a Warrant

Subject to the discussion of the PFIC rules below, a U.S. Holder should not recognize gain or loss upon the exercise for cash of a warrant to acquire ordinary shares in CN Holdings. Ordinary shares acquired pursuant to the exercise for cash of a warrant generally will have a tax basis equal to the U.S. Holder’s tax basis in the warrant, increased by the amount paid to exercise the warrant. The holding period of such ordinary shares generally would begin on the day after the date of exercise of the warrant. If the terms of a warrant provide for any adjustment to the number of ordinary shares for which the warrant may be exercised or to the exercise price of the warrants, such adjustment may, under certain circumstances, result in constructive distributions that could be taxable to the U.S. Holder of the warrants. Conversely, the absence of an appropriate adjustment similarly may result in a constructive distribution that could be taxable to the U.S. Holders of the ordinary shares in CN Holdings. See ‘‘– Taxation of Distributions Paid on Common Stock,’’ above. If a warrant is allowed to lapse unexercised, a U.S. Holder should recognize a capital loss equal to such holder’s tax basis in the warrant.

Passive Foreign Investment Company Rules

A foreign corporation will be a passive foreign investment company, or PFIC, if at least 75% of its gross income in a taxable year, including its pro rata share of the gross income of any company in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any company in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents, royalties, and gains from the disposition of passive assets.

Based on the expected composition of the assets and income of CN Holdings and its subsidiaries after the Redomestication Merger and the Business Combination, Alyst's valuation of the business of CN Holdings and its subsidiaries, and the anticipated cash deployments at the time of and shortly after these transactions, it is not anticipated that CN Holdings will be treated as a PFIC following the Redomestication Merger and the Business Combination; however, there can be no assurance of this. Moreover, the actual PFIC status of CN Holdings for any taxable year will not be determinable until after the end of its taxable year, and accordingly there can be no assurance with respect to the status of CN Holdings as a PFIC for the current taxable year or any future taxable year.

If CN Holdings were a PFIC for any taxable year during which a U.S. Holder held its ordinary shares or warrants, and the U.S. Holder did not make either a timely qualified electing fund (''QEF'') election for the first taxable year of its holding period for the ordinary shares or a mark-to-market election, as described below, such holder will be subject to special rules with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares or warrants; and
- any excess distribution made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares of CN Holdings during the three preceding taxable years or, if shorter, such U.S. Holder's holding period for the ordinary shares).

Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the ordinary shares or warrants;
- the amount allocated to the taxable year in which the U.S. Holder recognized the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

In addition, if CN Holdings were a PFIC, a U.S. Holder who acquires its ordinary shares or warrants from a deceased U.S. Holder who dies before January 1, 2010 generally will be denied the step-up of U.S. federal income tax basis in such shares or warrants to their fair market value at the date of the deceased holder's death. Instead, such U.S. Holder would have a tax basis in such shares or warrants equal to the deceased holder's tax basis, if lower.

In general, a U.S. Holder may avoid the PFIC tax consequences described above in respect to its ordinary shares in CN Holdings by making a timely QEF election to include in income its pro rata share of CN Holdings' net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

A U.S. Holder may not make a QEF election with respect to its warrants. As a result, if a U.S. Holder sells or otherwise disposes of a warrant to purchase ordinary shares of CN Holdings (other than upon exercise of a warrant), any gain recognized generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above, if CN Holdings were a PFIC at any time during the period the U.S. Holder held the warrants. If a U.S. Holder that exercises such warrants properly makes a QEF election with respect to the newly acquired ordinary shares in CN Holdings (or has previously made a QEF election with respect to its ordinary shares in CN Holdings), the QEF election will apply to the newly acquired ordinary shares, but the adverse tax consequences relating to PFIC shares will continue to apply with respect to such ordinary shares (which generally will be deemed to have a holding period for the purposes of the PFIC rules that includes the period the U.S. Holder held the warrants), unless the U.S. Holder makes a purging election. The purging election creates a deemed sale of such shares at their fair market value. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will have a new basis and holding period in the ordinary shares acquired upon the exercise of the warrants for purposes of the PFIC rules.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the tax year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from CN Holdings. Upon request from a U.S. Holder, CN Holdings will endeavor to provide to the U.S. Holder, no later than 90 days after the request, such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that CN Holdings will have timely knowledge of its status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has elected the application of the QEF rules to its ordinary shares in CN Holdings, and the special tax and interest charge rules do not apply to such stock (because of a timely QEF election for the first tax year of the U.S. Holder's holding period for such shares or a purge of the PFIC taint pursuant to a purging election), any gain recognized on the appreciation of such shares should be taxable as capital gain and no interest charge will be imposed. As discussed above, U.S. Holders of a QEF are currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income should not be taxable as a dividend. The tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning shares in a QEF.

Although a determination as to CN Holdings' PFIC status will be made annually, an initial determination that it is a PFIC will generally apply for subsequent years to a U.S. Holder who held ordinary shares or warrants of CN Holdings while it was a PFIC, whether or not it met the test for PFIC status in those years. A U.S. Holder who makes the QEF election discussed above for the first tax year in which the U.S. Holder holds (or is deemed to hold) ordinary shares in CN Holdings and for which it is determined to be a PFIC, however, will not be subject to the PFIC tax and interest charge rules (or the denial of basis step-up at death) discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such shares for the tax years in which CN Holdings is not a PFIC. On the other hand, if the QEF election is not effective for each of the tax years in which CN Holdings is a PFIC and the U.S. Holder holds (or is deemed to hold) ordinary shares in CN Holdings, the PFIC rules discussed above will continue to apply to such shares unless the holder makes a purging election and pays the tax and interest charge with respect to the gain inherent in such shares attributable to the pre-QEF election period.

Alternatively, if a U.S. Holder owns ordinary shares in a PFIC that is treated as marketable stock, the U.S. Holder may make a mark-to-market election. If the U.S. Holder makes a valid mark-to-market election for the first tax year in which the U.S. Holder holds (or is deemed to hold) ordinary shares in CN Holdings and for which it is determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its ordinary shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over the adjusted basis in its ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ordinary shares will be treated as ordinary income. Currently, a mark-to-market election may not be made with respect to warrants.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission (including Nasdaq), or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Since it is expected that the ordinary shares of CN Holdings will be quoted and traded on Nasdaq, it is possible, if certain other conditions are met, that such shares may qualify as marketable stock for purposes of the election. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to the ordinary shares of CN Holdings under their particular circumstances.

If CN Holdings is a PFIC and, at any time, has a non-U.S. subsidiary that is classified as a PFIC, U.S. Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if CN Holdings receives a distribution from or disposes of all or part of its interest in, the lower-tier PFIC. Upon request, CN Holdings will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

If a U.S. Holder owns (or is deemed to own) shares during any year in a PFIC, such holder may have to file an IRS Form 8621 (whether or not a QEF or mark-to-market election is made).

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of ordinary shares and warrants in CN Holdings should consult their own tax advisors concerning the application of the PFIC rules to such ordinary shares and warrants under their particular circumstances.

U.S. Federal Income Tax Considerations for Non-U.S. Holders of Ordinary Shares and Warrants of CN Holdings

As noted above (see the discussion under the heading "Material United States Federal Income Tax Considerations — U.S. Federal Income Tax Consequences of the Redomestication Merger — Tax Consequences to Alyst and CN Holdings"), for the purpose of this summary it has been assumed that CN Holdings will be treated as a foreign corporation for U.S. federal income tax purposes.

Based on such assumption, dividends paid to a Non-U.S. Holder in respect to its ordinary shares in CN Holdings generally will not be subject to U.S. federal income tax, unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other disposition of ordinary shares or warrants in CN Holdings unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case, such gain from United States sources generally is subject to tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base in the United States) generally will be subject to tax in the same manner as for a U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes will apply to distributions made on the ordinary shares of CN Holdings within the United States to a non-corporate U.S. Holder and to the proceeds from sales and other dispositions of ordinary shares or warrants of CN Holdings by a non-corporate U.S. Holder paid to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances.

In addition, backup withholding of U.S. federal income tax, currently at a rate of 28%, generally will apply to dividends paid on the ordinary shares of CN Holdings to a non-corporate U.S. Holder and the proceeds from sales and other dispositions of shares or warrants of CN Holdings by a non-corporate U.S. Holder, in each case who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder’s or a Non-U.S. Holder’s U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

THE REDOMESTICATION MERGER PROPOSAL

General

Alyst is redomesticating to the British Virgin Islands, or BVI, and in that process changing its name and corporate documents and reconstituting its board of directors. Redomestication to the BVI is an obligation under the Merger Agreement and is a condition to consummation of the Business Combination.

As substantially all of the business operations of China Networks Media will be conducted outside the United States, Alyst management decided to consider redomestication in connection with a merger with China Networks Media. Alyst management concluded that the Redomestication Merger will permit greater flexibility and possibly improved economics in structuring acquisitions as China Networks Media expands, as potential target acquisitions would view the status of being a shareholder in a publicly-traded BVI corporation more favorably than being a shareholder in a U.S. corporation, which is significant to China Networks Media in view of its strategic plans to acquire new networks. Alyst also believes that the regulatory burden in the British Virgin Islands is less onerous than in the United States, particularly with respect to companies engaged in on-going acquisitions. Further, ownership of operating businesses in the PRC through a holding company organized in the British Virgin Islands is also well-established with the PRC authorities, reducing the risk of a challenge to the ownership structure by SARFT or other PRC governmental authorities. In addition, depending on the composition of the shareholder base of CN Holdings after the Business Combination or changes in board membership or location of its principal executive offices, there is the availability of foreign private issuer status for CN Holdings with the U.S. Securities and Exchange Commission, which would reduce the reporting requirements under the Securities Exchange Act of 1934, as amended, resulting in less costs associated with financial and reporting compliance.

As a result of the Redomestication Merger, Alyst's corporate name will be that of the surviving company, ''China Networks International Holdings Ltd.'' As all legal rights, benefits, duties and obligations enjoyed, owned or owed by Alyst will, by means of the merger statutes in effect in Delaware and the British Virgin Islands, be enjoyed, owned or owed, as the case may be, by CN Holdings following the Redomestication Merger, except to the extent such rights, duties or obligations will be governed by the law of the British Virgin Islands as opposed to Delaware, depending upon the issue under consideration. As a result, all of the restrictions applicable to Alyst's initial securityholders (including the holding of their securities pursuant to escrow arrangements) will continue to apply until the consummation of the Business Combination, which will take place immediately following the consummation of the Redomestication Merger, and certain of which will continue to apply following such consummation. Similarly, all agreements to which Alyst is currently a party, including the warrants originally issued by Alyst, will be assumed by CN Holdings.

The full text of the Merger Agreement, Amendment No. 1 to the Merger Agreement and forms of Amended and Restated Memorandum and Articles of Association of China Networks International Holdings Ltd. are attached to this proxy statement/prospectus as Annexes A, B, C and D, respectively. The discussion of these documents and the comparison of rights set forth below are qualified in their entirety by reference to those annexes.

Adoption of the Redomestication Merger

Alyst's Board of Directors has unanimously approved the Redomestication Merger and recommends that Alyst's stockholders approve it.

The affirmative vote of holders of a majority of Alyst's outstanding shares is required for approval of the Redomestication Merger. Abstentions and broker non-votes will have the effect of a vote against the proposal.

The Redomestication Merger will not be consummated if the Merger Agreement and the Business Combination are not approved. The Business Combination will not be consummated if the Redomestication Merger Proposal is not approved. As all of Alyst's public stockholders are voting upon the Redomestication Merger in connection with their vote upon the Business Combination, and such transactions are cross-conditioned, Alyst believes that the consummation of the Redomestication Merger immediately prior to the Business Combination is not violative of its amended and restated certificate of incorporation.

Alyst’s Board of Directors unanimously recommends a vote ‘‘FOR’’ the approval of the Redomestication Merger.

Redomestication Merger

Redomestication will be achieved by the merger of Alyst, a Delaware corporation, with and into its wholly-owned subsidiary, CN Holdings, a BVI company. CN Holdings will be the surviving entity in the Redomestication Merger. The Amended and Restated Memorandum and the Amended and Restated Articles of Association, the equivalent of an amended and restated certificate of incorporation and by-laws of a U.S. company, of the surviving company will be those of CN Holdings, prepared in compliance with BVI law. The effectiveness of the Redomestication Merger is conditioned upon the filing by both Alyst and CN Holdings of a certificate of merger with the State of Delaware and the filing and approval by the Registrar of Corporate Affairs in the BVI of the articles and a plan of merger. Upon the filing and approval of these documents, Alyst will cease its corporate existence in the State of Delaware, and its business will be continued by CN Holdings pursuant to BVI law.

At the time of the Redomestication Merger, one new share of CN Holdings will be issued for each outstanding Alyst share, one new warrant of CN Holdings will be issued for each Alyst warrant and one new unit of CN Holdings will be issued for each Alyst unit held by our stockholders on the effective date of the Redomestication Merger. Alyst securities no longer will be eligible to trade on the NYSE Alternext. We expect that CN Holdings securities will be eligible to trade on Nasdaq beginning on or about the effective date of the Redomestication Merger under new CUSIPs numbers and trading symbols.

Your percentage ownership of Alyst/CN Holdings will not be affected by the Redomestication Merger. As part of the Business Combination, however, a substantial number of additional CN Holdings shares will be issued as consideration for China Networks Media. As part of the Redomestication Merger, CN Holdings will assume Alyst’s outstanding warrants on their current terms, and will otherwise assume all outstanding obligations of Alyst and succeed to those benefits enjoyed by Alyst. The business of Alyst, upon the Redomestication Merger and completion of the Business Combination, will become that of China Networks Media.

It will not be necessary to replace current Alyst stock certificates after the Redomestication Merger. DO NOT DESTROY YOUR CURRENT STOCK CERTIFICATES IN THE ALYST NAME. Issued and outstanding Alyst stock certificates will represent rights in CN Holdings. Stockholders may, if they like, submit their stock certificates to our transfer agent, Continental Stock Transfer and Trust Company, 17 Battery Place, New York, New York 10004 (212-509-4000), for new share certificates, subject to normal requirements as to proper endorsement, signature guarantee, if required, and payment of applicable taxes.

If you have lost your certificate, you can contact our transfer agent to have a new certificate issued. You may be requested to post a bond or other security to reimburse us for any damages or costs if the lost certificate is later delivered for sale or transfer.

Appraisal Rights

Alyst stockholders do not have appraisal rights in connection with the Redomestication Merger or the Business Combination. Holders of options or warrants to purchase Alyst common stock also do not have appraisal rights.

Differences of Stockholder Rights

Upon the completion of the Redomestication Merger, the Amended and Restated Memorandum and Articles of Association of CN Holdings will become the governing documents of the surviving corporation. The Amended and Restated Memorandum and Articles of Association of CN Holdings will be amended prior to the Special Meeting to include protective provisions substantially identical to those contained in Alyst's amended and restated certificate of incorporation at the time of its IPO, including the formation of a staggered board of directors with three classes, each with a term of three years. Upon the effectiveness of such amendment, there will not be any material differences between the provisions of Alyst's amended and restated certificate of incorporation and CN Holdings' Amended and Restated Memorandum and Articles of Association. Although the corporate statutes of Delaware and the British Virgin Islands are similar, certain differences exist. A comparison of the material provisions of Alyst's and CN Holdings' governing documents, as well as a comparison of the material provisions of the Delaware and BVI corporate statutes, and all material differences, if any in Alyst management's judgment, are summarized below. Stockholders should refer to the annexes of the forms of Amended and Restated Memorandum and Articles of Association, the Delaware General Corporation Law and the corporate law of the British Virgin Islands, including the Act, to understand how these laws apply to Alyst and CN Holdings and may affect you. Under BVI law, holders of a company's stock or shares are referred to as shareholders, as opposed to stockholders.

Provision	Alyst	CN Holdings
Authorized Capital/Shares	31,000,000 shares, of which 30,000,000 are shares of common stock, $.0001 par value per share, and 1,000,000 are shares, of preferred stock, par value $.0001 per share	75,000,000 shares, of which 74,000,000 are ordinary shares, with $.0001 par value per share, and 1,000,000 are preferred shares of $.0001 par value per share
Par Value	Stated in U.S. dollars	Same as Alyst
	Changes in capital generally require stockholder approval	Changes in number of shares company may issue may, subject to the constitutional documents, be made by resolution of shareholders or directors
Preferred Shares	Directors may fix the designations, powers, preferences, rights, qualifications, limitations and restrictions by resolution	Same as Alyst, but preferred shares must be authorized in the Amended and Restated Memorandum and Articles of Association and the rights attaching to such shares set out in the Memorandum of Association
Registered Shares	Shares of capital stock of Alyst to be registered shares	Same as Alyst
Purpose of Corporation	To engage in any lawful act not prohibited by law	To carry on or undertake any business activity irrespective of corporate benefit and not prohibited by law

Amended and Restated Certificate of Incorporation/Amended and Restated Memorandum and Articles of Association	Requires stockholder vote and, except in limited circumstances, by the board of directors	Requires vote of the shareholders or, as permitted by the Act and the Amended and Restated Memorandum of Association, by resolution of the board of directors only where such amendment is required to provide for the rights conferred by preferred shares on their holders pursuant to the Amended and Restated Memorandum and Articles of Association
Registered Office	c/o National Corporate Research, Ltd. 615 DuPont Highway Dover, Delaware 19901	Maples Corporate Service (BVI) Limited of Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands

Provision	Alyst	CN Holdings
Transfer Agent	Continental Stock Transfer & Trust Company	Same as Alyst
Voting Rights	Common stock: one share, one vote on all matters before the holders of the common stock	Ordinary shares: one share, one vote on all matters before the holders of the ordinary shares
	Other classes of equity may have voting rights as assigned to them by the board of directors or as approved by stockholders	
	Directors elected by plurality, all other matters either by majority of issued and outstanding or majority of those present and entitled to vote as specified by law	Directors elected by plurality as provided in Amended and Restated Memorandum and Articles of Association; all other matters by a majority of those shares present and entitled to vote
Redemption of Equity	Shares may be repurchased or otherwise acquired, provided the capital of the company will not be impaired by the Redomestication Merger and the Business Combination	Shares may be repurchased or otherwise acquired, provided the company will remain solvent after the Redomestication Merger and the Business Combination
	Company may hold or sell treasury shares	Same as Alyst
Stockholder consent	Permitted as required for a vote at a meeting	Same as Alyst
Notice Requirements for Stockholder Nominations and Other Proposals	In general, to bring a matter before an annual meeting or to nominate a candidate for director, a stockholder must give notice of the proposed matter or nomination not less than 60 days and not more than 90 days prior to public disclosure of the date of annual meeting	The Amended and Restated Memorandum and Articles of Association do not contain an express right for shareholders to bring a matter before an annual meeting or nominate a director candidate
	In the event that less than 70 days notice or prior public disclosure of the date of the meeting is given or made to stockholder, to be timely, the notice must be received by the company no later than the close of	

	business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure was made, whichever first occurs	
Meetings of Stockholders – Presence	In person or by proxy or other appropriate electronic means	In person or by proxy or by telephone or other electronic means and all shareholders can hear one another
Meeting of Stockholder – Notice	Not less than 10 days or more than 60 days	Not less than seven days; no maximum limit

Provision	Alyst	CN Holdings
Meeting of Stockholders – Call of Meeting	Regular and annual meetings shall be called by the directors. Special meetings may be called only by majority of board of directors, chief executive officer or by a majority of the issued and outstanding capital stock entitled to vote	Meetings may be called by the directors or by shareholders holding 30% of the outstanding votes. The articles require an annual meeting of the members for the election of directors to be called by the directors Meetings on short notice may be called upon waiver or presence of all the members holding shares entitled to vote or 90% of the total number of shares entitled to vote agree to short notice
Meeting of Stockholders – Place	Within or without Delaware	Within or outside the BVI as the directors consider necessary or desirable
Meeting of Stockholders – Quorum	Majority of the capital stock issued and outstanding and entitled to vote at meeting. Meeting may be adjourned for up to 30 days without additional notice to stockholders.	Not less than 50% of the votes of the shares entitled to vote. Adjournment to the next business day at the same time and the same place if quorum is not present.
Meeting of Stockholders – Record Date	As fixed by the directors, no more than 60 days and no less than 10 days before the meeting. If not fixed, the day before notice of meeting is given	As fixed by the directors, may be the date on which notice of the meeting is given to the shareholders or such later date as specified in the notice, being a date not earlier than the date of the notice.
Directors – Election	By the stockholders as entitled by their terms, including the holders of common stock	By the shareholders, including the holders of ordinary shares, or by the directors who have the power to appoint additional directors in the interim period between annual or special meetings of members called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection.
Directors – Term	Staggered board of three classes; for terms of three years	Same as Alyst
Directors – Removal	By the stockholders for cause	

		By resolution of shareholders, passed by a majority vote or by resolution of directors passed by majority vote, in either case with or without cause.
Directors – Vacancy	May be filled by majority of remaining directors (unless they are the result of the action of stockholders) and newly created vacancies may be filled by majority of remaining directors	Same as Alyst

Provision	Alyst	CN Holdings
Directors – Number	Unless established by the amended and restated certificate of incorporation, as determined by board of directors, but not less than one	There is no minimum or maximum number of directors
Directors – Quorum and Vote Requirements	A majority of the entire board. The affirmative vote of a majority of directors present at a meeting at which there is a quorum constitutes action by the board of directors	Not less than one-third of the total number of directors (with a minimum of 2) present in person or by alternate, except if there is only one director, then a quorum will be one director, and a sole director passes resolution by written consent. A resolution is passed at a meeting by the affirmative vote of a majority of the directors or consented to in writing by all directors
Directors – Managing Director	Not applicable	Not applicable
Directors – Powers	All powers to govern the corporation not reserved to the stockholders	Same as Alyst
Directors – Committees	Directors may establish one or more committees with the authority that the board determines	Directors may establish one or more committees with the authority that the board determines, subject to certain restrictions under the Act
Directors – Consent Action	Directors may take action by written consent of all directors, in addition to action by meeting	Same as Alyst
Director – Alternates	Not permitted	Directors may, by written instrument, appoint an alternate who need not be a director, who may attend meetings in the absence of the director and vote in the place of the directors
Directors – Appoint Officers	Directors appoint the officers of the corporation, subject to the by-laws, with such powers as they determine	Same as Alyst, subject to the Amended and Restated Memorandum and Articles of Association and certain restrictions under the Act
Director – Limitation of Liability	Directors liability is limited, except for (i) breach of loyalty, (ii) act not in	Duty to act honestly and in good faith with a view to the best interests

	good faith or which involves international misconduct or a knowing violation of law, (iii) willful violation of law in respect of payment of dividend or converting shares, or (iv) actions in which director receives improper benefit	of the company and exercise care, diligence and skill that a reasonable director would exercise in the same circumstances, taking the factual circumstances into account. No provisions in the memorandum, articles or agreement may relieve a director from the duty to act in accordance with the memorandum or articles or from personal liability arising from the management of the business or affairs of the company. Further, a director who vacates office remains liable in respect of acts or omissions that occurred while he was a director.

Provision	Alyst	CN Holdings
Director – Indemnification Insurance	Company may purchase insurance in relation to any person who is or was a director or officer of the company	Same as Alyst
Amendments to Organizational Documents	Amendments must be approved by the board of directors and by a majority of the outstanding stock entitled to vote on the amendment, and if applicable, by a majority of the outstanding stock of each class or series entitled to vote on the amendment as a class or series. By-laws may be amended by the stockholders entitled to vote at any meeting or, if so provided by the amended and restated certificate of incorporation, by the board of directors	Amendments to the Amended and Restated Memorandum and Articles of Association, with certain restrictions, may be made by resolution of the shareholders or by the resolution of the board of directors only where such amendment is required to provide for the rights conferred by preferred shares on their shareholders pursuant to the Amended and Restated Memorandum of Association
Sale of Assets	The sale of all or substantially all the assets of the company requires stockholder approval	The sale of more than 50% of the assets of the company requires shareholder approval, other than in the regular course of business
Dissenters' Rights	Provision is made under Delaware corporate law to dissent and obtain fair value of shares in connection with certain corporate actions that require stockholder approval or consent	Provision is made under the Act to dissent and obtain fair value of shares in connection with certain corporate actions that require shareholder approval or consent

Indemnification of Officers and Directors

As indicated in the comparison of charter provisions, a director of a company formed under the laws of the British Virgin Islands is obligated to act honestly and in good faith and exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances, taking into account the factual circumstances. The Amended and Restated Memorandum and Articles of Association of CN Holdings do not relieve directors from personal liability arising from the management of the business of the company. Notwithstanding the foregoing, Section 132 of the Act provides that CN Holdings may indemnify directors against all expenses, including legal fees and judgments, fines and settlements, in respect of actions related to their employment. There are no agreements that relieve directors from personal liability. There are no provisions under the Act or the Amended and Restated Memorandum and Articles of Association of CN Holdings which provide for the indemnification of any persons other than directors. CN Holdings is permitted and intends to obtain director and officer insurance.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, CN Holdings and Alyst have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy, as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable.

Defenses Against Hostile Takeovers

While the following discussion summarizes the reasons for, and the operation and effects of, the principal provisions of CN Holdings' Amended and Restated Memorandum and Articles of Association that management has identified as potentially having an anti-takeover effect, it is not intended to be a complete description of all potential anti-takeover effects, and it is qualified in its entirety by reference to the full texts of CN Holdings' Amended and Restated Memorandum and Articles of Association.

In general, the anti-takeover provisions of CN Holdings' Amended and Restated Memorandum and Articles of Association are designed to minimize susceptibility to sudden acquisitions of control that have not been negotiated with and approved by CN Holdings' board of directors. As a result, these provisions may tend to make it more difficult to remove the incumbent members of the board of directors. The provisions would not prohibit an acquisition of control of CN Holdings or a tender offer for all of CN Holdings' shares. The provisions are designed to discourage any tender offer or other attempt to gain control of CN Holdings in a transaction that is not approved by the board of directors, by making it more difficult for a person or group to obtain control of CN Holdings in a short time and then impose its will on the remaining shareholders. However, to the extent these provisions successfully discourage the acquisition of control of CN Holdings or tender offers for all or part of CN Holdings' shares without approval of the board of directors, they may have the effect of preventing an acquisition or tender offer which might be viewed by shareholders to be in their best interests.

Tender offers or other non-open market acquisitions of shares will generally be made at prices above the prevailing market price of CN Holdings' shares. In addition, acquisitions of shares by persons attempting to acquire control through market purchases may cause the market price of the shares to reach levels that are higher than would otherwise be the case. Anti-takeover provisions may discourage such purchases, particularly those of less than all of CN Holdings' shares, and may thereby deprive shareholders of an opportunity to sell their shares at a temporarily higher price. These provisions may therefore decrease the likelihood that a tender offer will be made, and, if made, will be successful. As a result, the provisions may adversely affect those shareholders who would desire to participate in a tender offer. These provisions may also serve to insulate incumbent management from change and to discourage not only sudden or hostile takeover attempts, but also any attempts to acquire control that are not approved by the board of directors, whether or not shareholders deem such transactions to be in their best interest.

Shareholder Meetings. BVI law provides that shareholder meetings shall be convened by the board of directors upon the written request of shareholders holding more than 30% of the votes of the outstanding voting shares of the company. CN Holdings' Amended and Restated Articles of Association provide that annual shareholder meetings for the election of directors may be called by the directors or by shareholders holding more than 30% of the votes of the outstanding voting shares of the company.

Number of Directors and Filling Vacancies on the Board of Directors. BVI law requires that the board of directors of a company consist of one or more members and that the number of directors shall be fixed by the company's Articles of Association. CN Holdings' Amended and Restated Articles of Association provide for no maximum number of directors, subject to any subsequent amendment to change the number of directors. The power to determine the number of directors is vested in the board of directors and the shareholders. The power to fill vacancies, whether occurring by reason of an increase in the number of directors or by resignation, is vested in the board of directors in the interim period between annual or special meetings of members called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection. Directors may be removed by the members for cause or without cause on a vote of a majority of the shareholders passed at a meeting called for the purpose of removing the director or by written resolution or with cause by a resolution of directors passed at a meeting or by written resolution.

Election of Directors. Under BVI law, there is no cumulative voting by shareholders for the election of the directors. The absence of cumulative voting rights effectively means that the holders of a majority of the shares voted at a shareholders meeting may, if they so choose, elect all directors of CN Holdings, thus precluding a small group of shareholders from controlling the election of one or more representatives to the board of directors.

Advance Notice Requirements for Nomination of Directors and Presentation of New Business at Meetings of Stockholders; Action by Written Consent. The CN Holdings Amended and Restated Articles of Association will provide for advance notice requirements for shareholder proposals and nominations for director. Generally, to be timely, notice must be delivered to the secretary of CN Holdings at its principal executive offices not fewer than 30 days nor more than 60 days prior to the first anniversary date of the annual meeting for the preceding year. Special meetings may be called by CN Holdings' board of directors or by shareholders comprising 50% of the combined voting power of the holders of the then outstanding shares entitled to vote. These provisions make it more procedurally difficult for a shareholder to place a proposal or nomination on the meeting agenda or to take action without a meeting, and therefore may reduce the likelihood that a shareholder will seek to take independent action to replace directors or seek a shareholder vote with respect to other matters that are not supported by management.

Rights of Minority Shareholders

Under the law of the British Virgin Islands, there is statutory protection of minority shareholders under the Act. The principal protection under the Act is that shareholders may bring an action to enforce the memorandum and articles of association of the company. The Act sets forth the procedure to bring such an action. Shareholders are entitled to have the affairs of the company conducted in accordance with the general law and the company's memorandum and articles of association. The company is obliged to hold an annual general meeting under its memorandum and articles of association and provide for the election of directors. Companies may appoint an independent auditor and shareholders may receive the audited financial statements of the company, but are not entitled to do so under the Act.

The Act has introduced a series of remedies available to members. Where a company incorporated under the new legislation conducts some activity which breaches the Act or the company's memorandum and articles of association, the court can issue a restraining or compliance order. Members can now also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for members' remedies have also been incorporated into the Act – where a member of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may now apply to the court for an order on such conduct.

Any member of a company may apply to court for the appointment of a liquidator for the company and the court may appoint a liquidator for the company if it is of the opinion that it is just and equitable to do so.

The Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger; (b) a consolidation; (c) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a redemption of 10%, or fewer of the issued shares of the company required by the holders of 90%, or more of the shares of the company pursuant to the terms of the Act; and (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

There are common law rights for the protection of shareholders that may be invoked, largely dependent on English common law, since the common law of the British Virgin Islands for BVI business corporations is limited. Under the general rule pursuant to English company law, known as the rule in Foss v. Harbottle, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to law and the constituent documents of the corporation. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum and articles of association, then the courts may grant relief. Generally, the areas in which the courts will intervene are the following: (i) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority, (ii) acts that constitute fraud on the minority where the wrongdoers control the company, (iii) acts that infringe on the rights of the shareholders, such as the right to vote, and (iv) where the company has not complied with provisions requiring approval of a special or extraordinary majority of shareholders.

Under the law of Delaware, the rights of minority shareholders are similar to that which will be applicable to the shareholders of CN Holdings. The principal difference, as discussed elsewhere, will be the methodology and the forum for bringing such an action. It is also generally the case that the Delaware courts can exercise a wide latitude in interpretation and wide discretion in fashioning remedies in a particular case. Under English precepts of the law of minority shareholders, there is generally a more restricted approach to the enforcement of the rights through the interpretation of the law and the memorandum and articles of association.

Transfer of CN Holdings Securities Upon Death of Holder

Because CN Holdings is a BVI company, the transfer of the securities of CN Holdings, including the ordinary shares and warrants, for estate administration purposes will be governed by BVI law. This may require that the estate of a decedent security holder of CN Holdings seek to obtain a grant of probate or letters of administration from a BVI court in order to transfer the shares upon the shareholder's death. CN Holdings has attempted to modify this requirement by inserting in its Articles of Association a provision that permits the board of directors to decide whether or not to permit decedent transfers based on estate documentation from non-BVI jurisdictions, more in accordance with U.S. practice, without any action having to be taken in the British Virgin Islands. The board of directors intends to follow this procedure. There is no assurance that this will result in an enforceable transfer. The board of directors will be fully indemnified for its actions in this regard pursuant to the Articles of Association.

Conclusion of Alyst's Board of Directors. After careful consideration of all relevant factors, Alyst's Board of Directors determined that the Redomestication Merger Proposal is in the best interests of Alyst and its stockholders. The Board of Directors has approved and declared the Redomestication Merger Proposal advisable and recommends that you vote or give instructions to vote ''FOR'' the Redomestication Merger Proposal.

Status as a Foreign Private Issues

Upon consummation of the Redomestication Merger, CN Holdings may be a foreign private issuer within the meaning of the rules promulgated under the Securities Exchange Act of 1934, depending upon the composition of its shareholder base, location of assets and certain other factors. As such, it would be exempt from certain provisions applicable to the U.S.-incorporated public companies including:

- The rules requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;

- The sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations with respect to a security registered under such Act;

- Provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and

- The sections of the Securities Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short swing" trading transactions (i.e., a purchase and sale, or a sale and purchase, of the issuer's equity securities within less than six months).

Therefore, CN Holdings' stockholders may not be afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

THE SHARE INCENTIVE PLAN PROPOSAL

On __________, 2009, Alyst's board of directors approved and adopted, subject to stockholder approval, China Networks International Holdings Ltd. 2008 Omnibus Securities and Incentive Plan (the "Share Incentive Plan"), which is substantially in the form attached as Annex G and is made a part hereof.

Up to 2,500,000 ordinary shares of CN holdings have been reserved for awards under the Share Incentive Plan to directors, officers, employees and consultants of CN Holdings or its affiliates.

A summary of the principal features of the Share Incentive Plan is provided below, but is qualified in its entirety by reference to the full text of the Share Incentive Plan, a form of which is attached to this proxy statement/prospectus as Annex G.

Awards

The Share Incentive Plan provides for the grant of distribution equivalent rights, incentive share options, non-qualified share options, performance share awards, performance unit awards, restricted share awards, share appreciation rights, tandem share appreciation rights and unrestricted share awards for an aggregate of not more than 2,500,000 shares of CN Holdings' ordinary shares, to directors, officers, employees and consultants of CN Holdings or its affiliates. If any award expires, is cancelled, or terminates unexercised or is forfeited, the number of shares subject thereto, if any, is again available for grant under the Share Incentive Plan. The number of ordinary shares with respect to which share options or share appreciation rights may be granted to an employee under the Share Incentive Plan in any calendar year cannot exceed [   ].

Assuming the Redomestication Merger and Business Combination is completed, there would be approximately [   ] employees, directors and consultants who would be eligible to receive awards under the Share Incentive Plan. New officers, directors, employees and consultants of CN Holdings or its affiliates would be eligible to participate in the Share Incentive Plan as well.

CN Holdings does not currently have any outstanding options or any intention, agreement or obligation to issue any options outside the Share Incentive Plan.

Administration of the Share Incentive Plan

The Share Incentive Plan will be administered by CN Holdings' compensation committee (the "Committee"). Among other things, the Committee has complete discretion, subject to the express limits of the Share Incentive Plan, to determine the employees, directors and consultants to be granted awards, the types of awards to be granted, the number of CN Holdings ordinary shares to be subject to each award, if any, the exercise price under each option, the base price of each share appreciation right, the term of each award, the vesting schedule and/or performance goals for each award that utilizes such a schedule or provides for performance goals, whether to accelerate vesting, the value of the ordinary shares, and any required withholdings. Either CN Holdings' Board of Directors or the Committee may amend, modify or terminate any outstanding award, provided that the participant's consent to such action is required if the action would materially and adversely affect the participant. The Committee is also authorized to construe the award agreements and may prescribe rules relating to the operation of the Share Incentive Plan.

Share Options

The Share Incentive Plan provides for the grant of share options, which may be either "incentive share options" (ISOs), which are intended to meet the requirements for special U.S. federal income tax treatment under the Code, or "nonqualified share options" (NQSOs). Options may be granted on such terms and conditions as the Committee may determine; provided, however, that the per share exercise price under an option may not be less than the fair market value of an underlying CN Holding ordinary share on the date of grant, and the term of an ISO may not exceed ten years (110% of such value and five years in the case of an ISO granted to an employee who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of capital Share of CN Holdings or a parent or subsidiary of CN Holdings). ISOs may only be granted to employees. In addition, the aggregate fair market value of the ordinary shares underlying one or more ISOs (determined at the time of grant) which are exercisable for the first time by any one employee during any calendar year may not exceed $100,000.

Restricted Shares

A restricted share award under the Share Incentive Plan is a grant or sale of CN Holdings ordinary shares to the participant, subject to such transfer, forfeiture and/or other restrictions specified by the Committee in the award. Dividends, if any, declared by CN Holdings will be paid on the shares, even during the period of restriction.

Unrestricted Share Awards

An unrestricted share award under the Share Incentive Plan is a grant or sale of CN Holdings ordinary shares to the participant that is not subject to transfer, forfeiture or other restrictions, in consideration for past services rendered thereby to CN Holdings or an affiliate or for other valid consideration.

Performance Unit Awards

Performance unit awards under the Share Incentive Plan entitle the participant to receive a specified payment in cash upon the attainment of specified individual or company performance goals.

Performance Share Awards

Performance share awards under the Share Incentive Plan entitle the participant to receive a specified number of CN Holdings ordinary shares upon the attainment of specified individual or company performance goals.

Distribution Equivalent Right Awards

A distribution equivalent right award under the Share Incentive Plan entitles the participant to receive bookkeeping credits, cash payments and/or CN Holdings ordinary share distributions equal in amount to the distributions that would have been made to the participant had the participant held a specified number of CN Holdings ordinary shares during the period the participant held the distribution equivalent right. A distribution equivalent right may be awarded under the Share Incentive Plan as a component of another award, where, if so awarded, such distribution equivalent right will expire, terminate or be forfeited by the participant under the same conditions as under such other award.

Share Appreciation Rights (SARs)

The award of an SAR under the Share Incentive Plan entitles the participant, upon exercise, to receive an amount in cash, CN Holdings ordinary shares or a combination thereof, equal to the increase in the fair market value of the underlying CN Holdings ordinary shares between the date of grant and the date of exercise. SARs may be granted in tandem with, or independently of, options granted under the Share Incentive Plan. An SAR granted in tandem with an option under the Share Incentive Plan is granted at the same time as the related option and is exercisable only at such times, and to the extent, that the related option is exercisable and expires upon termination or exercise of the related option. In addition, the related option may be exercised only when the value of the CN Holdings ordinary shares subject to the option exceeds the exercise price under the option. An SAR that is not granted in tandem with an option is exercisable at such times as the Committee may specify.

Additional Terms

The Share Incentive Plan prohibits the issuance of an award with terms and conditions that would cause the award to be considered nonqualifed deferred compensation under Section 409A of the Internal Revenue Code. Except as provided in the Share Incentive Plan, awards granted under the Share Incentive Plan are not transferable and may be exercised only by the participant or by the participant’s guardian or legal representative. Each award agreement will specify, among other things, the effect on an award of the disability, death, retirement, authorized leave of absence or other termination of employment of the participant. CN Holdings may require a participant to pay CN Holdings the amount of any required withholding in connection with the grant, vesting, exercise or disposition of an award. A participant is not considered a shareholder with respect to the CN Holdings ordinary shares underlying an award until the shares are issued to the participant.

Amendments

CN Holdings’ Board of Directors (the “Board”) may at any time terminate the Share Incentive Plan with respect to any awards that have not theretofore been granted, provided that no such termination may be effected if it would materially and adversely affect the rights of a participant with respect to any award theretofore granted without the participant’s consent. The Board may at any time amend or alter the Share Incentive Plan, provided that no change in any award theretofore granted may be made which would materially and adversely impair the rights of a participant with respect to such award without that participant’s consent.

Certain U.S. Federal Income Tax Consequences of the Share Incentive Plan

The following is a general summary of certain U.S. federal income tax consequences under current tax law to individual participants in the Share Incentive Plan who are individual citizens or residents of the United States of ISOs, NQSOs, restricted share awards, unrestricted share awards, performance unit awards, performance share awards, distribution equivalent rights awards and SARs granted pursuant to the Share Incentive Plan. It does not purport to cover all of the special rules that may apply, including special rules relating to deferred compensation, golden parachutes, participants subject to Section 16(b) of the Exchange Act and the exercise of an option with previously-acquired shares. In addition, this summary does not address the state, local or foreign income or other tax consequences inherent in the acquisition, ownership, vesting, exercise, termination or disposition of an award under the Share Incentive Plan or CN Holdings ordinary shares issued pursuant thereto.

A participant generally does not recognize taxable income upon the grant of a NQSO or an ISO. Upon the exercise of a NQSO, the participant generally recognizes ordinary income in an amount equal to the excess, if any, of the fair market value of the shares acquired on the date of exercise over the exercise price paid therefor. If the participant later sells shares acquired pursuant to the exercise of an NQSO, the participant generally recognizes a long-term or a short-term capital gain or loss, depending on the period for which the shares were held. A long-term capital gain is generally subject to more favorable tax treatment than ordinary income or a short-term capital gain. The deductibility of capital losses is subject to certain limitations.

Upon the exercise of an ISO, the participant generally does not recognize taxable income. If the participant disposes of the shares acquired pursuant to the exercise of an ISO more than two years after the date of grant and more than one year after the transfer of the shares to the participant, the participant generally recognizes a long-term capital gain or loss. However, if the participant disposes of such shares prior to the end of the required holding period, all or a portion of the gain is treated as ordinary income to the participant.

In addition to the tax consequences described above, a participant may be subject to the alternative minimum tax, which is payable to the extent it exceeds the participant’s regular tax. For this purpose, upon the exercise of an ISO, the excess of the fair market value of the shares over the exercise price thereunder is a preference item for purposes of the alternative minimum tax. In addition, the participant’s basis in such shares is increased by such excess for purposes of computing the gain or loss on the disposition of the shares for alternative minimum tax purposes. If a participant is required to pay alternative minimum tax, the amount of such tax which is attributable to deferral preferences (including any ISO adjustment) generally may be allowed as a credit against the participant’s regular tax liability (and, in certain cases, may be refunded to the participant) in subsequent years. To the extent the credit is not used, it is carried forward.

A participant who receives an unrestricted share award recognizes ordinary compensation income upon receipt of the award equal to the excess, if any, of the fair market value of the shares received over the amount paid by the participant for the shares, if any.

A participant who receives a restricted share award that is subject to a substantial risk of forfeiture and certain transfer restrictions generally recognizes ordinary compensation income at the time the restriction lapses in an amount equal to the excess, if any, of the fair market value of the shares at such time over the amount paid by the participant for the shares, if any. Alternatively, the participant may elect to be taxed upon receipt of the restricted shares based on the value of the shares at the time of grant. Dividends received with respect to restricted shares are generally treated as compensation, unless the participant elects to be taxed on the receipt (rather than the vesting) of the restricted shares.

A participant generally does not recognize income upon the grant of an SAR and has ordinary compensation income upon exercise of the SAR equal to the increase in the value of the underlying shares.

A participant generally does not recognize income upon the awarding of a performance unit award, a performance share award or a distribution equivalent right award until payments are received. At such time, the participant recognizes ordinary compensation income equal to the amount of any cash payments and/or the fair market value of any CN Holdings ordinary shares so received.

Conclusion of Alyst's Board of Directors. After careful consideration of all relevant factors, Alyst's Board of Directors has determined unanimously that the proposal to adopt the Share Incentive Plan is in the best interests of Alyst and its stockholders. Alyst's Board of Directors has unanimously approved and declared advisable the proposal and recommends that you vote or give instructions to vote "FOR" the proposal.

PROPOSAL TO ADJOURN OR POSTPONE THE SPECIAL MEETING FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES

This proposal allows Alyst’s Board of Directors to submit a proposal to adjourn or postpone the Special Meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the Special Meeting to approve the proposed merger.

If this proposal is not approved by Alyst’s stockholders, its Board of Directors may not be able to adjourn or postpone the Special Meeting to a later date in the event there are not sufficient votes at the time of the Special Meeting to approve the proposed merger.

Conclusion of Alyst’s Board of Directors. After careful consideration of all relevant factors, Alyst’s Board of Directors determined that the Adjournment and Postponement Proposal of the Special Meeting for the purpose of soliciting additional proxies is in the best interests of Alyst and its stockholders. The Board of Directors has approved and declared the Adjournment and Postponement proposal advisable and recommends that you vote or give instructions to vote ‘‘FOR’’ the proposal.

INFORMATION ABOUT CHINA NETWORKS MEDIA

Overview

China Networks Media is a provider of broadcast television advertising services in the People's Republic of China ("PRC"), operating joint-venture partnerships with PRC state-owned television broadcasters ("PRC TV Stations") in regional areas of the country. It manages these regional businesses through a series of joint ventures and contractual arrangements to sell broadcast television advertising time slots and so-called "soft" advertising opportunities to local advertisers directly and through advertising agencies and brokers. It also assists PRC TV Stations in selling advertising time slots and "soft" advertising opportunities to national advertisers, specifically by offering multi-region campaigns to maximize value and cut costs these national advertisers would otherwise face when dealing with individual stations on a station-by-station basis. China Networks Media also provides advisory services to the PRC TV Stations to help optimize the impact that their program scheduling and content has on their key advertising demographics. China Networks Media believes that it is one of the leading companies building a network of regional television advertising operations in the PRC.

On a pro forma basis, giving effect to the joint venture acquisition of the advertising operations of the PRC TV stations in Kunming and Taiyuan as if they had occurred on January 1, 2007, China Networks Media had combined audited carve-out revenue for the year ending 2007 of approximately $20 million, with net income of approximately $6.2 million. As a combined entity, China Networks Media's two-year compound annual growth rate was 15% for 2006 and 2007.

China Networks Media's strategy is to replicate this operating partnership model and seek other such JV partnership opportunities in other regions in the PRC and then introduce operating efficiencies and increase service offerings across its network of Local JV Cos. These efficiencies are expected to include reducing the costs associated with advertising delivery and designing more effective incentive structures to drive sales. In addition, China Networks Media is considering establishing strategic relationships with advertising agencies with an objective of exploiting unsold advertising inventory.

The PRC Television Advertising Industry

According to publicly-available information, China's total advertising spend in 2007 of approximately $15 billion represented 3.25% of total worldwide spend, ranking fifth overall in total spend. Industry experts project that China will experience a compound annual growth rate ("CAGR") of 17.33% from 2007 to 2010, which is nearly 4% higher than the next fastest growing advertising market among the ten largest markets, which is Brazil, and nearly triple the worldwide average of 5.97%.

China's Advertising Spend by Category ($ million)

	2005	2006	2007	2008E	2009E	2010E
Advertising Spending: ($ million)						
TV	4,670	5,311	6,187	7,826	8,452	9,128
Newspapers & Magazines	3,693	4,426	5,152	6,094	6,385	7,343
Radio	511	752	876	1,074	1,181	1,287
Outdoor	1,655	1,890	2,202	2,678	3,348	3,850
Internet	535	927	1,606	2,618	3,553	4,598
Cinema	20	22	26	29	32	37

Total	11,084	13,327	16,049	20,319	22,951	26,243

Source: Advertising Expenditure Forecasts (2008.06), ZenithOptimedia

In the television advertising sector, China has not demonstrated the same weaknesses currently affecting the United States and Western Europe, namely the trends towards personal video recorders and other time-shifting devices, migration of viewers from premium mass-audience channels to cheaper specialist channels and competition from the internet. As a result, China's television advertising industry has grown rapidly in recent years and now comprises 39.6% of the total advertising market, representing approximately $7.5 billion in 2008, according to industry reports. China's television advertising market has developed significantly over the last decade, and is expected to continue to grow in the coming years. By 2010, China's television advertising spending is projected to reach US$9.1 billion according to industry reports, implying a CAGR of 13.8% from 2007 to 2010. This compares favorably to growth of 8.2% in Hong Kong, 4.9% in Korea, and 1.5% in the United States.

China Networks Media expects to benefit from the following trends underlying the PRC TV advertising industry:

- According to the PRC National Statistics Bureau, household consumption grew by a 5-year CAGR of 10.2%, reaching RMB 8.0 trillion in 2006. This underlying dramatic expansion in consumption is expected to continue to drive growth in the advertising industry.

- Notwithstanding this rapid recent growth, advertising spending per capita and spending as percentage of gross domestic product in China are still much lower than other countries, representing significant opportunity for further growth.

PRC Operating Structure

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks Media's operations are conducted through direct ownership of ANT and contractual arrangements with its trustee company, Hetong and Hetong's affiliated wholly foreign-owned enterprise ("WFOE"). China Networks Media does not have an equity interest in Hetong, but instead enjoys the economic benefits derived from Hetong through a series of contractual arrangements. Hetong is owned 100% by two PRC nationals (Trustees, Li Shuangqing and Guan Yong). Through these contractual arrangements, ANT controls Hetong, which in turn owns 50% of a joint venture advertising companies ("JV Ad Cos") established with PRC TV Stations. The television advertising revenue earned by the JV Ad Cos is paid, however, to an equity joint venture in which ANT has a direct 50% interest (a "JV Tech Co"), which owns the assets transferred from PRC TV Stations.

ANT established a JV Tech Co under the name of Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. ("Taiyuan JV"), with China Yellow River TV Station in Shanxi Province in June 2008; and ANT established a JV Tech Co under the name Kunming Taishi Information Cartoon Co., Ltd. ("Kunming JV") with Kunming TV Station in Yunnan Province in July 2008.

In August 2008, Hetong (the trustee company) established two JV Ad Cos with Kunming TV Station and China Yellow River TV Station, under the respective name of Kunming Kaishi Advertising Co., Ltd. ("Kunming Ad Co.") and Taiyuan Guangwang Hetong Advertising Co., Ltd. ("Taiyuan Ad Co."). In each locale, these companies form a group comprising of one JV Tech Co and one JV Ad Co (collectively referred to as the "Local JV Cos").

The JV Tech Cos bear 100% of the costs of selling the advertising time-slots, and are entitled to 100% of the revenues earned by the JV Ad Cos associated from such sales.

Competitive Strengths

- Advantageous joint-venture relationship structure

The long-term nature of the exclusive joint-venture contracts (typically 20-30 years) that China Networks Media has established with the PRC TV Stations is unique in the market and compares favorably with other operating structures in that it aligns the incentives of the joint-venture partners around ensuring that a sustainable business is created that generates significant advertising revenue. This revenue is expected to be maximized through, on China Networks Media's part, the efficient management of the operation of the advertising sales force, and on the part of the PRC TV Stations, the continued delivery of a high-quality schedule of programming that is attractive to audiences.

- Network business model

China Networks Media's business model is also distinctive and robust as there are significant benefits that accrue from the collaborative association of multiple regional TV stations operations – essentially, the beneficial network effects of operating a number of TV advertising businesses. These benefits include factors such as ability to share certain costs, most importantly increased effectiveness in selling to national advertisers, and also across the many businesses a certain portfolio effect is created that insulates the overall business from volatility in any one market/subsidiary operation. These network effects are expected to increase as the number of partnerships that CN is able to enter into expands.

- China Networks Media's opportunity to grow and scale the business and embark on more partnerships

China Networks Media has a strong opportunity to grow its network by investing in further partnerships in additional territories, and in addition, has a rich set of growth options including expanding the relationships with its partner stations to include provision of additional services. The highly fragmented nature of the TV industry in China creates significant demand for the expansion of the scale and scope of the joint-venture relationships China Networks Media can build with TV stations across the country.

- Seasoned Management

China Networks Media 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, led by the CEO and Co-Chairman, Li Shuangqing, who has specific experience of establishing and building a network of advertising sales agencies handling the business of multiple regional television stations across China. This directly relevant experience is matched among the key senior managers – Zhou Chuansheng (VP Sales and Marketing), Guan Yong (VP Business Development) and Liu Rui (Head of Media Planning) – who not only have significant industry experience individually, but also have considerable experience working together as a team over many years with Mr. Li.

Strategies for Future Growth

- Improve core business profitability in the Local JV Cos

In order to maximize advertising sales and the effectiveness of its operations, China Networks Media is in the process of implementing new incentive structures, bringing in new talent and senior managers, and significantly enhancing the skill base of the sales force in Kunming and Taiyuan through training and development programs. In addition, China Networks Media is exploring ways of reducing the costs of advertising delivery – including by utilizing new storage/transmission technologies and exploiting economies of scale China Networks Media enjoys to keep net margins in the range of 68-70% – as well as leveraging its network to offer advantageous pricing for advertising customers.

- Expanded offering across the network of partner stations

Through its consulting work for PRC TV Stations, China Networks Media goes beyond the typical means of serving advertisers and seeks to improve the quality of the programming offering and of the advertiser's on-air promotion strategy, including by utilizing research aimed at better understanding the demographics of the audience. This may also include coordinating the acquisition of quality programming across the PRC TV Stations in its network and advising on the exploitation and promotion of successful programming produced by the local TV stations into the national TV market, and across other media platforms. By offering a higher level of value-added services to local advertisers, including media planning and creative services, China Networks Media expects to increase the volume and level of local advertiser spending and may work with PRC TV Stations to develop new offerings, such as Home Shopping, on their existing channels.

- Expand the network to include more TV station partners

China Networks Media is actively continuing to seek new opportunities to form partnerships with additional PRC TV Stations in other regions across China using the template operating and regulatory structure established with Kunming and Taiyuan. It is also considering establishing relationships with advertising agencies to exploit unsold ad inventory.

Television Advertising Products and Services

The China television industry has grown rapidly in recent years. The total number of available television channels increased considerably to 2,983 in 2006 from 932 in 1995, and volume of television programming increased to 2,618,034 hours in 2006 from 383,513 hours in 1995.

These channels historically operated on a four-level system established by the PRC government in 1983: central (two stations), provincial (77 stations), city (264 stations) and county (1,935 stations). As a result of the promulgation of Document No. 82 in 1999, the last category of stations – which were effectively only re-broadcasting programs from the other three levels of stations as they had no means of producing their own programming – was merged with the other three levels of stations in their regions, resulting in the current three-level system, which closely mirrors the structure of the PRC government. In 2001, the three-level system was expanded to include cable television operators and the stations also began to acquire satellite TV operations, beginning with Shenzhen City TV in 2004.

The three current levels are as follows:

- Central Level (2) – The central level has two channels, CCTV and CETV, which broadcast 16 channels nationally.

- Province Level (76) – The province level has 27 province stations with satellite channels that can be rebroadcast in other regions. The province level also includes 45 education TV stations and the 4 major municipalities – Beijing, Shanghai, Tianjin and Chongqing – that have satellite channels.

- City Level (264) – At the city level, most of the channels are broadcast only in the city areas. However, some, such as Shenzhen and Harbin, provide a broader provincial footprint and/or have satellite channels.

China Networks Media's focus is, in general, on partnering with city TV stations. These PRC TV stations then agree to, effectively, have China Networks Media run the advertising operations formerly managed directly by the PRC TV Stations. By operating the JV Tech Cos on behalf of the PRC TV Stations, China Networks Media believes that it brings its experience in commercial best-practices to bear and provides centralized coordination and sales force services for reaching national advertisers to local advertising markets. Through its demographic reach and network of affiliations, China Networks Media is able to maximize the value of the advertising time-slots on the stations it serves and offers a compelling value proposition to PRC TV Stations, which are in themselves profitable and thriving businesses.

Kunming

Kunming City

Kunming is a prefecture-level city and the capital of Yunnan province, located in southwestern China. It is the political, economic, communications and cultural center of Yunnan. In 2007, the gross domestic product, or GDP, of Kunming was 139.4 billion yuan and the GDP per capita was 22,580 yuan. As of December 31, 2007, the population was 6.2 million, with urban residents constituting 59.1% of the population.

Kunming TV Station

The Kunming Television Station was originally established in March 1985 and, in July 2001, merged with the Kunming Cable Television station to form the new Kunming Television Station. Kunming TV has six television channels covering five districts, eight counties and one city, in Kunming, with a combined population of approximately 6.2 million. Kunming TV's six channels are comprised of: General Channel, Living Channel, Entertainment Channel, Economic Channel, Movies Channel and News Channel, collectively offering more than 130 hours per day of programming including drama, documentary, news and entertainment of which Kunming TV produces 7 programming hours per day in-house. The General Channel and the Movies Channel are broadcast through terrestrial and cable dual launches, while the other four channels are broadcast through cable transmission. The Kunming TV Station has comparatively higher audience ratings and markets shares in the Kunming city area. Kunming TV's General Channel was ranked third and its Movies Channel was ranked fourth in audience ratings in the Kunming city area in 2006. Collectively, Kunming TV's channels generated advertising sales revenues of approximately $15.3 million in 2007 and net income of approximately $10 million. Kunming TV sells advertising on all six of Kunming TV's channels.

Top 10 TV Channels by Average Ratings in Kunming (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 2006

General Channel

The General Channel offers many regional current affairs programming, such as local community news and discussion on hot topics, which attracts a large audience. It also offers three prime-time drama series, which attract a large audience. China Networks Media believes that more than 80% of the viewers who watch the General Channel are between 15-54 years old, with male viewers accounting for 54% of the viewers. China Networks Media also believes that the percentage of the public officers who view the channel constitute 24.4% of the viewers. The cadre, management level personnel, personnel at private enterprises, public officers, students and retirees constitute a majority of the channel's viewers. China Networks Media believes that viewers with incomes of more than RMB 600 account for 65% of the viewers and viewers with incomes between RMB 2,001 and RMB 2,300 account for viewership as high as 63.9%.

Living Channel

The Living Channel, with its focus on, among other things, fashion, lifestyle, traveling and cooking, targets an audience mainly comprised of young viewers who enjoy the new and modern lifestyle. The Living Channel has the largest number of young viewers between 18 to 35 years old in the Kunming area.

Entertainment Channel

The Entertainment Channel broadcasts distinctive TV dramas, which appeals to a wide audience. It broadcasts 13 classic drama series daily, which many married women who stay at home enjoy.

Economic Channel

The Economic Channel broadcasts a combination of discovery and science programs, money management programs, and movies and drama series during the day, which appeals to a wide audience. In addition, this channel has created a home shopping forum.

Movies Channel

The Movies Channel has ranked at the top, as compared to other Kunming channels in the Kunming area for many years. This channel is known for its self-produced local dialect drama series. “My Theater” program which has one of the top ratings continuously for many years in the Kunming area. In addition, “Dawn Theater”, “Action Theater”, “Your Family My Family”, “My Theater”, “Overseas Theater” and other programs appeal to all levels of family members.

News Channel

The News Channel offers news program in which the news programs are linked together as series. Program contents are supplementary and compatible with each other in order to attract its audience to continuously watch the news programs, and to reduce the possibility of its viewers changing channels. Such arrangements have provided effective advertisement delivery among programs. China Networks Media believes that the viewers who watch the News Channel are primarily comprised of males, between 15-54 years old.

In 2007, the percentages of revenue from advertising agency and direct client were as follows:

Channel	Source	Percentage (%) of revenue
General Channel	Advertising Agency	94.32%
	Direct Client	5.68%
Living Channel	Advertising Agency	86.59%
	Direct Client	13.41%
Entertainment Channel	Advertising Agency	98.86%
	Direct Client	1.14%
Economic Channel	Advertising Agency	26.06%
	Direct Client	73.94%
Movies Channel	Advertising Agency	90.04%
	Direct Client	9.96%
News Channel	Advertising Agency	61.30%
	Direct Client	38.70%

The table below describes the broadcast characteristics of the six Kunming TV channels:

Channel	Broadcasting time of program (Daily)	Broadcasting time of advertisement (Daily)
General Channel	21 hrs 2 minutes	5 hrs 43 minutes
Living Channel	19 hrs 59 minutes	4 hrs 50 minutes
Entertainment Channel	19 hrs 58 minutes	3 hrs 12 minutes
Economic Channel	19 hrs 20 minutes	3 hrs 19 minutes
Movies Channel	24 hrs	4 hrs 44 minutes
News Channel	22 hrs 31 minutes	3 hrs 45 minutes

Yellow River

Taiyuan City

Taiyuan is a prefecture-level city and the capital of Shanxi province, China. In 2007, the GDP in Taiyuan was 125.5 billion yuan, and the GDP per capita was 36,377 yuan. As of December 31, 2007, the population was 3.45 million, with urban residents constituting 82% of the population.

China Yellow River TV Station

China Yellow River TV Station was established and officially approved by the State Council Information Office and the Ministry of the Radio, Film and TV in 1991. Yellow River TV Station is a professional radio and television broadcast organization which is run by the Radio and Television Bureau of Shanxi Province. Its operation principle is to disseminate Chinese culture, introduce China to the world and facilitate China's understanding of the world. It has one TV Channel and one radio channel: Minsheng TV Channel and Art and Entertainment Radio Station. Minsheng TV Channel reaches a population of approximately 30 million across Shanxi province, and its sister radio stations, Art and Entertainment Radio, reaches an approximately 20 million people. The Minsheng TV Channel is a general entertainment television channel offering a wide range of content. The channel broadcasts programs 20 hours per day, of which it produces 2.5 hours per day in-house. It is the only provincial terrestrial TV station, two-ways cable channel covering the ground. Its programs cover the entire Shanxi province and neighboring area, including Inner Mongolia, Shanxi, Henan and parts of Hebei, with more than 30 million potential viewers. Collectively, the Yellow River television and radio stations generated advertising sales revenues of $5.3 million in 2007 and net income of $3.3 million, of which approximately 20% of its revenues were generated from its radio channel. Yellow River TV Station sells advertising on the Minsheng TV and Art and Entertainment Radio Station.

Minsheng TV Channel

With the channel's desire to focus on current events and politics, its program ratings have increased, and it has increased social influence and public credibility. This channel has won the highest audience rating in ground-level television, the largest number of award-winning programs, the highest-level awards, and has become the best income-generating economic channel in Shanxi province.

Art and Entertainment Radio Station

The Arts and Entertainment Radio Station was established in April 1995. It is a general entertainment radio station offering a wide range of programs, including news, music and comedy, and is the only professional arts FM stereo radio in Shanxi province. It draws strength from different areas, imports a number of outstanding programs from radio stations abroad, and creates programming that combine local characteristics with international trends.   It keeps the highest listening rate and daily reach rate in Shanxi province. In 2005, it became the first broadcast medium to achieve a simultaneous live broadcast online across the province.

In 2007, the percentage of revenue from advertising agencies and direct clients were as follows:

Channel	Source	Percentage (%) of revenue
Minsheng TV Channel	Advertising Agency	58.38%
	Direct Client	41.62%
Arts and Entertainment Radio Station	Advertising Agency	27.66%
	Direct Client	72.34%

The broadcast characteristics of the Yellow River TV Channel and FM Station are as follows:

Channel	Broadcasting time of program (daily)	Broadcasting time of advertising (daily)
Minsheng TV Channel	20 hours 10 minutes	4 hours 13 minutes
Arts and Entertainment Radio	24 hours	3 hours 50 minutes

Media Sales

China Networks Media provides media sales services to its clients by providing them with on-air advertising opportunities that may take the form of direct advertising time slots (i.e., “commercials”) or “soft” advertising opportunities, such as in-program product placement and program sponsorship rights. Through its JV Tech Cos, China Networks Media provides its services to “national advertisers,” which China Networks Media considers to be those advertisers who seek advertising opportunities across multiple geographies in China, and to “local advertisers,” which China Networks Media considers to be advertisers who seek advertising coverage in one limited geographic area. China Networks Media’s services its national advertisers through its National Client Service Center, which it maintains in its principal office in Beijing.

A typical campaign for a national advertiser begins with a meeting between China Networks Media's national sales personnel and the potential advertiser or its agency to learn more about the potential client's business and its advertising goals. China Networks Media then proposes a media plan that includes our recommendations for specific television channels and time slots on which to place advertisements, and typically also include proposals for utilization of soft advertising opportunities.

China Networks Media's national advertisers or their agencies purchase advertising time slots or "soft" advertising opportunities directly from the Local JV Cos. Once the client approves the advertising plan or "soft" advertising concept, China Networks Media's National Client Service Center team negotiates the contract for the ad to appear on the particular national channel. Typically, China Networks Media's National Client Service Center then enters into a "back-to-back contract" with the Local JV Cos team selling local advertising space and retains a commission for its services. The National Client Service Center team will coordinate with the Local JV Cos' local operations teams to ensure that handling, review, approval and broadcast of the relevant advertising complies with the contract, as well as help the client prepare and collect the relevant legal documents, business licenses and trademark certificates that PRC TV Stations require to run an advertisement. China Networks Media then follows up the national broadcast with an individualized report to the client analyzing and evaluating the effectiveness of the advertisement. Sales to local advertisers are handled in a similar fashion, although the local team typically does not liaise with the National Client Service Center team and the National Client Service Center team would not generate a report analyzing the local advertisement's effectiveness in the local market.

Competitors and Threats of Substitution

The television advertising industry in China is intensely competitive and highly fragmented. China Networks Media finds that to successfully compete with other industry participants it relies heavily on its management and advertising sales teams to maintain an inventory of advertising time slots available for purchase, sustain competitive prices, uphold its strategic relationships with television networks and maintain its reputation within the industry. It faces significant competition in selling advertising space to advertisers and their advertising agencies, both on the national and local levels. Its primary competitors are other media sales companies that have dedicated relationships to particular television stations and/or companies that broker timeslots from those stations. At the national level these include such companies such as SinoMedia Holding Limited, China Mass Media International Advertising Corporation, Qin Jia Yuan Media Services Company Limited and Cosmedia Group Holdings Limited. Major local competitors are other local TV stations, such as Yunnan TV station and Taiyuan TV station. Local level competitors compete with China Networks Media for advertising sales revenue based on the desirability of time slots it offers, the television network coverage PRC TV Stations provide, the quality of services it provides its clients, and its prices. Additionally, television as an advertising medium competes with other forms of advertising media, such as radio, newspapers, magazines, the Internet, indoor or outdoor flat panel displays, billboards and public transport advertising, for overall advertising spending. As providers of broadcast television advertising, it necessarily competes with providers of advertising over such other media for advertising revenue.

To the extent that existing local advertising sales competitors try to expand their relationships with local broadcast television providers, they also pose a threat to China Networks Media's ability to create new joint venture relationships with additional local broadcast television stations. China Networks Media also faces competition from new entrants in the television advertising sector, including the wholly-owned foreign advertising companies that have been allowed to operate in China since December 2005. These foreign entities expose China Networks Media to increased competition from international advertising media companies that may have greater financial resources or more advantageous professional connections than it does.

PRC Corporate Structure

China Networks Media conducts substantially all of its business in the PRC through ANT, its wholly-owned subsidiary in Hong Kong, and Beijing Guangwang Hetong Advertising & Media Co., Ltd. (‘‘Hetong’’), a PRC company and a domestic variable interest entity, or (VIE). Hetong is controlled by ANT through contractual arrangements.

In order to comply with the PRC's regulations on private investment in the television advertising industry, China Networks Media operates its business in two joint ventures with two separate local state-owned PRC TV Stations. China Networks Media's operations are conducted through direct ownership of ANT and contractual arrangements through ANT with Hetong. China Networks Media does not have an equity interest in Hetong, but instead enjoys the economic benefits derived from Hetong through a series of contractual arrangements.

ANT and the PRC TV Stations each own 50% of the JV Tech Cos, the PRC joint ventures which hold the television assets transferred from PRC TV Stations. Hetong owns 50% of Kunming Ad Co. and 50% of Taiyuan Ad Co., established with the PRC TV Stations. The JV Tech Cos collect the television advertising revenue earned by the JV Ad Cos, using assets transferred from the PRC TV Stations, which own the remaining 50% of the JV Tech Cos.

Corporate Structure for China Networks Media

China Networks Media does not directly or indirectly have an equity interest in Hetong, but ANT, our wholly owned subsidiary, has entered into a series of contractual arrangements with Hetong and its shareholders. As a result of the following contractual arrangements, China Networks Media controls and is considered the primary beneficiary of Hetong and, accordingly, it consolidates Hetong's results of operations in its financial statements. These arrangements include the following:

- The shareholders of Hetong have jointly granted ANT an exclusive and irrevocable option to purchase all or part of their equity interests in Hetong at any time; this option may only be terminated by mutual consent or at the direction of ANT;

- Without ANT's consent, the shareholders of Hetong may not (i) transfer or pledge their equity interests in Hetong, (ii) receive any dividends, loan interest or other benefits from Hetong, or (iii) make any material adjustment or change to Hetong's business or operations;

- The shareholders of Hetong agreed to (i) accept the policies and guidelines furnished by ANT with respect to the hiring and dismissal of employees, or the operational management and financial system of Hetong, and (ii) appoint the candidates recommended by ANT as directors of Hetong;

- Each shareholder of Hetong has appointed ANT's designee as their attorneys-in-fact to exercise all its voting rights as shareholders of Hetong. This power of attorney is effective until 2037; and

- Each shareholder of Hetong has pledged all of its respective equity interests in Hetong to Guangwang Tonghe Technology Consulting (Beijing) Co. Ltd. ("WFOE"), a wholly-owned subsidiary of ANT in the PRC to secure the payment obligations of Hetong under certain contractual arrangements between Hetong and WFOE. This pledge is effective until the later of the (i) date on which the last surviving of the Exclusive Service Agreements, the Loan Agreement and the Equity Option Agreement terminates and (ii) date on which all outstanding Secured Obligations are paid in full or otherwise satisfied.

In addition, Hetong, the JV Tech Cos and PRC TV Stations have entered into the following contractual arrangements that provide Hetong with the ability to control and consolidate the results of operations of the JV Ad Cos. As a result of these agreements, China Networks Media controls and consolidates the JV Tech Cos and JV Ad Cos in its financial statements.

Asset Transfer Agreement. Pursuant to the Asset Transfer Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations agree to transfer to the JV Tech Cos the assets of the PRC TV Stations in two installments which have been appraised and the JV Tech Cos are obligated to pay the full consideration to PRC TV Stations in two installments. The assets relate to the advertising business operated by the PRC TV Stations, including, but not limited to, tangible and intangible assets. Until the assets are delivered to the JV Tech Cos, PRC TV Stations should be responsible for the custody and maintenance thereof. Following delivery of the assets, the PRC TV Stations will be entitled to continue using the assets for the purpose of the advertising business for no consideration other than liability for loss or damage. Furthermore, upon the expiration of two years from the date of establishment of the JV Tech Cos, the PRC TV Stations will continuously transfer assets to the JV Tech Cos and the JV Tech Cos shall continuously purchase such assets, provided that such purchased assets are necessary for the operational activities of the JV Tech Cos and that such purchases comply with the Asset Transfer Agreement concluded separately between the parties.

Kunming TV Station and Kunming JV entered into such Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer its assets to Kunming JV, valued at RMB150 million and Kunming JV will pay the same to Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Networks

Cartoon Technology Co., Ltd. (“Taiyuan JV”) entered into such Asset Transfer Agreement on July 17, 2008, under which China Yellow River TV Station will transfer its assets, valued at RMB45 million, to Taiyuan JV, and the same consideration should be paid by Taiyuan JV accordingly. All governmental, statutory and other approvals required for the transfer of the assets had been obtained as of the date of the first transfer in August 2008. No further approvals are required for the remaining transfers.

Exclusive Cooperation Agreement. Pursuant to the Exclusive Cooperation Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations exclusively and irrevocably grant to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising business. The PRC TV Stations shall share their resources with the JV Tech Cos, including, but not limited to, all client’s information, such as databases. Under the terms of this agreement, the PRC TV Stations will not engage any other party in any similar cooperation. As such, the JV Tech Cos has the exclusive right to carry out advertising business on PRC TV Stations’ channels.

Kunming JV and Kunming TV Station entered into the Exclusive Cooperation Agreement on August 6, 2008, while Taiyuan JV and China Yellow River TV Station entered into an Exclusive Cooperation Agreement on July 17, 2008.

Exclusive Services Agreement. Pursuant to the Exclusive Services Agreement between the JV Tech Cos and the JV Ad Co, the JV Ad Co engages the JV Tech Cos to be its sole and exclusive provider of services relating to technical support for the production of advertising and the advertising consulting. At the same time, the JV Tech Cos engages the JV Ad Co to be its sole and exclusive advertising agent and grants to the JV Ad Co agency rights for all advertising under the exclusive right to carry out advertising operations, granted by the corresponding PRC TV Stations to the JV Tech Cos in accordance with the Exclusive Cooperation Agreement. Under the terms of this agreement, the JV Ad Co will pay the service fee to the JV Tech Cos as accrued, in accordance with the JV Tech Cos' regular invoices. As such, all of the JV Ad Co's pre-tax income (less the relevant business tax) generated during the term of this agreement and relating to the marketing of advertising and other operations will be transferred to the JV Tech Cos as the service fee. Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 6, 2008, while Taiyuan Advertising Networks Advertising Co., Ltd ("Taiyuan Ad Co.") and Taiyuan JV entered into an Exclusive Services Agreement on July 17, 2008.

Transition Arrangements

Following the execution of the foregoing agreement, China Networks Media has been engaged in the process of determining which of the employees of the PRC TV Stations must be employed by the JV Tech Cos, which are to be hired by the relevant JV Ad Co and those who will remain as employees of the relevant PRC TV Station. In addition, China Networks Media has been deploying extensive integration management software system which allows management and investors to access and analyze the Company's operation, financial, sales, marketing and personnel data. It also has been conducting personnel integration analyses and formalizing its policies with respect to customer relations, pricing, incentivizing management and sales personnel and government relations. China Networks Media has also begun the process of transitioning the accounts receivable and establishing registered and working capital at the JV Tech Cos and JV Ad Cos to enable it to fully commence operations as joint ventures. The Company has been in the process of re-executing contracts with their clients who had signed contracts with the PRC TV Stations. In order to best understand local markets, China Networks Media's management has been conducting extensive market research and analysis.

Facilities

China Networks Media maintains executive offices at Suite 801, Tower C, Central International Trade Center, 6A Jianguomenwai Avenue, Chaoyang District, Beijing, China. The base rental cost for this space is approximately $10,542 per month. China Networks Media considers its current office space with 400 square meters should adequate for current operations.

China Networks Media's Kunming JV is located at No. 198, Danxia Road, Kunming city, Yunan province. Yellow River JV is located at No. 318, Yingze Street, Taiyuan city, Shanxi Province.

Employees

As of December 31, 2008, China Networks Media had a total of 112 employees in the following entities: Beijing headquarters (10), Kunming JV and Kunming Ad Co. (72), and Yellow River JV and Taiyuan Ad Co. (30). China Networks Media offers employees competitive compensation packages and various training programs, which are intended to attract and retain qualified personnel. As required by PRC regulations, China Networks Media participates in various employee benefit plans that are organized by municipal and provincial governments, including housing, pension, medical and unemployment benefit plans. China Networks Media is required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of employees, up to a maximum amount specified by the local government from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. China Networks Media typically enters into a standard employment agreement and a confidentiality agreement with its employees and it believes its relationship with its employees is good. China Networks Media’s employees are not represented by any collective bargaining agreements or labor unions.

Governmental Regulation

China's advertising industry is highly regulated by numerous PRC regulatory authorities. Under the direct legal authority of the State Council, the State Administration for Industry and Commerce (SAIC) is the primary regulator of advertising industry in the PRC, and maintains a qualification system by issuing business licenses with a business scope that covers advertising to qualified entities through its local bureaus. A number of industry-specific authorities work with the SAIC and/or under the SAIC's regulatory framework to issue rules and policies relating to advertising. For example, the State Administration of Radio, Film and Television ("SARFT") is involved in regulating TV advertising.

Regulatory Framework

In late 1987, the State Council issued the Regulations for the Administration of Advertising (Advertising Regulations, promulgated on October 26, 1987 by the State Council and effective as of December 1, 1987), which were supplemented several months later by Detailed Implementing Rules for the Regulations for the Administration of Advertising (Implementing Rules, promulgated on January 9, 1988 by the SAIC and revised on December 3, 1998, December 1, 2000, and November 30, 2004).

The Advertising Regulations and Implementing Rules established the SAIC as the governmental authority chiefly responsible for overseeing the advertising industry, and initiated a system of licensing and censorship requirements for advertising content. This legislation covers advertisements in print media, television and radio broadcasts, and films, on public posters and billboards, in vehicles, in printed materials sent through the mail, in exhibitions and product displays, and in "any other media, as well as the use of other forms to publish, broadcast, install, or post advertisements." The Advertising Regulations and Implementing Rules also specify penalties for legal violations.

It was not until 1994 that the National People's Congress promulgated the Advertising Law of the People's Republic of China (Advertising Law, promulgated on October 27, 1994 by the National People's Congress as Decree No. 34 and effective as of February 1, 1995). Although as a national law it takes precedence over the Advertising Regulations, the Advertising Law adopts the requirements, definitions, and penalties set forth in those regulations and the Implementing Rules. The Advertising Law thus contains the terms and definitions subsequently used throughout the existing PRC regulatory structure for advertising. In addition, the Advertising Law requires advertisers, publishers and advertising agencies to publicize their fee standards and fee collection methods. Advertising agencies are also required to issue special invoices provided by the state tax authorities when receiving payment for services rendered. Only those companies licensed to undertake advertising agency and publishing activities can obtain such invoices, which are necessary for accounting and tax purposes. Further, the Advertising Law outlines the basic requirements for advertising content published in the PRC, namely, that it must be truthful, lawful and not misleading to consumers.

Requirements for Establishing Foreign-invested Advertising Enterprises

The Rules for the Administration of Foreign-Invested Advertising Enterprises (promulgated on March 2, 2004 by the SAIC and the Ministry of Commerce) detail the application and approval procedures, and qualification requirements for advertising joint ventures and wholly-foreign owned enterprises in the PRC.

The requirements for establishing Sino-foreign advertising joint ventures include a two years or more operating history in the advertising business for each of the joint venture parties, together with records evidencing the parties' achievements in the advertising business.

To establish a wholly foreign-owned advertising company, the foreign investor must be engaged in advertising as its primary form of business, and must have been established and operating for at least three years. Given that certain foreign investors are unable to meet the two or three years qualification requirement, the adoption of the trustee structure (as described below) is still the preferred mode of entry in this industry.

Given that China Networks Media and ANT are unable to meet the two or three years qualification requirement, it currently relies on the trustee structure with these affiliated PRC companies to establish domestic advertising companies that operate our advertising business in China.

Once ANT or any other subsidiary of China Networks Media meets the aforementioned statutory requirements on foreign direct investment within the advertising industry in the PRC, China Networks Media may, depending on the circumstances and legal requirements in effect at such time, unwind the trustee structure and adopt the form of either a wholly foreign-owned advertising company or a Sino-foreign advertising joint venture.

Regulation on Broadcasting Radio and TV Advertisements

SARFT and its local branches at the county level or above are responsible for the regulation and screening of programs for radio and TV broadcasting. This includes restrictions on the content and airtime of the broadcast of TV commercials. On September 15, 2003, SARFT promulgated the Provisional Measures on Administration of Broadcasting Radio and Television Advertisements, which provides detailed requirements for the broadcast of radio and TV advertisements, including the following:

- Radio and TV advertisements shall be clearly differentiated from other TV programs and should not be broadcasted in the form of news report. Current events and political news programs shall not carry the names of any enterprises or products. Advertisements with addresses, telephone numbers or contact information shall not be broadcasted during special reports on individuals or enterprises.

- Radio stations and TV stations shall examine the content of the advertisements and the qualifications of the enterprises involved and shall only broadcast the advertisements that have been so examined.

- Radio and TV advertisements on each channel must not exceed 20% of the total of each channel’s daily program time and must not exceed 15% of each channel’s program time per hour (i.e. nine minutes per hour) between 11:00 a.m. - 1:00 p.m. for radio programs and between 7:00 p.m. - 9:00 p.m. for TV programs.

- Advertisements shall not be broadcasted in a way that would affect completion of the programs. Except for the period between 7:00 p.m. - 9:00 p.m., advertisements can only be broadcasted once and for a maximum period of 2.5 minutes during the airing of any movie or TV drama.

- The broadcast of advertisements related to tobacco are prohibited by radio stations and TV stations. Advertisements relating to alcohol are strictly controlled in accordance with relevant PRC laws, rules and regulations. The number of alcohol advertisements cannot exceed 12 segments for each TV channel per day or exceed two segments between 7:00 p.m. - 9:00 p.m.

CHINA NETWORKS MEDIA LIMITED'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

China Networks Media, Ltd. (formerly known as China Networks Limited) was first incorporated in the Cayman Islands and registered with the Cayman Islands Registrar of Companies on March 30, 2007. China Networks Media, Ltd. ("China Networks Media") was continued into the British Virgin Islands as a BVI Business Company under the "BVI Business Companies Act" on June 2, 2008 in anticipation of a business combination with a U.S. reporting company.

China Networks Media is a development stage enterprise. At September 30, 2008, China Networks Media had not yet commenced any operations nor generated revenue. Activity through September 30, 2008 relates to China Networks Media's formation, private placement offering, establishment of joint ventures and contractual relationships in the People's Republic of China (the "PRC"), and potential business combination with Alyst Acquisition Corp. as described below. China Networks Media has selected December 31 as its fiscal year end. China Networks Media's business plan is dependent upon financing and the proposed business combination with Alyst Acquisition Corp. as described below.

On August 13, 2008, China Networks Media, Alyst and certain other persons, executed the Merger Agreement providing for, among other things, the Redomestication Merger and the Business Combination. China Networks Media will be the surviving corporation in the Business Combination and will become a wholly-owned subsidiary of CN Holdings.

The Business Combination will be accomplished by the merger of CN Holdings' wholly-owned subsidiary, China Networks Merger Co., with and into China Networks Media, resulting in China Networks Media becoming a wholly-owned subsidiary of CN Holdings. Pursuant to the Merger Agreement, (i) each ordinary share of China Networks Media will be converted automatically into (A) a number of ordinary shares of CN Holdings determined as follows: (x) 1,900,000 divided by (y) the total number of ordinary shares of China Networks Media issued and outstanding immediately prior to the Business Combination, plus (B) the right to receive a cash amount determined as follows: (x) U.S. $10,000,000 divided by (y) the total number of ordinary shares of China Networks Media issued and outstanding immediately prior to the Business Combination, plus (C) the additional common share consideration as set forth in the merger agreement, and (ii) each preferred share of China Networks Media will be converted automatically into (A) a number of ordinary shares of CN Holdings determined as follows: (x) 980,000 divided by (y) the total number of preferred shares of China Networks Media issued and outstanding immediately prior to the Business Combination, plus (B) the right to receive $7.143 per share in cash, plus (C) the Additional Preferred Share Consideration, as defined in the Merger Agreement.

On July 21, 2008, China Networks Media entered into a purchase agreement with several accredited investors (the ''Purchase Agreement''). Pursuant to the Purchase Agreement, it consummated a private placement of 56 units, each unit consisting of (i) a promissory note in the face amount of $499,825, bearing interest at the rate of 10% per annum (the ''Note''), and (ii) 17,500 detachable shares of the China Networks Media's class A preferred stock (collectively, the Notes and the class A preferred stock are referred to as the ''Units''). As security for the repayment of the Notes, China Networks Media's two shareholders, MediaInv Ltd. and Kerry Propper, collectively pledged and granted to the investors, on a pro rata basis, a first priority lien on 50.1% of the ordinary shares of China Networks Media owned by them. The proceeds of the sale and issuance of the Units were used in the following manner: (a) $13.6 million was used for initial equity contributions due from Advertising Networks Ltd. ("ANT"), a Hong Kong wholly-owned subsidiary of China Networks Media, for investment in joint ventures established with PRC TV Stations, and (b) a fee of $980,000 was paid to Chardan, as a placement fee for the financing, and (c) the remaining proceeds are being used for working capital, including payment of certain administrative, legal and accounting fees.

In connection with the transaction and pursuant to the terms of a registration rights agreement (the ‘‘Registration Rights Agreement’’), China Networks Media has agreed, and Alyst has agreed to assume the obligation, to register for resale the ordinary shares underlying the shares of class A preferred stock issued as part of the Units. China Networks Media has agreed to file with the Securities and Exchange Commission a registration statement with respect to the resale of the shares no later than the date that is 30 days after the consummation of the business combination between China Networks Media and Alyst. Such obligation will be assumed by CN Holdings.

Joint Ventures between Advertising Networks Ltd. (“ANT”) and the PRC TV Stations

In 2008, China Networks Media established certain equity joint ventures with the state owned PRC TV Stations. ANT established the equity joint venture, Taiyuan JV, with China Yellow River TV Station in Shanxi Province in June 2008; and established an equity joint venture, Kunming JV, with Kunming TV Station in Yunnan Province in July 2008 (Taiyuan JV and Kunming JV are collectively referred to as the “JV Tech Cos”, and China Yellow River TV Station and Kunming TV Station are collectively referred to as the “PRC TV Stations”). ANT holds 50% equity interest in the Kunming JV and Taiyuan JV, respectively, and Kunming TV Station and China Yellow River TV Station own the remaining 50% of the respective JV Tech Cos. Under the terms of the Kunming JV agreement, Kunming TV Station will contribute certain assets with a fair value of RMB150 million (approximately $21,900,000) and ANT will contribute an equal amount in cash. Kunming TV Station and ANT have contributed 100% and 50%, respectively, of their obligations under this agreement at September 30, 2008. Under the terms of the Taiyuan JV agreement, China Yellow River TV Station will contribute certain assets with a fair value of RMB45 million (approximately $6,600,000) and ANT will contribute an equal amount in cash. China Yellow River TV Station and ANT have contributed 100% and 40%, respectively, of their obligations under this agreement at September 30, 2008.

In August 2008, Beijing Guangwang Hetong Advertising & Media Co., Ltd.(“Hetong”), the trustee company, established two domestic advertising companies with Kunming TV Station and China Yellow River TV Station, under the respective name of Kunming Kaishi Advertising Co., Ltd. (“Kunming Ad Co.”) and Taiyuan Guangwang Hetong Advertising Co., Ltd. (“Taiyuan Ad Co.”) (Kunming Ad Co. and Taiyuan Ad Co. are collectively referred to as the “JV Ad Cos”). Hetong is 100% owned by two PRC nationals, who are the trustees.

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks Media’s operations are conducted through direct ownership of ANT and through contractual arrangements with Hetong. China Networks Media does not have an equity interest in Hetong, but instead derives indirect economic benefits from Hetong through a series of contractual arrangements. Through these arrangements, ANT controls Hetong, which in turn owns 50% of Kunming Ad Cos, and 50% of Taiyuan Ad Co. established with PRC TV Stations. The JV Tech Cos collect the television advertising revenue earned by the JV Ad Cos pursuant to the Exclusive Services Agreement described below, using assets transferred from PRC TV Stations to the JV Tech Cos pursuant to the Asset Transfer Agreement described below.

China Networks Media's accounts include the accounts of its joint-ventures with the PRC TV Stations, the JV Tech Cos, as a result of China Networks Media’s effective control of these entities. As a result of several contractual arrangements with Hetong and its shareholders, China Networks Media controls and is considered the primary beneficiary of Hetong, and, accordingly, consolidates the accounts of Hetong in its financial statements. Hetong is a variable interest entity (“VIE”) as defined by Financial Accounting Standards Board Interpretation No. 46(R): Consolidation of Variable Interest Entities, an interpretation of ARB 51 (‘‘FIN 46R’’).

Asset Transfer Agreement. Pursuant to the Asset Transfer Agreement entered into between each of the JV Tech Cos and the corresponding PRC TV Stations, respectively, the PRC TV Stations must transfer to the relevant JV Tech Cos the assets of the PRC TV Stations in two installments which have been appraised and the JV Tech Cos are obligated to pay the full consideration to PRC TV Stations in two installments accordingly. The assets relate to the advertising business operated by the PRC TV Stations, including, but not limited to, tangible and intangible assets. Until the assets are delivered to the JV Tech Cos, PRC TV Stations are responsible for their custody and maintenance. Following delivery of the assets, the PRC TV Stations will be entitled to continue using the assets for the purpose of the advertising business for no consideration other than liability for loss or damage.

Kunming TV Station and Kunming JV entered into an Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer certain of its assets to Kunming JV, valued at RMB150 million, and Kunming JV will pay the same to Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. ("Taiyuan JV") also entered into such Asset Transfer Agreement on July 17, 2008, under which China Yellow River TV Station will transfer certain of its assets, valued at RMB45 million, to Taiyuan JV, and the same consideration will be paid by Taiyuan JV. All governmental, statutory and other approvals required for the transfer of these assets were obtained as of the date of the first transfer in August 2008. At September 30, 2008, Taiyuan JV paid China Yellow River TV Station RMB18 million (approximately $2,600,000) for certain assets under the Asset Transfer Agreement. No assets were purchased under the Asset Transfer Agreement as of September 30, 2008.

Exclusive Cooperation Agreement. Pursuant to the Exclusive Cooperation Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations have exclusively and irrevocably granted to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising business. The JV Tech Cos share their resources with the PRC TV Stations, including, but not limited to, all client information (e.g. databases). Under the terms of this agreement, the PRC TV Stations will not engage any other party in any similar agreements. As such, the JV Tech Cos have the exclusive right to carry out advertising business on PRC TV Stations' channels.

Kunming JV and Kunming TV Station entered into such Exclusive Cooperation Agreement on August 6, 2008, while Taiyuan JV and China Yellow River TV Station entered into such Exclusive Cooperation agreement on July 17, 2008.

Exclusive Services Agreement. Pursuant to the Exclusive Services Agreement between the JV Tech Cos and the JV Ad Cos, the JV Tech Cos will be the sole and exclusive provider of services to JV Ad Cos relating to technical support for the production of advertising and advertising consulting. In addition, the JV Ad Cos will be the sole and exclusive advertising agent to the JV Tech Cos and the JV tech Cos will grant to the Ad Co. agency rights for all advertising under the exclusive right to carry out advertising operations. Under the terms of the Exclusive Services Agreement, the Ad Co. will pay the service fee to the JV Tech Cos as accrued, in accordance with the JV Tech Cos' regular invoices. As such, all of the Ad Co.'s pre-tax revenue (less the relevant business tax) generated during the term of this agreement and relating to the marketing of advertising and other operations will be transferred to the JV Tech Cos as the service fee and the JV Tech Cos' foreign shareholder will be entitled to transfer 50% of the profit to an offshore holding company under this contractual arrangement.

Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 6, 2008, while Taiyuan Advertising Networks Advertising Co., Ltd ("Taiyuan Ad Co.") and Taiyuan JV entered into an Exclusive Services Agreement on July 17, 2008.

China Networks Media revenue sources and costs and expenses

Revenues

Upon commencement of the JV Tech Cos' operations, China Networks Media will earn substantially all of their revenues from advertising service income.

- Sale of advertising time-slots. Through the JV Tech Cos, China Networks Media will derive a substantial majority of its revenue from selling advertising time slots to advertising agencies and advertisers. Advertising agencies account for more than 60% of total customers, and such percentage is expected to increase gradually in the future. Advertising customers typically pay a deposit before the relevant advertisements are broadcast, and the balance is paid monthly or immediately after broadcast. Certain key customers with good track records of payment are allowed to make payments two months after broadcast. Revenues are recognized when advertisements are actually broadcast.

- Sale of program-related advertising services. A small portion of revenues are generated from advertising opportunities relating to programs produced by the PRC TV Stations themselves. These include, without limitation, program sponsorship ‘sting’ slots, in-program product placements and other ‘soft’ advertising opportunities, as well as revenue from value-added services, such as short message service, messages relating to program content. These represented approximately 2.9 %, 6.9%, 6.3%, and 6.2%, of our total revenues for the years ended 2005, 2006, 2007 and for the nine months ended September 30, 2008, respectively.

The tables below sets forth the breakdown of revenue sources for the periods indicated based on the Kunming Television Station – Advertising Center and the Yellow River Television Station – Advertising Center combined historical carve-out financial information:

	Year Ended December 31,					
	2005		2006		2007	
	Amount ($)	% of Total Revenues	Amount ($)	% of Total Revenues	Amount ($)	% of Total Revenues
Revenues:						
advertising time-slots	15,081,218	97.1%	15,214,422	93.1%	19,372,649	93.7%
program-related advertising services	447,239	2.9%	1,136,216	6.9%	1,311,406	6.3%
Total revenues	15,528,457	100.0%	16,350,638	100.0%	20,684,055	100.0%
Less: business tax	1,122,206	7.2%	1,199,132	7.3%	1,696,906	8.2%
Total net revenues	14,406,251	92.8%	15,151506	92.7%	18,987,149	91.8%

	Nine Months Ended September 30,			
	2007		2008	
	Amount ($)	% of Total Revenues	Amount ($)	% of Total Revenues
Revenues:				
advertising time-slots	14,348,817	93.7%	13,124,600	93.8%
program-related advertising services	969,208	6.3%	870,227	6.2%
Total revenues	15,318,025	100.0%	13,994,827	100.0%
Less: sales tax	1,255,188	8.2%	1,129,634	8.1%
Total net revenues	14,062,837	91.8%	12,865,193	91.9%

Operating Costs and Expenses

The following table sets forth operating costs and expenses for the periods indicated, both in absolute amounts and as percentages of net revenues:

			Year Ended December 31,				Nine Months Ended Sep		
	2005		2006		2007		2007		
	Amount ($)	% of Net Revenues	Amount ($)	% of Net Revenues	Amount ($)	% of Net Revenues	Amount ($)	% of Net Revenues	An
Cost of revenues	1,925,034	17.3%	3,757,422	24.8%	4,844,541	25.5%	3,653,174	26.0%	4,5
Sales and marketing expenses	153,944	1.1%	228,589	1.5%	318,928	1.7%	254,655	1.8%	4
General and administrative expenses	1,222,355	8.5%	1,378,675	9.1%	1,394,003	7.3%	973,353	6.9%	1,3
Total operating costs and expenses	3,301,333	22.9%	5,364,686	35.4%	6,557,472	34.5%	4,881,182	34.7%	6,3

Cost of Revenues. Cost of Revenues is primarily comprised of purchased TV program costs, rental fees for equipment used in generating advertising revenue and commissions paid to advertising agents. Cost of purchasing programs is expected to increase over time as China Networks Media plans to coordinate with the PRC TV Stations to acquire a greater number of high quality programs to increase audience rate and advertisers demand.

Selling Expenses. Selling and marketing expenses have not been significant to the operations of the PRC TV Stations because they previously functioned as a public utility in the PRC, which had not been a priority for them. It anticipates that under its management, these expenses will increase in order to ensure that its operations remain competitive. However, they will not become significant as they are primarily comprised of sales promotion, program promotion expenses and entertainment expenses directly related to sales and marketing activities. The major cost of acquiring advertising space on other media, such as radio and newspaper, is covered through barter arrangements.

General and Administrative Expenses. General and administrative expenses include salaries and benefits for China Networks Media's employees, including the advertising sales force. General and administrative expenses also include costs and expenses associated with office, utilities, transportation, travel and other costs. They also include office rental and property and plant leasing. It expects general and administrative expenses to increase as it expands its sales force. In connection with China Networks Media's transition to a public company, post-consummation of the business combination, it expects to incur incremental general and administrative expenses, including full-time employees related to legal, accounting and SEC reporting and other costs associated with regulatory filings, which are estimated to exceed $400,000 on an annualized basis.

Revenue and product offering trends affecting the JV Tech Cos.

Currently, substantially all of the JV Tech Cos' revenues are generated from sales of advertising time-slots. However, China Networks Media expects revenues over the next five years to increase as a result of the following:

Price increase for sales of advertising times-slots: Increased price of advertising by leveraging multi-territory network to capture additional national advertising sales, as well as improved efficiency of local advertising sales force;

Expanded advertising services: Expand full-service offer to local advertisers offering media planning and creative services, such as advertising production, which will generate additional revenues, as well as higher volumes of local advertising;

Programming: Leverage buying power to coordinate the acquisition of programming from local and international content owners to the stations in its network, as well as the development of additional channel and/or programming options, such as home shopping, improving audience size and generating additional advisory and other revenues.

Overview of historical financial information presented

China Networks Media's operating activities from March 30, 2007 (inception date) to September 30, 2008, were limited and related to its formation, and professional fees and expenses associated with its acquisition activities. Through September 30, 2008, its historical results of operations were insignificant and not reflective of the results of operations it anticipates following the partnership operation with the JV Tech Cos. As a result, the following historical results of operations and financial operations related to its recently completed joint venture with the PRC TV Stations have been provided to assist investors in evaluating the historical performance of this business, in addition to its other activities:

- China Networks Media for the period from March 30, 2007 (inception) to the nine months ended September 30, 2008;
- Kunming Television Station – Advertising Center and Yellow River Television Station – Advertising Center for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007;
- Kunming Television Station – Advertising Center and Yellow River Television Station – Advertising Center for the year ended December 31, 2007 compared to the year ended December 31, 2006; and
- Kunming Television Station – Advertising Center and Yellow River Television Station – Advertising Center for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Significant Accounting Policies and Estimates

China Networks Media, a Development Stage Enterprise

Valuation of long-lived assets. China Networks Media periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Income taxes. China Networks Media was originally incorporated in the Cayman Islands and subsequently reincorporated in the British Virgin Islands (“BVI”). China Networks Media is not subject to income taxes under the current laws of the Cayman Islands or BVI. PRC entities will be subject to the PRC Enterprise Income tax at the applicable rates on taxable income at the commencement of operations.

Use of estimates. The preparation of China Networks Media’s financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

During February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115 (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. China Networks Media adopted SFAS 159 on January 1, 2008 and has elected not to measure any additional financial assets, liabilities or other items at fair value.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (“SFAS 141R”). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for China Networks Media beginning January 1, 2009 and will change the accounting for business combinations on a prospective basis. The potential Business Combination described above will be accounted for in accordance with SFAS 141R.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for the Company beginning January 1, 2009. China Networks Media is currently assessing the potential effect of SFAS 160 on its financial statements.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"), which is effective January 1, 2009. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity's financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosures of the fair values of derivative instruments and associated gains and losses in a tabular formant. SFAS 161 is not currently applicable to China Networks Media since it does not have derivative instruments or hedging activity.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles ("FAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. This Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. This FSP is not currently applicable to China Networks Media.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. China Networks Media does not currently have any share-based awards that would qualify as participating securities. Therefore, application of this FSP is not expected to have an effect on China Networks Media's financial reporting.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP 14-1"). FSP 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. The FSP includes guidance that convertible debt instruments that may be settled in cash upon conversion should be separated between the liability and equity components, with each component being accounted for in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP 14-1 is not currently applicable to China Networks Media since it does not have convertible debt.

China Networks Media – Kunming Television Station – advertising Center and Yellow River Television Station – advertising Center

China Networks Media's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles (''GAAP'') in the United States. The preparation of these financial statements requires China Networks Media to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. China Networks Media evaluates its estimates on an on-going basis based on historical experience and on various other assumptions it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

China Networks Media believes the following critical accounting policies affect its significant judgments and estimates used in the preparation of its financial statements.

Revenue Recognition. China Networks Media typically signs standard advertising contracts with advertising clients, which require it to run the advertiser's advertisements on the PRC TV Stations' network for a specified period. The advertising customers typically pay a deposit before the relevant advertisements are broadcast, and the balance is paid after broadcast. Customer deposits received prior to the broadcast of advertisements are recorded as receipts in advance and recorded as revenue upon the broadcast of advertisements.

Advertising service revenues are recognized when all four of the following criteria are met: (i) persuasive evidence of agreement exists; (ii) delivery of service has occurred; (iii) the price is both fixed and determinable; and (iv) collection of the resulting receivable is reasonably assured. Revenues are recognized when advertisements are broadcast. Provision for discounts and estimated returns and allowances are provided for in the same period the related revenue is recorded. No discount has been provided for the periods ended September 30, 2008 and 2007.

Sales Tax. Revenues from services are subject to the PRC business tax of 5%, cultural levies of 3% and some surcharges. Business tax, cultural levies and surcharges are paid on gross revenues generated from advertising services. In addition, under the PRC regulations, China Networks Media is required to pay the city construction tax (7%), education surcharges (3%), price governing fund (2%), and river management fee (1%) based on the calculated business tax payments. China Networks Media had complied with EITF 06-3 and reports their revenues net of PRC's business tax and surcharges for all the periods presented in the statements of operations.

Accounts Receivable. Accounts receivable is stated net of trade discounts and allowance for doubtful accounts. China Networks Media provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectibility of specific accounts. As of September 30, 2008 and December 31, 2007, China Networks Media considered all accounts receivable collectable and therefore did not record an allowance for doubtful accounts.

Cost of Revenue. Cost of revenue is primarily comprised of purchased TV program costs, rental fees for equipment used in generating advertising revenue and commissions paid to advertising agents.

Sales, General and Administrative Expenses. Historical allocation of all the expenses related to the business being carved-out has not been possible due to the fact that many expenses, incurred at the corporate level, are shared and relate to the entire company. In these circumstances, the proportional cost allocation method has been used for allocating these shared expenses. Management is of the opinion that the expenses allocated are not materially different from expenses that would be incurred by the business on a stand-alone basis.

Foreign Currency Translation. China Networks Media’s functional currency is Renminbi (“RMB”); however, the reporting currency is the United States dollar. Reported assets and liabilities of China Networks Media has been translated using the exchange rate at the balance sheet date. The average exchange rate for the period has been used to translate revenues and expenses. Foreign currency translation differences are included as a component of Accumulated Other Comprehensive Income.

Use of Estimates. The preparation of the combined financial information in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates are based on management's best knowledge of current events and actions that the China Networks Media may take in the future. Actual results could differ from these estimates.

Concentrations of Credit Risk. Financial instruments of China Networks Media that potentially expose to concentrations of credit risk consist principally of accounts and others receivables.

Results of Operations of China Networks Media, Limited

The following table summarizes the accounts of China Networks Media, its wholly owned subsidiary, Advertising Networks Ltd. (“ANT”), variable interest entities (“VIEs”), Kunming Taishi Information Cartoon Co., Ltd (“Kunming JV”), Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd (“Taiyuan JV”), and Beijing Guangwang Hetong Advertising and Media Co., Ltd. (“Hetong”) result of operations from March 30, 2007 (Inception) to the nine months ended September 30, 2008:

	For the nine months ended September 30, 2008	Period from March 30, 2007 (Inception) to September 30, 2007	Period from March 30, 2007 (Inception) to September 30, 2008
NET REVENUE	$ -	$ -	$ -
OPERATING EXPENSES			
General and administrative expenses	1,711,927	16,189	1,743,147
	1,711,927	16,189	1,743,147
LOSS FROM OPERATIONS	(1,711,927)	(16,189)	(1,743,147)
OTHER INCOME (EXPENSE)			
Other income	7,352	-	7,352
Interest expense	(1,303,354)	-	(1,303,354)
Interest income	83,510	-	83,510
	(1,212,492)	-	(1,212,492)
NET LOSS BEFORE NON-CONTROLLING INTEREST	(2,924,419)	(16,189)	(2,955,639)
NON-CONTROLLING INTEREST	(11,835)	-	(11,835)
NET LOSS	$ (2,936,254)	$ (16,189)	$ (2,967,474)

Net revenue. China Networks Media is a development stage enterprise. As of September 30, 2008, it had not yet commenced any operations nor generated revenue.

Operating expenses. All operating expenses are general and administrative expenses which are related to China Networks Media's formation, private placement offering, establishment of joint ventures and contractual relationships in the PRC, and potential business combination with Alyst.

Income tax expense. China Networks Media was originally incorporated in the Cayman Islands and subsequently continued into the British Virgin Islands ("BVI") as a BVI Business Company. China Networks Media is not subject to income taxes under the current laws of the Cayman Islands or BVI. PRC entities will be subject to the PRC Enterprise Income tax at the applicable rates on taxable income at the commencement of operations.

The following table summarizes the results of operations of the Kunming Television Station – Advertising Center and the Yellow River Television Station – Advertising Center:

Nine Months Ended
September 30, 2008 Compared to
Nine Months Ended September 30, 2007

Results of Operations of the Kunming Television Station – Advertising Center and the Yellow River Television Station – Advertising Center

	For the nine months ended September 30,	
	2008 Unaudited	2007 Unaudited
Net revenue	$ 13,994,827	$ 15,318,025
Sales Tax	(1,129,634)	(1,255,188)
Cost of Revenues	(4,584,533)	(3,653,174)
Gross Profit	8,280,660	10,409,663
Selling, General and Administrative Expenses	1,811,244	1,228,008
Income before Income Taxes	6,469,416	9,181,655
Income Taxes	-	-
Net Income	$ 6,469,416	$ 9,181,655

Net revenue. The net revenue for the nine months ended September 30, 2008 were $12,865,193, a decrease of $1,197,644 or approximately 8%, from $14,062,837 for the nine months ended September 30, 2007. Substantially all of the revenues are earned from advertising income, which is composed of sale of advertising times-slots and sales of program-related advertising. The amount in excess of 93% of revenues represent sales of advertising times-slots, which decreased $1,224,217 or approximately 8.5% for the nine months ended September 30, 2008. The decrease was primarily incurred in the second and third quarter of 2008 caused by the Sichuan Province earthquake in May and the Beijing Olympic and Paralympic Games from August to September. After the earthquake, no advertisements were permitted to be broadcast nationwide from May 19, 2008 to May 21, 2008. For a one-month period subsequent to such ban, advertising time slots were then reserved for earthquake news updates by government mandates, which caused approximately $ 0.4 million loss in sales. In the third quarter of 2008, audience rates of local TV stations dropped sharply because of the Beijing Olympic Games, As a result, local advertisers reduced their advertisements in local TV stations. Meanwhile, local advertisers postponed their plan to advertise to avoid competition with Olympic sponsors. These two reasons resulted in approximately $ 0.6 million loss in sales in the third quarter of 2008. Additionally, the Bureau of Industry and Commerce restricted the broadcast of medical advertisements which related to, among other things, cosmetic surgery and slimming products from end of May 2008 to October 2008.

Cost of revenues. The cost of revenues for the nine months ended September 30, 2008 was $4,584,533, an increase of $931,359 or approximately 25.5%, from $3,653,174 for the nine months ended September 30, 2007.

Cost of revenues for the nine months ended September 30, 2008 are from approximately $3,417,085 in purchased TV program costs, approximately $71,540 in the rental fee for equipment used in generating advertising revenue, and approximately $1,095,909 of paid commission.

The increase in cost of revenues was primarily attributable to an increase of approximately $567,926 or 19.9 % in programs purchase costs, which was 15% higher per unit than fiscal year 2007. The PRC TV Stations paid much more for the high quality drama series due to the intense competition among provincial TV stations and city TV stations, as well as the increase of production costs of drama series. Additionally, there was an increase of $327,447 or 42.6%, in commission paid to agents for the nine months ended September 30, 2008.

Gross profit. The gross profit for the nine months ended September 30, 2008 was $8,280,660, a decrease of $ 2,129,003 or 20.4%, from $10,409,663 for the nine months ended September 30, 2007. The gross margin was 59.2% for the nine months ended September 30, 2008, compared to 68.0% for the nine months ended September 30, 2007.

The significant impact on gross margin is associated with the modest decrease of revenues from the PRC TV stations and the increase in cost of revenues including the increased amount of purchased TV program costs as described above.

Selling expenses. The selling expenses for the nine months ended September 30, 2008 were $481,681, an increase of $227,026 or 89.2%, from $254,655 for the nine months ended September 30, 2007.

Selling expenses are primarily comprised of sales promotion, program promotion expenses and entertainment expenses directly related to sales and marketing activities. The increase was primarily attributable to the promotion for television drama series held at local PRC TV stations, which invited well-known film stars to participate.

General and administrative expenses. General and administrative expenses for the nine months ended September 30, 2008 was $1,329,563, an increase of $356,210 or 36.6%, from $973,353 for the nine months ended June 30, 2007.

The increase was mainly due to increase of approximately $122,236 in the benefit and bonus for part-time employees and sales person as a result of the newly enacted labor law effective on January 1, 2008 requiring companies to pay for employees’ social insurance.

Net income. Net income for the nine months ended September 30, 2008 was $6,469,416, a decrease of $2,712,239 or 29.7%, from $9,181,655 for the nine months ended September 30, 2007.

The decrease in net income was primarily due to the large increase of cost of revenue plus the increase in general and administrative expense, along with decrease of revenue as described above.

Year Ended December 31, 2007 Compared to
Year Ended December 31, 2006

Results of Operations of PRC TV Stations

Net revenue. The net revenue for the year ended December 31, 2007 were approximately $18,987,149, an increase of $3,835,643 or approximately 25.3%, from approximately $15,151,506 for the year ended December 31, 2006.

Substantially all of the revenue is earned from advertising income, which is composed of sales of advertising times-slots and sales of program-related advertising. In excess of 93% of revenues represent sale of advertising times-slots, which mainly contributed to the increase in revenues. The increase in revenues was primarily driven by an increase in the total advertising times-slots sold by China Networks Media. The increase in the total advertising time slots sold by China Networks Media resulted primarily from an increase in the number of advertising customers and an increase in the unit price of the advertising times-slots by approximately 15% compared to the year ended December 31, 2006.

Cost of revenue. Cost of revenue for the year ended December 31, 2007 were $4,844,541, an increase of $1,087,119 or 28.9%, from $3,757,422 for the year ended December 31, 2006.

Cost of revenue for the year ended December 31, 2007 included purchased TV program costs of $3,856,322, the rental fee for equipment used in generating advertising revenue of $50,171, and the commissions of $900,228.

The increase in cost of revenue was primarily attributable to an increase of approximately $621,605 or 22.5 % in program purchase costs. The PRC TV Stations paid significantly more for high quality drama series due to increased competition among provincial TV stations and city TV stations, as well as the increase of production costs of drama series. Additionally, the increase in cost of revenues was also attributable to an increase in the commissions of $610,399 for the fiscal year 2007 compared with fiscal year 2006 which was attributable to an increase in the number of customers and the total advertising times-slots.

Gross profit. The gross profit for the year ended December 31, 2007 was $14,142,608, an increase of $2,748,524 or 24.1%, from $11,394,084 for the year ended December 31, 2006. The gross margin was 68.4% for the year ended December 31, 2007 compared to 69.7% for the year ended December 31, 2006.

The increase in gross profit is primarily due to an increase in revenues of $3,835,643 as described above combined with a modest increase in cost of revenues of $1,087,119 as described above, resulting in no significant change in gross margin for the fiscal year 2007 compared to fiscal year 2006.

Selling expenses. The selling expenses for the year ended December 31, 2007 were $318,927, an increase of $90,338 or 39.5%, from $228,589 for the year ended December 31, 2006.

The increase was primarily attributable to the increased expenses in brand promotion, marketing and offline activates in order to occupy more local advertisement market.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2007 were $1,394,004, an increase of $15,328 or 1.1%, from $1,378,675 for the year ended December 31, 2006.

The slight increase was mainly due to improvement in the control of office expenses and due to the fact that the Company did not hire additional administrative staff.

Net income. Net income for the year ended December 31, 2007 was $12,458,479, an increase of $2,569,398 or 26.0%, from $9,889,081 for the year ended December 31, 2006. The increase in net income was due to increased revenue, while costs were controlled and expenses were maintained at a reasonable level as described above.

Year Ended December 31, 2006 Compared to
Year Ended December 31, 2005

Results of Operations

Net revenue. The net revenue for the year ended December 31, 2006 was $15,151,506, which increased $745,255 or 5.2%, compared to $14,406,251 for the year ended December 31, 2005.

The revenues were composed of advertising times-slots and program-related advertising services. In excess of 93% of revenues represent sales of advertising times-slots.

The increase in revenues was primarily driven by an increase in the revenues from program-related advertising service. Our revenues from program-related advertising service for the year ended December 31, 2006 was $1,136,216, increased $688,977 or 154% compared to $447,239 for the year ended December 31, 2005. The increase was mainly due to an increase in the customers of program-related advertising service which was incurred by improved quality of the programs.

Cost of revenues. Cost of revenues for the year ended December 31, 2006 was $3,757,422, an increase of $1,832,388 or 95.2%, from $1,925,034 for the year ended December 31, 2005.

Cost of revenues for the year ended December 31, 2006 included purchased TV program costs of $3,408,749, the rental fee for equipment used in generating advertising revenue of $30,701, and the commissions of $289,829.

The dramatic increase in cost of revenues was primarily attributable to increased costs of purchased TV program of $1,546,882 which was incurred by an increase in television programs costs compared to 2006, and increased commissions of the $289,830 which was driven by an increase in the total advertising times-slots sold.

Gross profit. The gross profit for the year ended December 31, 2006 was $11,394,084, which decreased $1,087,133 or 9.5% compared to $12,481,217 for the year ended December 31, 2005. Gross margin decreased to 69.7% for the fiscal year 2006 from 80.4% for the fiscal year 2005. This decrease was mainly due to an increase in the cost of revenue of $1,832,388 or 95.2% in fiscal year 2006 compared with fiscal year 2005.

Selling expenses. The selling expenses for the year ended December 31, 2006 were $228,589, an increase of $74,645 or 48.5%, from $153,944 for the year ended December 31, 2005. The significant increase in the selling expenses was primarily attributable to the increased expenses of promotion and marketing activities.

General and administrative expenses. The general and administrative expenses for the year ended December 31, 2006 was $1,378,675, an increase of $156,320 or 12.8%, from $1,222,355 for the year ended December 31, 2005.

The increase in general and administrative expenses was primarily attributable to increased salaries which was mainly incurred by an increase in headcount, accounting for an increase by 7%, increased office administration fee of 5% and increased expenses in staff training and traveling of 2%.

Net income. The net income for the year ended December 31, 2006 was $9,889,081, a decrease of $1,226,174 or 12.4%, from $11,115,255 for the year ended December 31, 2005. The decrease in net income was due primarily to the significant increase in expenses and cost alongside a decrease in revenues as described above.

Liquidity and Capital Resources

As of September 30, 2008 and December 31, 2007, China Networks Media had cash and cash equivalents in the amount of $22,603,740 and $28,670.

Historically, China Networks Media had two shareholders who funded its operation, including advances related to its formation as well as professional fees and expenses associated with its acquisition activities. On July 21, 2008, China Networks Media completed a debt and equity bridge financing as described below to finance the initial payments for its paid-in capital to Taiyuan JV and Kunming JV.

Assuming the merger between Alyst and China Networks Media is consummated, China Networks Media will have cash and cash equivalents of approximately $64.3 million.

China Networks Media management has determined the following financing strategies to pay its obligations due under the bridge financing and the second payment for its paid-in capital to the Taiyuan JV and Kunming JV:

§ Approximately $4 million (RMB27,000,000) of the second payment for the paid-in capital to the Taiyuan JV which is due by March 31, 2009.

§ Approximately $ 11 million (RMB 75,000,000) of the second payment for the paid-in capital to the Kunming JV which is due by September 30, 2009.

§ $19.11 million due immediately following exercise of Alyst's warrants pursuant to the Merger Agreement.

§ Assuming the merger between Alyst and China Networks Media is consummated, $28 million related to equity bridge financing plus accrued interests are due 10 days following the consummation of the Business Combination

§ If the merger between Alyst and China Networks Media is not consummated by March 31, 2009, $14 million related to equity bridge financing plus accrued interests are due 18 months from the issuance of the promissory notes and the remaining $14 million related to equity bridge financing plus accrued interests are due 36 months from the issuance of the promissory notes.

China Networks Media believes that its cash and cash equivalents balance, together with its access to financing sources, will be sufficient to meet the working capital, capital expenditure and debt obligations associated with its current operations on an ongoing basis, although that cannot be assured. However, it is possible that its cash requirement could increase beyond current forecasts as a result of a number of factors, including the use of cash for the formation of joint venture to run its advertisement business to accelerate its rate of growth.

Debt and equity bridge financing. On July 21, 2008, China Networks Media issued an aggregate of $27,990,200 in promissory notes and 980,000 class A preferred shares, with a par value of $0.0001 to 27 investors in exchange for proceeds of $28,000,000. Each share of preferred stock is convertible into one share of China Networks Media's common stock. The use of proceeds of the financing was as follows: (a) $13.6 million was used for initial equity contributions due from ANT for the JV Tech Cos (b) a fee of $980,000 paid to Chardan, as a placement fee for the financing, and (c) the remaining proceeds are being used for working capital, including payment of certain administrative, legal and accounting fees. The promissory notes are secured by a pledge of 50.1% of the outstanding common stock of China Networks Media.

Assuming the merger between Alyst and China Networks Media is consummated, all principal outstanding plus accrued interest is due 10 days following the consummation of the Business Combination. If the merger between Alyst and China Networks Media is not consummated by March 31, 2009, one-half of the principal outstanding plus accrued interest is due 18 months from the issuance of the promissory notes and the remaining one-half of the principal outstanding plus accrued interest is due 36 months from the issuance of the promissory notes.

China Networks Media's management has determined that the fair value of the 980,000 class A preferred stock on the issuance date is $5.27 per share, calculated using the Black-Scholes valuation model and the following assumptions: expected life of 30 years; volatility of 25%; risk free interest rate of 0%; common stock price of China Networks Media of $5.28 per share on grant date. Using the relative fair value method, China Networks Media allocated $23,641,059 of the gross proceeds to the promissory notes and $4,358,941 to class A preferred stock. Each share of class A preferred stock has the right to receive a cash amount equal to $7.143 plus deferred cash payments contingent upon the achievement of future net income. The face amount of the promissory notes of $27,990,200 was reduced by debt discount of $4,358,941, resulting in an initial carrying value of $23,641,059. China Networks Media estimated that the life of these promissory notes will be approximately 18 months with the expectation that the contemplated merger between China Networks Media and Alyst will be approved by the stockholders of Alyst before January, 2010. With such estimated life of the bridge loan, China Networks Media adopted the effective interest rate method to amortize the debt discount over the 18-month period and an effective monthly rate of 1.49%.

Anticipated partnership program. In the future, China Networks Media may partner with additional television networks utilizing the cash obtained from Alyst's trust fund and other sources if available on acceptable terms.

Quantitative and Qualitative Disclosures about Market Risk

Substantially all of China Networks Media's revenues and expenses are denominated in Renminbi, but a substantial portion of its cash is kept in U.S. dollars. Although China Networks Media believes that, in general, its exposure to foreign exchange risks should be limited, its cash flows and revenues will be affected by the foreign exchange rate between U.S. dollars and Renminbi. It is possible that the Chinese government may elect to loosen further its current controls over the extent to which the Renminbi is allowed to fluctuate in value in relation to foreign currencies. China Networks Media's business and the price of its ordinary shares could be negatively affected by a revaluation of the Renminbi against the U.S. dollar or by other fluctuations in prevailing Renminbi-U.S. dollar exchange rates. For example, to the extent that China Networks Media need to convert funds expected to be released from the Alyst trust account or from its debt and equity bridge financing from U.S. dollars into Renminbi for its operational or acquisition needs and should the Renminbi appreciate against the U.S. dollar at that time, its cash flows would be reduced which could materially adversely affect our business. Conversely, if China Networks Media decides to convert its Renminbi balances into U.S. dollars for the purpose of declaring dividends on its ordinary shares or for other business purposes and the U.S. dollar appreciates against the Renminbi, the U.S. dollar equivalent of China Networks Media's earnings from its subsidiaries, including its VIE affiliates, in China would be reduced.

The following table sets forth the average buying rate for Renminbi expressed as per one U.S. dollar for the years 2004, 2005, 2006, 2007 and 2008:

Year	Renminbi Average (1)
2004	8.2768
2005	8.1826
2006	7.9579
2007	7.6172
2008	6.9623

1. Determined by averaging the rates on the last business day of each month during the relevant period.

The following table sets forth the high and low exchange rates for Renminbi expressed as per one U.S. dollar for the periods indicated.

	Renminbi Average	
Month Ended	High	Low
April 30, 2008	7.029	6.983
May 30, 2008	7.001	6.939
June 30, 2008	6.939	6.859
July 31, 2008	6.864	6.813
August 31, 2008	6.867	6.833
September 30, 2008	6.846	6.801
October 31, 2008	6.844	6.748
November 30, 2008	6.834	6.803
December 31, 2008	6.881	6.805

The value of China Networks Media's investment will be affected by the foreign exchange rate between U.S. dollars and Renminbi. From 1994 to July 21, 2005, the conversion of Renminbi into foreign currencies, including U.S. dollars, was based on exchange rates published by the People's Bank of China, which was set daily based on the previous day's interbank foreign exchange market rates in China and current exchange rates on the world financial markets. During that period, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. However, on July 21, 2005, as a result of the Renminbi being re-pegged to a basket of currencies, the Renminbi was revalued and appreciated against the U.S. dollar. There can be no assurance that such exchange rate will continue to remain stable in the future. Our investment could be negatively affected by a revaluation of the Renminbi against the U.S. dollar or by other fluctuations in prevailing Renminbi-U.S. dollar exchange rates. For example, to the extent that China Networks Media needs to convert U.S. dollars into Renminbi for its investment and should the Renminbi appreciate against the U.S. dollar at that time, its financial position and the costs of finance may be adversely affected.

INFORMATION ABOUT ALYST

Alyst's History and Business Plans

Alyst is a blank check company formed under the laws of the State of Delaware on August 16, 2006 for the purpose of acquiring, through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more operating businesses. Its efforts in identifying a prospective target business are not limited to a particular industry although Alyst has initially focused its efforts on acquiring an operating business in the telecommunications industry, broadly defined.

Alyst consummated its IPO on July 5, 2007. All activity from August 16, 2006 through July 5, 2007 related to its formation and its IPO. Since July 5, 2007, Alyst's management has actively searched for a prospective target business to acquire. On August 13, 2008, Alyst announced it had entered into the Merger Agreement with China Networks Media and others as described under "The Business Combination Proposal – Background of the Business Combination."

Alyst does not currently have any employees or operations.

The IPO and Trust Account. The net funds received by Alyst in the IPO are held in a trust account and are not to be released until the earlier of the consummation of a business combination or liquidation of Alyst. However, as noted elsewhere in this proxy statement/prospectus, claims might be made against Alyst as a result of extending the period in which it may complete a business combination in order to avoid liquidation (or in other circumstances not now anticipated by Alyst). The trust account contained approximately $63,229,004 as of December 31, 2008. If the Business Combination is consummated, the trust account, reduced by amounts paid to stockholders of Alyst who do not approve the Business Combination and elect to convert their shares of common stock into their pro rata shares of net funds in it, will be released to Alyst.

Fair Market Value of Target Business. Pursuant to Alyst's amended and restated certificate of incorporation, the initial target business that Alyst acquires or merges with must have a fair market value equal to at least 80% of Alyst's net assets at the time of such acquisition/merger, determined by Alyst's Board of Directors based on standards generally accepted by the financial community, such as actual and potential sales, earnings, cash flow and book value. Alyst is not required to obtain an opinion from an investment banking firm as to fair market value if its Board of Directors independently determines that the target business has sufficient fair market value.

Limited Ability to Evaluate The Target Business' Management. Although Alyst closely examined the management of China Networks Media, Alyst cannot assure you that its assessment of China Networks Media's management will prove to be correct, or that future management will have the necessary skills, qualifications or abilities to manage its business successfully. Essentially, all of China Networks Media's current management will remain with the combined company, and will be primarily responsible for the day-to-day operations.

Stockholder Approval of Business Combination. Provided that a quorum exists, Alyst will proceed with the Business Combination only if a majority of the shares of common stock sold in Alyst's IPO are voted at the Special Meeting in favor of the Business Combination and holders of shares sold in Alyst's IPO, representing less than 30% of the shares sold in the IPO and the private placement, exercise their conversion rights. The holders of Alyst common stock issued prior to its IPO have agreed to vote all of their 1,750,000 shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting regarding the Business Combination. The 1,750,000 shares that Alyst's initial stockholders will vote in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting represent 17.9% of Alyst's outstanding shares of common stock. If holders of at least 2,413,320 shares of Alyst's common stock purchased in Alyst's IPO (which number represents 30% or more of the shares of Alyst common stock issued in Alyst's IPO and private placement) vote against the Business Combination and exercise their right to convert their shares for cash, the Business Combination will not be consummated.

If the Business Combination is Not Consummated. If Alyst does not consummate the business combination with China Networks Media, it will continue to seek another target business until it is required to liquidate and dissolve pursuant to its amended and restated certificate of incorporation. Under its charter as currently in effect, if Alyst does not acquire at least majority control of a target business by June 29, 2009, Alyst will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets. Following dissolution, Alyst would no longer exist as a corporation.

Conversion rights. Each holder of public shares who votes against the Business Combination has the right to have his or her public shares converted for cash, if the Business Combination is approved and completed.

The actual per-share conversion price will be equal to the amount in the trust account, inclusive of any interest, as of two business days prior to the consummation of the Business Combination, less taxes payable, divided by the number of shares issued in Alyst's IPO and the private placement, which, as of December 31, 2008 would be approximately $7.86 per share.

An eligible stockholder may request conversion at the time the vote is taken with respect to the Business Combination, but the request will not be granted unless the stockholder votes against the Business Combination and the Business Combination is approved and completed. Any request for conversion, if made by proxy prior to the date of the Special Meeting, may be withdrawn at any time up to the date of the meeting. Funds to be distributed to stockholders who elect conversion will be distributed promptly after consummation of the Business Combination. Any stockholder who converts stock into a portion of the trust account still has the right to exercise any warrants to purchase Alyst common stock. Alyst will not complete the merger if holders of 2,413,320 or more shares of Alyst's common stock purchased in Alyst's IPO (which number represents 30% or more of the shares of Alyst common stock issued in Alyst's IPO and private placement) vote against the Business Combination and exercise their conversion rights.

Competition. If the Business Combination is completed, Alyst will become subject to competition from competitors of China Networks Media. For more information of the competition China Networks Media faces, please see the section entitled, ''Information About China Networks Media – Competitors Threats of Substitution'' elsewhere in this document.

Future Plans. Alyst intends to become a leading company in the broadcast TV industry in the PRC. See the section entitled "The Business Combination Proposal."

Facilities. Alyst maintains executive offices at 233 E. 69th Street, #6J, New York, NY 10021. Alyst's director, Michael E. Weksel, is providing this space at no charge. Although Alyst considers its current office space, together with other office space otherwise available to Alyst's executive officers, adequate for its existing activities, Alyst anticipates that it will lease space from an unaffiliated third party if the Business Combination is approved and consummated..

Employees

Alyst has three executive officers. These individuals are not obligated to contribute any specific number of hours per week on Alyst's affairs, and they devote only as much time as they deem necessary to Alyst's matters. Alyst has no other employees.

Periodic Reporting and Audited Financial Statements

Alyst has registered its securities under the Exchange Act and has reporting obligations, including the requirement to file annual and quarterly reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, Alyst's annual report contains financial statements audited and reported on by Alyst's independent accountants. If the Redomestication Merger and the Business Combination are consummated, the successor corporation, CN Holdings, will be a reporting company under the Exchange Act. However, CN Holdings is expected to be considered a "foreign private issuer" as described under "The Redomestication Merger."

Legal Proceedings

To the knowledge of Alyst's management and Board of Directors, Alyst is not currently a party to any pending legal proceedings.

ALYST MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto contained elsewhere in this proxy/prospectus.

Plan of Operations

Alyst is a blank check company organized under the laws of the State of Delaware on August 16, 2006. Alyst was formed with the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. Its efforts in identifying a prospective target business are not limited to a particular industry although Alyst has initially focused its efforts on acquiring an operating business in the telecommunications industry, broadly defined.

Alyst consummated its IPO on July 5, 2007. All activity from August 16, 2006 through July 5, 2007 related to its formation and its IPO. Since July 5, 2007, Alyst's management has actively searched for a prospective target business to acquire. On August 13, 2008, Alyst entered into the Merger Agreement with China Networks Media and others as described under "The Business Combination Proposal – Background of the Business Combination."

From August 16, 2006 (inception) through June 30, 2008, Alyst had net income of $1,152,620 derived from interest income of $2,428,469 offset by $323,851 of formation and operating costs, and $951,998 of income tax expense. For the fiscal year ended June 30, 2008, Alyst had net income of $1,156,536 derived from interest income of $2,426,933 offset by $319,003 of formation and operating costs, and $951,394 of income tax expense as compared to a net loss of $3,916 derived from $4,848 of formation costs and $604 of income taxes offset by $1,536 of interest income for the period from August 16, 2006 (inception) through June 30, 2007. The difference was due to the interest earned on the net proceeds received from the consummation of an IPO on July 5, 2007 and the sale of the insider warrants, and the subsequent incurrence of costs related to searching for an acquisition candidate.

From August 16, 2006 (inception) through September 30, 2008, Alyst had net income of $1,268,566 derived from interest and dividend income of $2,775,989 offset by $459,404 of formation and operating costs, and $1,048,019 of income tax expense. For the three months ended September 30, 2008, Alyst had net income of $115,946 derived from interest and dividend income of $347,520 offset by $135,553 of formation and operating costs, and $96,021 of income tax expense as compared to a net income of $460,199, $40,814 of formation and operating costs, and $260,875 of income taxes and by $761,888 of interest and dividend income for the three months ended September 30, 2007. The difference was due to the interest earned on the net proceeds received from the consummation of an offering on July 5, 2007 and the sale of the insider warrants, and the subsequent incurrence of costs related to searching for an acquisition candidate.

Upon consummation of its IPO and the sale of the insider warrants, $63,154,286 of the net proceeds was deposited in trust. The remaining net proceeds of $47,878 is available to pay for business, legal and accounting due diligence on prospective acquisitions and continuing formation and operating costs. Alyst intends to utilize its cash, including the funds held in the trust account, capital stock, debt or a combination of the foregoing to effect a business combination. To the extent that its capital stock or debt securities are used in whole or in part as consideration to effect a business combination, the proceeds held in the trust account as well as any other available cash will be used to finance the operations of the target business. At September 30, 2008, Alyst had current assets of $1,265,245 and current liabilities of $607,031, resulting in working capital of $658,214.

From the date of the consummation of the IPO until such time as Alyst effectuates a business combination, Alyst may draw from the interest earned on the trust account (i) up to $1,680,000 for use as working capital, and (ii) all funds necessary to meet its tax obligations. Since the IPO, Alyst has drawn from the trust account a total of $2,409,000, of which $1,223,564 was drawn to meet its tax obligations and $1,185,436 was drawn for working capital.

Alyst believes it will have sufficient funds available to it from interest earned on the trust account to operate through the later of June 29, 2009 or the date upon which it consummates a business combination. Up to $1,680,000 of interest earned on the assets of the trust account are available to it for the payment of expenses associated with the due diligence and investigation of a target business or businesses, structuring, negotiating and documenting an initial business combination, legal, and accounting fess relating to its SEC reporting obligations and general working capital that will be used for miscellaneous expenses and reserves. Alyst does not believe it will need to raise additional funds in order to meet the expenditures required for operating its business. However, it may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination. Alyst would only consummate such a financing simultaneously with the consummation of a business combination. As needed, additional funds are also available to it from the interest earned on the assets of the trust account to pay all of its tax obligations.

Off-Balance Sheet Arrangements

Alyst does not have any off-balance sheet arrangements.

Summarized Quarterly Data (unaudited)

The following table summarizes our quarterly results of operations for the quarter ended September 30, 2008 for the past five quarters. :

	Quarter ended September 30, 2007	Quarter ended December 31, 2007	Quarter ended March 31, 2008	Quarter ended June 30, 2008	Quarter ended September 30, 2008
Revenue	$	$	$	$	$
Loss from operations	(41,765)	(41,599)	(139,154)	(96,485)	(135,553)
Interest income	762,841	744,043	555,785	364,264	347,520
Income before provision for income taxes	721,076	702,444	416,631	267,779	211,967
Provision for income taxes	260,875	530,000	41,421	119,098	96,021
Net Income	460,201	172,444	375,210	148,681	115,946
Weighted average shares outstanding (basic and diluted)	7,133,561	7,381,081	7,381,081	7,381,081	7,381,081
Basic and diluted net income per share	$ .06	$ .02	$ .05	$ .02	$ .02

DIRECTORS AND MANAGEMENT

Directors, Management and Key Employees Following the Redomestication Merger and the Business Combination

Upon consummation of the Redomestication Merger and the Business Combination, the board of directors and executive officers of CN Holdings shall be as follows:

Name	Age	Position
Li Shuangqing	55	Chief Executive Officer and Chairman
Kerry Propper	34	Director
Michael E. Weksel	44	Chief Financial Officer and Director

Mr. Li Shuangqing has been Chairman and CEO and a director of China Networks Media since May 2008. From 2006 to 2007, Mr. Li was the Chairman of Shandong Huashi Media & Technology, a leading Electronic Program Guide provider in China. Prior to that, he was from 2001 to 2006 the General Manager of Huicong Advertising, a leading Chinese internet and TV advertising company and Director of Advertising Department of Qilu TV Station from 1997 to 2001. Mr. Li had various management and TV production roles with Shandong and Qilu TV Stations from 1980 to 1997. Mr. Li completed EMBA course from Guanghua School of Management, Peking University.

Kerry Propper has been a director of China Networks Media since May 2008. Mr. Propper has been the owner and chief executive officer of Chardan Capital Markets LLC, a New York based broker/dealer, since July 2003. He has also been a managing director of SUJG, Inc., an investment company, since April 2005. From its inception in December 2003 until November 2005, Mr. Propper served as a member of the board of directors of each of Chardan China Acquisition Corp., Chardan North China Acquisition Corporation and Chardan South China Acquisition Corporation, each an OTC Bulletin Board listed blank check company. In November 2005, Chardan China Acquisition Corp. completed its business combination with State Harvest Holdings Ltd. and changed its name to Origin Agritech Ltd., in September 2007, Chardan North completed its business combination with Gifted Time Holdings, Limited and changed its name to HLS Systems International, Ltd. and in January 2008 Chardan South completed its business combination with Head Dragon Holdings, Limited and changed its name to A-Power Energy Generation Systems, Ltd. Mr. Propper has continued to serve as a member of the board of directors of Origin Agritech and HLS Systems International Ltd. since their mergers. Mr. Propper also sits on the board of directors of China Cablecom Holdings, Ltd., a joint-venture provider of cable TV services in China. Mr. Propper was a founder, and from February 1999 to July 2003 owner and managing director of Windsor Capital Advisors, a full service brokerage firm also based in New York. Mr. Propper also founder The Private Capital Group LLC, a small private investment firm specializing in hard money loans and convertible preferred debt and equity offerings for small companies, in May 2000 and was affiliated with it until December 2003. From July 1997 until February 1999, Mr. Propper worked at Aegis Capital Corp., a broker dealer and member firm of NASD. Mr. Propper received his B.A. (with honors) in Economics and International Studies from Colby College and studied at the London School of Economics.

Michael E. Weksel is the current chief executive officer, principal financial and accounting officer, and sole director of CN Holdings, and assumed the position of chief financial officer of China Networks Media in January 2009. Mr. Weksel will serve as Chief Financial Officer and a director of CN Holdings if the Business Combination and Redomestication Merger are approved. Mr. Weksel has also been a member of the board of directors of Alyst since inception and he serves as Alyst's chief operating officer, chief financial officer and secretary. From 2000 to 2007, Mr. Weksel was a principal in Industrial Acquisitions Management, LLC, a private venture firm. From 1994 to 1999, Mr. Weksel served on the board of directors and as chief financial officer and vice president of LogistiCare which he co-founded. From 1992 to 1994, Mr. Weksel served as a managing director at Weksel, Davies & Co. Inc. In that capacity, Mr. Weksel acted as the sole executive officer at Viking Mobile Communications and as project director for the implementation of a new enterprise computing solution at The E.F. Johnson Company. Mr. Weksel also served on the board of directors of The E.F. Johnson Company. Prior to 1992, Mr. Weksel worked for three years as an associate at the merchant banking firm of Joseph, Littlejohn and Levy, Inc. Mr. Weksel currently is a director of both GovDelivery, Inc., a leading e-mail subscription management system provider, and Safe Lites, LLC, a developer of applications of electroluminescent technologies. Mr. Weksel received a B.S. from the State University of New York at Albany and an M.B.A. from Columbia University. Mr. Weksel is the son of Dr. William Weksel, the Chief Executive Officer of Alyst.

Alyst's board of directors is currently divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. Upon consummation of the Business Combination, this classified board feature will terminate and CN Holdings will then have only one class of directors, with each director elected annually.

Director Independence

The NYSE Alternext requires that a majority of the board of directors be composed of "independent directors," which is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which in the opinion of the company's board of directors would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director.

Alyst

Robert A. Schriesheim, Matthew Botwin and Stephen J. DeGroat are Alyst's independent directors, constituting a majority of its board. Alyst's independent directors have regularly scheduled meetings at which only independent directors are present.

Any affiliated transactions will be on terms not less favorable to Alyst than could be obtained from independent parties. Any affiliated transactions must be approved by a majority of the independent and disinterested directors.

CN Holdings

Upon consummation of the Business Combination, [ ] will be independent directors of CN Holdings under Nasdaq Rules. CN Holdings' independent directors will have regularly scheduled meetings at which only independent directors are present.

Any affiliated transactions will be on terms no less favorable to CN Holdings than could be obtained from independent parties. Any affiliated transactions must be approved by a majority of its independent and disinterested directors.

Compensation Committee Interlocks and Insider Participation

During the last fiscal year, no executive officer of Alyst or CN Holdings has received compensation, and no officer of either company, has participated in deliberations of the respective Board of Directors concerning executive officer compensation.

Meetings and Committees of the Board of Directors of Alyst and CN Holdings

Although Alyst does not have any formal policy regarding director attendance at annual stockholder meetings. Following consummation of the Business Combination, CN Holdings expects to schedule its annual meetings so that its directors can attend. In addition, CN Holdings expects its directors to attend all Board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Audit Committee

Alyst

Alyst has established an audit committee of the board of directors, which consists of Matthew Botwin, as chairman and Robert A. Schriesheim. It has determined that each of these individuals is an independent director under the NYSE Alternext's listing standards. The audit committee's duties, which are specified in Alyst's Audit Committee Charter, include, but are not limited to:

- reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our Form 10-K;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of the independent auditor;
- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- reviewing and approving all related-party transactions;
- inquiring and discussing with management our compliance with applicable laws and regulations;
- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;
- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work; and
- establishing procedures for the receipt, retention and treatment of complaints received by Alyst regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies.

CN Holdings

Upon consummation of the Business Combination, the Audit Committee of CN Holdings will be comprised of •, each of which is an independent director. The Audit Committee's duties will be specified in its charter and such duties are expected to be equivalent to those of Alyst's Audit Committee.

Financial Experts on Audit Committee

The audit committee is at all times be composed exclusively of "independent directors" who are "financially literate" as defined under the NYSE Alternext listing standards. The NYSE Alternext listing standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

In addition, Alyst and, post-combination, CN Holdings must certify to the NYSE Alternext, and Nasdaq in the case of CN Holdings, that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication. The Alyst board of directors has determined that Robert A. Schriesheim satisfies the NYSE Alternext's definition of financial sophistication and also qualifies as an "audit committee financial expert," as defined under rules and regulations of the SEC.

Alyst's Principal Accountant

The firm of Marcum & Kliegman LLP (''Marcum & Kliegman") has served as Alyst's principal accountant since its formation on August 16, 2006. The following is a summary of fees paid or to be paid to Marcum & Kliegman for services rendered to Alyst for the last two fiscal years.

Audit Fees

During the year ended June 30, 2008, Alyst paid its principal accountants $39,000 for the services they performed in connection with Alyst's Registration Statement on Form S-1 related to its IPO, including the financial statements included in the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2007, and $47,000 in connection with its June 30, 2007 Annual Audit on Form 10-KSB and the review of its Quarterly Reports on Form 10-QSB. The fee for the audit of the financial statements included in the Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008 was $30,000. The aggregate of such fees is $116,000.

Audit-Related Fees

Alyst did not receive audit-related services that are not reported as Audit Fees for the year ended June 30, 2008.

Tax Fees

During fiscal 2008, Alyst's principal accountant rendered services to it for tax compliance, tax advice and tax planning in the amount of $3,600.

All Other Fees

During fiscal 2008, there were no fees billed for products and services provided by the principal accountant other than those set forth above.

Audit Committee Approval

Since Alyst's Audit Committee was not formed until July 2007, it did not pre-approve all of the foregoing services. Services rendered prior to the formation of the Audit Committee were approved by Alyst's board of directors. However, in accordance with Section 10A(i) of the Exchange Act, before Alyst or CN Holdings engages an independent accountant to render audit or non-audit services on a going-forward basis, the engagement will be approved by the respective audit committee.

Nominating Committee Information

Alyst

Alyst established a nominating committee of the board of directors, which consists of Stephen J. DeGroat, and Matthew Botwin, each of whom is an independent director under the NYSE Alternext's listing standards. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors. The nominating committee considers persons identified by its members, management, shareholders, investment bankers and others.

Guidelines for Selecting Director Nominees

The guidelines for selecting nominees, which are specified in the Nominating Committee Charter, generally provide that persons to be nominated:

- should have demonstrated notable or significant achievements in business, education or public service;
- should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and

- should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the stockholders.

The Nominating Committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person's candidacy for membership on the board of directors. The Nominating Committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time. The Nominating Committee does not distinguish among nominees recommended by shareholders and other persons and will consider persons identified by its members, management, stockholders, investment bankers and others. Other than the timing requirements of its by-laws described under ''Description of the Combined Company's Securities Following the Business Combination,'' Alyst does not have any restrictions on stockholder nominations under its amended and restated certificate of incorporation or by-laws. The only restrictions are those applicable generally under Delaware corporate law and the federal proxy rules. Currently, the board will consider suggestions from individual stockholders, subject to evaluation of the person's merits. Stockholders may communicate nominee suggestions directly to the board, accompanied by biographical details and a statement of support for the nominees. The suggested nominee must also provide a statement of consent to being considered for nomination. Although there are no formal criteria for nominees, Alyst's Board believes that persons should be actively engaged in business endeavors, have a financial background, and be familiar with acquisition strategies and money management.

CN Holdings

CN Holdings will establish a Nominating Committee following consummation of the Business Combination in accordance with the rules of Nasdaq. CN Holdings expects that the Nominating Committee will be equivalent to that currently in effect at Alyst.

Director Compensation

Alyst

Alyst's directors do not receive and have not received any compensation for their services.

CN Holdings

CN Holdings will compensate its Board of Directors based on policies put into place after the Business Combination and Redomestication Merger. CN Holdings expects that such policies will include a per diem for each board meeting attended, an annual fee and reimbursement of expenses incurred in attending meetings. The amounts of compensation, numbers of shares subject to awards and other terms of director compensation have not been determined.

Executive Compensation

Alyst

Alyst has not entered into employment agreements with any of its executive officers. No executive officer has received any cash compensation for services rendered to it. No compensation of any kind, including finders, consulting or other similar fees, will be paid to any of its existing stockholders, including its directors, or any of their respective affiliates, prior to, or for any services they render in order to effectuate, the consummation of a business combination. However, such individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. Because of the foregoing, Alyst will generally not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement.

CN Holdings

It is contemplated that, after the consummation of the Business Combination and Redomestication Merger, CN Holdings' board of directors will conduct reviews informally, and that compensation will not be typically changed on a regimented time-frame. It is contemplated that the board of directors of CN Holdings will base the salaries of its executive officers on the amounts similarly-situated companies pay their executive officers for similar performance. In general, if an executive performs exceptionally well, the performance and, if applicable, the increase in responsibilities would also merit a salary increase.

Employment agreement with Michael Weksel

China Networks Media has entered into an employment agreement with Michael Weksel to serve as its chief financial officer, effective as of January 12, 2009. Mr. Weksel is expected to continue to serve as the chief financial officer of CN Holdings after the Business Combination pursuant to the terms of the employment agreement. Under the terms of the employment agreement, Mr. Weksel will receive a base salary at an annual rate of (1) $180,000 for the period commencing on January 12, 2009 and ending upon the earlier to occur of (A) the closing of the Business Combination, or (B) June 29, 2009 (the "Initial Term") and (2) $360,000 following the Initial Term. Mr. Weksel will receive a cash bonus in the amount of $360,000 if China Networks Media achieves certain net income targets for 2009 and 2010 as set forth in the Merger Agreement, provided that Mr. Weksel is still employed by China Networks Media during the calendar year during which it achieved its net income targets. Mr. Weksel will be entitled to reimbursement by China Networks Media for certain expenses incurred by him in the performance of his employment.

In addition, pursuant to the terms of the employment agreement, immediately following the closing of the Business Combination (the "Merger Option Grant Date"), China Networks Media will grant to Mr. Weksel a non-qualified stock option (the "Merger Option") pursuant to the CN Holdings 2008 Omnibus Share and Incentive Plan for the purchase of 500,000 ordinary share of CN Holdings. The per share exercise price under the Merger Option will be equal to the "fair market value" of an ordinary share of CN Holdings determined as of the Merger Option Grant Date. 50,000 of the shares subject to the Merger Option will be fully vested and exercisable upon the grant of the Merger Option. The remaining 450,000 shares will vest over a 36-month period commencing on the Merger Option Grant Date, at the rate of 1/36 per completed month of employment by Mr. Weksel with China Networks Media. The Merger Option will have a seven-year term, although Mr. Weksel's entitlement to exercise the vested portion of the Merger Option will terminate upon the second anniversary of the termination of his employment with China Networks Media. In the event that Mr. Weksel is terminated by China Networks Media without cause or by Mr. Weksel for good reason, any then unvested portion of the Merger Option will immediately become fully vested and exercisable upon such termination. To the extent that the total capitalization of CN Holdings immediately following the Business Combination is higher or lower than the amount assumed under the terms of the employment agreement, the Merger Option share amounts will be proportionately increased or decreased. The employment agreement provides that, if China Networks Media terminates Mr. Weksel's employment without cause or if Mr. Weksel terminates his employment for good reason, subject to certain exceptions, China Networks Media will pay Mr. Weksel an amount equal to 50% of his annual base salary in effect as of his date of termination in monthly installments over a period of 12 months (or earlier if he violates any of the restrictive covenants contained in the agreement). Mr. Weksel is also subject to certain non-compete and non-solicitation covenants, during and after his employment with China Networks Media, with certain exceptions.

Service Agreement with Mr. Li Shuangqing

ANT has entered into a services agreement with Mr. Li Shuangqing to provide consulting services to ANT and its affiliates. The service agreement will be effective for an initial period of two years and may be extended upon the mutual written consent of both parties. Under the terms of the services agreement, ANT will pay Mr. Shuangqing a quarterly service fee equivalent to US$15,000 during the term of this agreement, subject to certain adjustments and exceptions. Mr. Shuangqing will also be entitled to reimbursement by ANT for certain expenses in the course of provision of his services.

Post-Combination Executive Employment Agreements

CN Holdings is in the process of finalizing executive employment agreements with certain executives, which such executives will be subject to following the consummation of the Business Combination.

Employee Compensation

Since Alyst does not currently have an operating business, it has no employees. Alyst does not have any compensation policies, procedures, objectives or programs in place. Upon consummation of the Business Combination, CN Holdings expects to adopt employee compensation policies, procedures and programs consistent with prevailing market practice for similarly-situated companies.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Alyst

Alyst has and will reimburse its officers and directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on Alyst's behalf such as identifying and investigating possible target businesses and business combinations. There is no limit on the amount of accountable out-of-pocket expenses reimbursable by Alyst, which will be reviewed only by Alyst's board of directors or a court of competent jurisdiction if such reimbursement is challenged.

Other than reimbursable out-of-pocket expenses payable to Alyst's officers and directors, no compensation or fees of any kind, including finders and consulting fees has or will be paid by Alyst to any of its initial stockholders, officers or directors who owned Alyst's common stock prior to its IPO, or to any of their respective affiliates for services rendered to Alyst prior to or with respect to the Business Combination other than as otherwise disclosed elsewhere in this proxy statement/prospectus.

In connection with the vote required for any Business Combination, all of Alyst's initial stockholders, including all of Alyst's officers and directors, have agreed to vote their respective shares of common stock which were owned prior to Alyst's IPO as well as those included in the units purchased in the private placement in accordance with the vote of the public stockholders owning a majority of the shares of Alyst's common stock sold in the IPO. In addition, they have agreed to waive their respective rights to participate in any liquidation distribution with respect to those shares of common stock acquired by them prior to the IPO. Any common stock acquired by initial stockholders in the IPO or aftermarket will be considered part of the holdings of the public stockholders. Except with respect to the conversion rights afforded to public stockholders, these initial stockholders will have the same rights as other public stockholders with respect to such shares, including voting rights in connection with the Business Combination. Accordingly, they may vote such shares on a proposed business combination any way they choose.

To further minimize potential conflicts of interest, Alyst has agreed not to consummate a business combination with an entity which is affiliated with any of our initial stockholders unless it obtains an opinion from an independent investment banking firm that the business combination is fair to our unaffiliated stockholders from a financial point of view. None of the initial stockholders is a stockholder in China Networks Media nor any of its affiliates or subsidiaries.

In August 2006, Alyst issued 1,750,000 shares of its common stock to its initial stockholders set forth below for an aggregate of $25,000 in cash, at a purchase price of approximately $0.014 per share, as follows:

Name	Number of Shares	Purchase Price	Relationship to Alyst
Robert A. Schriesheim	362,500	$ 5,178.57	Chairman of the Board
Dr. William Weksel(1)	362,500	$ 5,178.57	Chief Executive Officer and Director
Robert H. Davies(2)	362,500	$ 5,178.57	Chief Strategist
Michael E. Weksel(3)	362,500	$ 5,178.57	Chief Financial Officer
Paul Levy	90,000	$ 1,285.71	Director
Ira Hollenberg IRA	60,000	$ 857.14	Stockholder
Silverman Realty Group, Inc. Profit Sharing Plan (LCPSP)	60,000	$ 857.14	Stockholder
Matthew Botwin	30,000	$ 428.57	Director
Norbert W. Strauss	20,000	$ 285.72	Stockholder
David Strauss	20,000	$ 285.72	Stockholder
Jonathan Strauss	20,000	$ 285.72	Stockholder

[1] Dr. William Weksel is the father of Michael E. Weksel.

(2) In June 2007, Robert H. Davies transferred 10,000 shares of common stock to the 2006 Robert H. Davies Delaware Trust f/b/o Alexander B. Davies, a trust established for the benefit of Mr. Davies' son, for approximately $0.14 per share.

(3) In January 2007, Michael E. Weksel transferred 12,500 shares of common stock to the Carina Heart Weksel Irrevocable Trust, a trust established for the benefit of Mr. Weksel's daughter, for approximately $0.014 per share.

The warrants issued in Alyst's private placement were purchased by Robert A. Schriesheim, Alyst's Non-Executive Chairman of the Board, Dr. William Weksel, Alyst's Chief Executive Officer, Robert H. Davies, Alyst's Chief Strategist, Michael E. Weksel, one of Alyst's Directors, Paul Levy, one of Alyst's former Directors, and Ira Hollenberg IRA, Silverman Realty Group, Inc. Profit Sharing Plan (LCPSP), Norbert W. Strauss, David Strauss and Jonathan Strauss, each a stockholder of Alyst. The warrants are identical to the warrants included in the Units sold in Alyst's IPO except that they are exercisable on a cashless basis if Alyst calls the warrants for redemption so long as they are held by these purchasers or their affiliates. The purchasers of the warrants issued in the private placement have agreed that the warrants issued in the private placement will not be sold or transferred by them until 90 days after Alyst has completed a business combination.

From August 2006 through October 2006, Robert A. Schriesheim, Robert H. Davies, Michael E. Weksel and Dr. William Weksel have advanced to Alyst an aggregate of $150,000. The loan was repaid on July 9, 2007.

No compensation or fees of any kind, including finder's fees, consulting fees or other similar compensation, will be paid to any of our existing stockholders, officers or directors who owned our common stock prior to this offering, or to any of their respective affiliates, prior to or with respect to the business combination (regardless of the type of transaction that it is).

All ongoing and future transactions between Alyst and any of its officers and directors or their respective affiliates, including loans by our officers and directors, will be on terms believed by it to be no less favorable to it than are available from unaffiliated third parties. Such transactions or loans, including any forgiveness of loans, will require prior approval by a majority of our uninterested "independent" directors or the members of our board who do not have an interest in the transaction, in either case who had access, at our expense, to our attorneys or independent legal counsel. Alyst will not enter into any such transaction unless its disinterested "independent" directors determines that the terms of such transaction are no less favorable to it than those that would be available to it with respect to such a transaction from unaffiliated third parties.

BENEFICIAL OWNERSHIP OF SECURITIES

The following table sets forth, as of January 22, 2009, certain information regarding beneficial ownership of Alyst's common stock by each person who is known by Alyst to beneficially own more than 5% of Alyst's common stock. The table also identifies the stock ownership of each of Alyst's directors, each of Alyst's officers, and all directors and officers as a group. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

The beneficial ownership in the following table is based on 9,794,400 shares of common stock issued and outstanding as of January 22, 2009. Shares of common stock which an individual or group has a right to acquire within 60 days pursuant to the exercise or conversion of options, warrants or other similar convertible or derivative securities are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Name and Address of Beneficial Holder (1)	Amount of Beneficial Ownership	Percentage of Outstanding Common Stock
QVT Financial LP (2)	822,300	8.4%
HBK Investments L.P. (3)	805,902	8.2%
Polar Securities Inc. (4)	678,100	6.9%
Millenco LLC (5)	515,250	5.3%
Deutsche Bank AG(6)	511,083	5.2%
Azimuth Opportunity, Ltd. (7)	498,300	5.1%
Pacific Assets Management, LLC (8)	495,500	5.1%
Robert A. Schriesheim (9)	362,500	3.7%
Robert H. Davies (9)(10)	362,500	3.7%
Michael E. Weksel (9)(11)	362,500	3.7%
Dr. William Weksel (9)	362,500	3.7%
Paul Levy (9)	90,000	*
Matthew Botwin	30,000	*
All directors and executive officers as a group (six individuals) (12)	1,570,000	16.0%

*Less than 1%

(1) Unless otherwise indicated, the business address of each of the individuals is 233 East 69th Street, #6J, New York, New York 10021.

(2) Represents 657,323 shares of common stock held by QVT Fund LP (the "Fund"), 73,694 shares of common stock held by Quintessence Fund L.P. ("Quintessence) and 91,283 shares of common stock held in a separate discretionary account managed for Deutsche Bank AG (the "Separate Account"). This amount excludes shares issuable upon the exercise of warrants that are not currently exercisable and will not become exercisable within 60 days. QVT Financial LP has voting and dispositive power with respect to all such shares and QVT Financial GP LLC is the general partner of QVT Financial LP. The business address of QVT Financial LP, QVT Financial GP LLC and QVT Associates GP LLC is 1177 Avenue of the Americas, 9th Floor, New York, New York 10036. The business address of QVT Fund LP is Walkers SPV, Walkers House, Mary Street, George Town, Grand Cayman, KY1 9001 Cayman Islands. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 31, 2007.

(3) Represents 805,902 shares of common stock over which HBK Investments L.P., HBK Services LLC (“Services”), HBK Partners 11 L.P., HBK Management LLC and HBK Master Fund L.P. each have shared voting and dispositive power. HBK Investments L.P. has delegated discretion to vote and dispose of the securities to Services. Services may, from time to time, delegate discretion to vote and dispose of certain of the securities to HBK New York LLC, HBK Virginia LLC, HBK Europe Management LLP and/or HBK Hong Kong Ltd. (collectively, the “Subadvisors”). Each of Services and the Subadvisors is under common control with HBK Investments L.P. The business address for each entity is 300 Crescent Court, Suite 700, Dallas, Texas 75201. The foregoing information was derived from a Schedule 13G filed with the SEC on December 31, 2007.

(4) Represents (i) 509,100 shares of common stock held by North Pole Capital Master Fund (“North Pole”) and (ii) 169,000 shares of common stock held in certain discretionary accounts (“Accounts”). Polar Securities Inc. (“Polar Securities”) serves as the investment manager for North Pole and the Accounts. The business address for North Pole and Polar Securities is 372 Bay Street, 21st Floor, Toronto, Ontario M5H 2W9, Canada. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 31, 2007.

(5) Represents 515,250 units held by Millenco LLC. Each unit consists of one share of common stock and one warrant to purchase one share of common stock. The warrants are not exercisable and will not become exercisable until the completion of a business combination. Millennium Management LLC is the manager of Millenco LLC and Israel A. Englander is the managing member of Millennium Management LLC. Each may be deemed to have shared voting control and investment discretion over the securities. The business address of Mr. Englander and each of the entities is 666 Fifth Avenue, New York, New York 10103. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 17, 2007.

(6) Represents the 511,083 shares of common stock beneficially owned by the Corporate and Investment Banking business group and the Corporate Investments business group (collectively, “CIB”) of Deutsche Bank AG and its subsidiaries and affiliates (collectively, “DBAG”). The principal business address of Deutsche Bank AG is Theodor-Heuss-Allee 70, 60468 Frankfurt am Main, Federal Republic of Germany. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 31, 2007.

(7) Represents 498,300 shares of common stock held by Azimuth Opportunity, Ltd. (“Azimuth”). The business address for Azimuth is c/o Ogier, Qwomar Complex, 4th Floor, P.O. Box 3170, Road Town, Tortola, British Virgin Islands. The foregoing information was derived from a Schedule 13G filed with the Securities and Exchange Commission on September 20, 2007.

(8) Represents 495,500 shares of common stock over which Pacific Assets Management, LLC (“PAM”) has shared voting power. PAM is an investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the stock. PAM is the investment adviser to the JMG Triton Offshore Fund, Ltd. (“JMG Fund”). Pacific Capital Management, Inc. (“PCM”) is a member of PAM. Jonathan M. Glaser, Daniel Albert David and Roger Richter are control persons of PAM and PCM. The business address for PAM, PCM and Mr. David is 100 Drakes Landing, Suite 207, Greenbrae, California 94904. The principal business office of the JMG Fund is Ogier Fiduciary Services (BVI) Ltd., Nemours Chambers, P.O. Box 3170, Road Town, Tortola, British Virgin Islands VG1110. The business address of Mr. Glaser is 11601 Wilshire Boulevard, Suite 2180, Los Angeles, California 90025. The principal business office of Mr. Richter is One Sansome Street, 39th Floor, San Francisco, California 94104. The foregoing information was derived from a Schedule 13G filed with the Securities and Exchange Commission on June 29, 2007.

(9) Does not include 227,500 shares of common stock issuable upon exercise of insider warrants that are not exercisable and will not become exercisable within 60 days.

(10) Includes 10,000 shares of common stock held by the 2006 Robert H. Davies Delaware Trust, a trust established for the benefit of Mr. Davies' son.

(11) Includes 12,500 shares of common stock held by the Carina Heart Weksel Irrevocable Trust, a trust established for the benefit of Mr. Weksel's daughter, of which Mr. Weksel and his wife are the sole trustees.

(12) Does not include 1,137,500 shares of common stock issuable upon exercise of insider warrants that are not exercisable within 60 days.

Alyst's initial stockholders, which include all of our officers and directors, collectively, beneficially own approximately 18% of the issued and outstanding shares of the common stock. Because of the ownership block held by the initial stockholders, such individuals may be able to effectively exercise control over all matters requiring approval by Alyst's stockholders, including the election of directors and approval of significant corporate transactions other than approval of the Business Combination and Redomestication Merger. All of the shares of Alyst's outstanding common stock owned by its initial stockholders prior to the IPO have been placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, until the earliest of:

- one year after the consummation of a business combination;
- Alyst's liquidation; and
- the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of our stockholders having the right to exchange their shares of common stock for cash, securities or other property subsequent to our consummating a business combination with a target business.

During the escrow period, the holders of these shares will not be able to sell their securities, but will retain all other rights as our stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow. If Alyst is unable to effect a business combination and liquidate, none of our initial stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to Alyst's IPO.

As all legal rights, benefits, duties and obligations enjoyed, owned or owed by Alyst will, by means of the merger statutes in effect in Delaware and the British Virgin Islands, be enjoyed, owned or owed, as the case may be, by CN Holdings following the Redomestication Merger, all of the restrictions applicable to Alyst's initial security holders (including the holding of their securities pursuant to escrow arrangements) will continue to apply until the consummation of the Business Combination, which will take place immediately following the consummation of the Redomestication Merger. Similarly, all agreements to which Alyst is currently a party, including the warrants originally issued by Alyst, will be assumed by CN Holdings.

Robert A. Schriesheim, Dr. William Weksel, Robert H. Davies and Michael Weksel are our ''promoters,'' as that term is defined under the Federal securities laws.

Security Ownership of China Networks Media

The following persons are the current shareholders of China Networks Media and their respective beneficial ownership percentages are shown:

Owner	Number of Ordinary Shares	Number of Class A Preferred Shares	Beneficial Ownership Percentage of Ordinary Shares	Beneficial Ownership Percentage Assuming Exercise of all Outstanding Derivative Securities
Kerry Propper	475,000	0	25%	16.49%
MediaInv Ltd.	1,425,000	0	75%	49.48%
South Ferry #2 LP	0	176,750	0%	6.14%
Aaron Wolfson	0	17,500	0%	0.61%
Eliezer Levitin	0	12,250	0%	0.43%
Globis Capital Partners, L.P.	0	52,500	0%	1.82%
Globis Overseas Fund Ltd.	0	8,750	0%	0.30%
Globis International Investments LLC	0	17,500	0%	0.61%
Atlas Master Fund, Ltd.	0	105,000	0%	3.65%
BDS Capital Fund I, LLC	0	43,750	0%	1.52%
Platinum Partners Value Arbitrage, LP	0	175,000	0%	6.08%
Nicole Kubin	0	8,750	0%	0.30%
Alpha Capital Anstalt	0	35,000	0%	1.22%
AME Capital Group	0	8,750	0%	0.30%
Camel Company	0	8,750	0%	0.30%
JLF Partners I, LP	0	40,250	0%	1.40%
JLF Partners II, LP	0	8,750	0%	0.30%
JLF Offshore Fund, Ltd.	0	56,000	0%	1.94%
MLR Capital Offshore Master Fund Ltd.	0	35,000	0%	1.22%
KATA, Ltd.	0	35,000	0%	1.22%
Chardan SPAC Asset Management LLC	0	52,500	0%	1.82%
XEL Inc.	0	8,750	0%	0.30%
Brio Capital L.P.	0	8,750	0%	0.30%
Beechwood Capital Group L.L.C.	0	26,250	0%	0.91%
Diamond Street Equities LLC	0	8,750	0%	0.30%
Ezra Birnbaum	0	8,750	0%	0.30%
China Private Equity Partners Co. Ltd.	0	8,750	0%	0.30%
Bantry Bay Ventures, LLC	0	8,750	0%	0.30%
Moshe Rosenfeld	0	3,500	0%	0.12%

Security Ownership of the Combined Company after the Redomestication Merger and the Business Combination

The following table sets forth information with respect to the beneficial ownership of the CN Holdings' ordinary shares immediately after the consummation of the Redomestication Merger and Business Combination by each person who is expected to beneficially own more than 5% of CN Holdings' ordinary shares and each officer, each director and all officers and directors as a group. Immediately after the consummation of the Redomestication Merger and the

Business Combination, CN Holdings will have 12,674,400 ordinary shares issued and outstanding, which includes the ordinary shares issued upon the conversion of each class A preferred share of China Networks Media.

Ordinary shares which an individual or group has a right to acquire within 60 days pursuant to the exercise or conversion of options, warrants or other similar convertible or derivative securities are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. For purposes of this table, CN Holdings has assumed that no stockholders of Alyst exercise their conversion rights.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Ordinary Shares
MediaInv Ltd.	2,160,000	17.0%
QVT Financial LP (2)	822,300	8.4%
HBK Investments L.P. (3)	805,902	8.2%
Polar Securities Inc. (4)	678,100	6.9%
Millenco LLC (5)	515,250	5.3%
Deutsche Bank AG(6)	511,083	5.2%
Azimuth Opportunity, Ltd. (7)	498,300	5.1%
Pacific Assets Management, LLC (8)	495,500	5.1%
Li Shuangqing	-	-
Kerry Propper	720,000	6.0%
Michael E. Weksel (9)(10)	362,500	3.7%
All directors and executive officers as a group (3 individuals) (11)	1,082,500	9.7%

*Less than 1%

(1) Unless otherwise indicated, the business address of each of the individuals is 233 East 69th Street, #6J, New York, New York 10021.

(2) Represents 657,323 shares of common stock held by QVT Fund LP, 73,694 shares of common stock held by Quintessence Fund L.P. and 91,283 shares of common stock held in a separate discretionary account managed for Deutsche Bank AG. This amount excludes shares issuable upon the exercise of warrants that are not currently exercisable and will not become exercisable within 60 days. QVT Financial LP has voting and dispositive power with respect to all such shares and QVT Financial GP LLC is the general partner of QVT Financial LP. The business address of QVT Financial LP, QVT Financial GP LLC and QVT Associates GP LLC is 1177 Avenue of the Americas, 9th Floor, New York, New York 10036. The business address of QVT Fund LP is Walkers SPV, Walkers House, Mary Street, George Town, Grand Cayman, KY1 9001 Cayman Islands. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 31, 2007.

(3) Represents 805,902 shares of common stock over which HBK Investments L.P., HBK Services LLC ("Services"), HBK Partners 11 L.P., HBK Management LLC and HBK Master Fund L.P. each have shared voting and dispositive power. HBK Investments L.P. has delegated discretion to vote and dispose of the securities to Services. Services may, from time to time, delegate discretion to vote and dispose of certain of the securities to HBK New York LLC, HBK Virginia LLC, HBK Europe Management LLP and/or HBK Hong Kong Ltd. (collectively, the "Subadvisors"). Each of Services and the Subadvisors is under common control with HBK Investments L.P. The business address for each entity is 300 Crescent Court, Suite 700, Dallas, Texas 75201. The foregoing information was derived from a Schedule 13G filed with the SEC on December 31, 2007.

(4) Represents (i) 509,100 shares of common stock held by North Pole Capital Master Fund ("North Pole") and (ii) 169,000 shares of common stock held in certain discretionary accounts ("Accounts"). Polar Securities Inc. serves as the investment manager for North Pole and the Accounts. The business address for North Pole and Polar Securities is 372 Bay Street, 21st Floor, Toronto, Ontario M5H 2W9, Canada. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 31, 2007.

(5) Represents 515,250 units held by Millenco LLC. Each unit consists of one share of common stock and one warrant to purchase one share of common stock. The warrants are not exercisable and will not become exercisable until the completion of a business combination. Millennium Management LLC is the manager of Millenco LLC and Israel A. Englander is the managing member of Millennium Management LLC. Each may be deemed to have shared voting control and investment discretion over the securities. The business address of Mr. Englander and each of the entities is 666 Fifth Avenue, New York, New York 10103. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 17, 2007.

(6) Represents the 511,083 shares of common stock beneficially owned by the Corporate and Investment Banking business group and the Corporate Investments business group of Deutsche Bank AG and its subsidiaries and affiliates. The principal business address of Deutsche Bank AG is Theodor-Heuss-Allee 70, 60468 Frankfurt am Main, Federal Republic of Germany. The foregoing information is derived from a Schedule 13G filed with the Securities and Exchange Commission on December 31, 2007.

(7) Represents 498,300 shares of common stock held by Azimuth Opportunity, Ltd. ("Azimuth"). The business address for Azimuth is c/o Ogier, Qwomar Complex, 4th Floor, P.O. Box 3170, Road Town, Tortola, British Virgin Islands. The foregoing information was derived from a Schedule 13G filed with the Securities and Exchange Commission on September 20, 2007.

(8) Represents 495,500 shares of common stock over which Pacific Assets Management, LLC ("PAM") has shared voting power. PAM is an investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the stock. PAM is the investment adviser to the JMG Triton Offshore Fund, Ltd. ("JMG Fund"). Pacific Capital Management, Inc. ("PCM") is a member of PAM. Jonathan M. Glaser, Daniel Albert David and Roger Richter are control persons of PAM and PCM. The business address for PAM, PCM and Mr. David is 100 Drakes Landing, Suite 207, Greenbrae, California 94904. The principal business office of the JMG Fund is Ogier Fiduciary Services (BVI) Ltd., Nemours Chambers, P.O. Box 3170, Road Town, Tortola, British Virgin Islands VG1110. The business address of Mr. Glaser is 11601 Wilshire Boulevard, Suite 2180, Los Angeles, California 90025. The principal business office of Mr. Richter is One Sansome Street, 39th Floor, San Francisco, California 94104. The foregoing information was derived from a Schedule 13G filed with the Securities and Exchange Commission on June 29, 2007.

(9) Does not include 227,500 shares of common stock issuable upon exercise of insider warrants that are not exercisable and will not become exercisable within 60 days.

(10) Includes 12,500 shares of common stock held by the Carina Heart Weksel Irrevocable Trust, a trust established for the benefit of Mr. Weksel's daughter, of which Mr. Weksel and his wife are the sole trustees.

(11) Does not include 1,820,000 shares of common stock issuable upon exercise of insider warrants.

SHARES ELIGIBLE FOR FUTURE SALE

After the Redomestication Merger and the Business Combination, there will be 12,674,400 ordinary shares of CN Holdings outstanding, of which all but 4,630,000 shares (1,750,000 shares owned by Alyst's current officers and directors and their respective affiliates and 2,880,000 shares to be issued to the current security holders of China Networks Media) will be registered and freely tradable without securities law restriction. In addition, there will be outstanding warrants to purchase 9,864,400 ordinary shares of CN Holdings, each to purchase one ordinary share, 8,044,400 of which are freely tradable. The ordinary shares issuable upon exercise of the freely tradable warrants will also be freely tradable, provided that there is a registration statement in effect at the time of their exercise. CN Holdings intends to use its best efforts to cause such a registration statement to be in effect at such time as the warrants become exercisable. In addition, in connection with Alyst's IPO, Alyst issued a unit purchase option to the representative of the underwriters which is exercisable for 300,000 units, consisting of one share of common stock and one warrant to purchase one share of common stock at an exercise price of $10.00 per unit. The securities underlying the representative's unit purchase option and underlying securities have registration rights and may be sold pursuant to Rule 144. Therefore, there are an aggregate of 10,564,000 ordinary shares that may be issued in the future upon exercise of outstanding warrants and options.

The warrants to purchase 1,820,000 shares of Alyst's common stock owned by its officers and directors and their respective affiliates are being held in escrow with Continental Stock Transfer & Trust Company, and, subject to certain limited exceptions, such as transfers to family members and trusts for estate planning purposes and upon death, these shares will not be transferable until 90 days after consummation of the Business Combination. These shares will not be released from escrow until such date, unless (i) Alyst is being liquidated, in which case Continental will destroy the certificates representing these warrants, or (ii) CN Holdings were to consummate a transaction after the Business Combination which results in all of the shareholders of CN Holdings having the right to exchange their ordinary shares for cash, securities or other property.

In general, under Rule 144, a person who has beneficially owned restricted shares of an Exchange Act reporting company for at least six months is entitled to sell, such shares without volume or manner of sale restrictions, but subject to the availability of current public information on the company. After one year, such a person may sell such shares without limitation. A person who is an affiliate of the issuer may sell restricted shares after six months, provided that within any three-month period, the number of shares that does not exceed the greater of the then-average preceding four weeks' average weekly trading volume or one percent of the total number of shares outstanding. Sales by affiliates under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about the company.

No prediction can be made about the effect that market sales of ordinary shares of CN Holdings or the availability for sale of ordinary shares of CN Holdings will have on its market price. Sales of substantial amounts of ordinary shares in the public market could adversely affect the market price for CN Holdings' securities and could impair CN Holdings' future ability to raise capital through the sale of ordinary shares or securities linked to the ordinary shares.

DESCRIPTION OF ALYST'S SECURITIES

General

Alyst is authorized to issue 30,000,000 shares of common stock, par value $.0001, and 1,000,000 shares of preferred stock, par value $.0001. As of December 31, 2008, 9,794,400 shares of common stock are outstanding, held by 15 stockholders of record. No shares of preferred stock are currently outstanding.

Common Stock

Holders of Alyst's common stock are currently entitled to one vote for each share on all matters submitted to a vote of stockholders and do not have cumulative voting rights, with the result that the holders of more than 50% of the shares eligible to vote for the election of directors can elect all of the directors.

Subject to the preferences and rights, if any, applicable to preferred stock, holders of common stock of the combined company are entitled to receive dividends if and when declared by the board of directors. Subject to the prior rights of the holders, if any, of preferred shares, holders of common stock are entitled to share ratably in any distribution of the assets of the combined company upon liquidation, dissolution or winding-up, after satisfaction of all debts and other liabilities.

Alyst will proceed with the Business Combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the Business Combination and public stockholders owning less than 30% of the shares sold in Alyst's IPO both exercise their conversion rights discussed below and vote against the Business Combination.

Pursuant to its amended and restated certificate of incorporation, if Alyst does not consummate a business combination by June 29, 2009, its corporate existence will cease except for the purposes of winding up its affairs and liquidating. If it is forced to liquidate prior to a business combination, its public stockholders are entitled to share ratably in the trust fund, including any interest other than that which was previously released to it to fund working capital requirements, and any net assets remaining available for distribution to them after payment of liabilities. Alyst stockholders who acquired their shares prior to Alyst's IPO (representing 1,750,000 shares) have waived their rights to participate in any liquidation distribution with respect to their initial shares.

Alyst's stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock, except that public stockholders have the right to have their shares of common stock converted to cash equal to their pro rata share of the trust account if they vote against the business combination and the business combination is approved and completed. Public stockholders who convert their stock into their share of the trust account still have the right to exercise the warrants that they received as part of the units.

Preferred Stock

Alyst is authorized to issue 1,000,000 shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by Alyst's board of directors. No shares of preferred stock are presently outstanding. Accordingly, Alyst's board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock.

Warrants

Alyst has 8,044,400 publicly-held warrants currently outstanding, entitling the registered holder to purchase one share of common stock at $5.00 per share. Alyst also has 1,820,000 “insider warrants” currently outstanding entitling the registered holder of each warrant to purchase one share of common stock at $1.00 per share. Alyst also has one unit purchase option outstanding, entitling the holder to purchase 300,000 units, consisting of one share of common stock and one warrant to purchase one share of common stock at an exercise price of $10.00 per unit. The warrants are each subject to adjustment as discussed below, and (except for the “insider warrants”) are exercisable at any time commencing on the completion of the Business Combination. The warrants will expire at 5:00 p.m., New York City time on June 29, 2011.

Alyst may call the warrants for redemption (including the insider warrants and any warrants issued upon exercise the unit purchase option issued to Ferris, Baker Watts and Jesup & Lamont), with the prior consent of Ferris, Baker Watts and Jesup & Lamont in whole and not in part, at a price of $0.01 per warrant, at any time after they become exercisable, upon not less than 30 days' prior written notice of redemption to each warrant holder; and if, and only if, the reported last sale price of the common stock equals or exceeds $11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

The warrants have been issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and Alyst.

Since Alyst may redeem the warrants only with the prior written consent of Ferris, Baker Watts and Jesup & Lamont and Ferris, Baker Watts and Jesup & Lamont may hold warrants subject to redemption, they may have a conflict of interest in determining whether or not to consent to such redemption. Alyst cannot assure you that Ferris, Baker Watts and Jesup & Lamont will consent to such redemption if it is not in Ferris, Baker Watts's and Jesup & Lamont's best interest even if it is in Alyst's best interest.

If Alyst calls the warrants for redemption as described above, Alyst has agreed to allow Robert A. Schriesheim, Dr. William Weksel, Robert H. Davies, Michael E. Weksel, Paul Levy, Ira Hollenberg IRA, Silverman Realty Group, Inc. Profit Sharing Plan (LCPSP), Norbert W. Strauss, David Strauss and Jonathan Strauss and their affiliates to exercise the insider warrants, and Alyst's initial stockholders to exercise their warrants included in the initial shares, on a "cashless basis." If the holders take advantage of this option, they would pay the exercise price by surrendering their insider warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the insider warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of Alyst's common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of warrants. The reason that Alyst has agreed that the insider warrants will be exercisable on a cashless basis so long as they are held by the purchasers or their affiliates is because it is not known at this time whether they will be affiliated with Alyst following a business combination. If they are, their ability to sell their securities in the open market will be significantly limited. If they remain insiders, Alyst will have policies in place that prohibit insiders from selling its securities except during specific periods of time. Even during such periods of time, an insider cannot trade in Alyst's securities if he is in possession of material non-public information. Accordingly, unlike public stockholders who could exercise their warrants and sell the shares of common stock received upon such exercise freely in the open market in order to recoup the cost of such exercise, the insiders could be significantly restricted from selling such securities. As a result, Alyst believes that allowing the holders to exercise such warrants on a cashless basis is appropriate.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No warrants will be exercisable and Alyst will not be obligated to issue ordinary shares unless at the time a holder seeks to exercise such warrant, a prospectus relating to the common stock issuable upon exercise of the warrants is current and the ordinary shares has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Pursuant to a warrant agreement, Alyst has agreed to use its best efforts to meet these conditions and to maintain a current prospectus relating to the ordinary shares issuable upon exercise of the warrants until the expiration of the warrants.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, Alyst will, upon exercise, round up or down to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

The warrants may be deprived of any value and the market for the warrants may be limited if the prospectus relating to the ordinary shares issuable upon their exercise of the warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside. No fractional shares will be issued upon exercise of the warrants. However, if a warrant holder exercises all warrants then owned of record by him,

Change of Control Provisions

A number of provisions in Alyst's charter and bylaws and under Delaware law may make it more difficult to acquire control of Alyst. These provisions may have the effect of delaying, deferring, discouraging, preventing or rendering more difficult a future takeover attempt which is not approved by Alyst's Board, but which individual stockholders may deem to be in their best interests or in which they may receive a substantial premium over then-current market prices. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. These provisions may also adversely affect the prevailing market price of the common stock. These provisions, which are described below, are intended to:

- Enhance the likelihood of continuity and stability in the Board of Directors;
- Discourage some types of transactions that may involve an actual or threatened change in control;
- Discourage certain tactics that may be used in proxy fights;
- Ensure that the Board of Directors will have sufficient time to act in what it believes to be in the best interests of the company and its stockholders; and
- Encourage persons seeking to acquire control to consult first with the Board to negotiate the terms of any proposed business combination or offer.

Unissued Shares of Capital Stock

Common Stock. After the Business Combination, Alyst will have approximately 12,674,400 shares of common stock outstanding, assuming that no stockholders elect to exercise their conversion rights. The remaining authorized and unissued common stock will be available for future issuance without additional stockholder approval. While the additional shares are not designed to deter or prevent a change of control, under some circumstances Alyst could use them to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control, by, for example, issuing shares in private placements to purchasers who might side with the board of directors in opposing a hostile takeover bid.

Preferred Stock. Alyst's amended and restated certificate of incorporation grants the Board of Directors the authority, without any further vote or action by stockholders, to issue preferred stock in one or more series, fix the number of shares constituting the series and establish the preferences, limitations and relative rights, including dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, redemption rights and liquidation preferences of the shares of the series. The existence of authorized but unissued preferred stock could reduce the company's attractiveness as a target for an unsolicited takeover bid, since the company could, for example, issue preferred stock to parties who might oppose such a takeover bid, or issue shares with terms the potential acquirer may find unattractive. This may have the effect of delaying or preventing a change in control, discourage bids for the common stock at a premium over the market price, and adversely affect the market price, and voting and other rights of holders of common stock.

DESCRIPTION OF CN HOLDINGS SECURITIES FOLLOWING THE BUSINESS COMBINATION

The Memorandum and Articles of Association of CN Holdings will be amended prior to the Special Meeting to include protective provisions substantially identical to those contained in Alyst's amended and restated certificate of incorporation at the time of its IPO. Since CN Holdings' charter will be the charter of the corporation surviving the Redomestication Merger, there is no conflict with the anti-amendment provisions of Alyst's current amended and restated certificate of incorporation or the disclosure contained in Alyst's IPO prospectus.

The following description of the material terms of CN Holdings' shares and warrants following the Business Combination includes a summary of specified provisions of the Amended and Restated Memorandum and Articles of Association of CN Holdings that will be in effect upon completion of the Business Combination and the Redomestication Merger. This description is subject to the relevant provisions of British Virgin Islands law and qualified by reference to CN Holdings' Amended and Restated Memorandum and Articles of Association, copies of which are attached to this proxy statement/prospectus and incorporated herein by reference.

General. CN Holdings is authorized to issue 75,000,000 ordinary shares par value $.0001.

Ordinary Shares. Holders of CN Holdings' ordinary shares are entitled to one vote for each share on all matters submitted to a vote of shareholders and do not have cumulative voting rights. Subject to the preferences and rights, if any, applicable to preferred shares, the holders of the ordinary shares are entitled to receive dividends if and when declared by the board of directors. Subject to the prior rights of the holders, if any, of the preferred shares, the holders of the ordinary shares are entitled to share ratably in any distribution of CN Holdings' assets upon liquidation, dissolution or winding-up, after satisfaction of all debts and other liabilities.

Anti-Takeover Effect of Unissued Shares.

Ordinary shares. After the Redomestication Merger and Business Combination, CN Holdings will have outstanding approximately 12,674,400 ordinary shares, assuming that none of the public shareholders elects to exercise conversion rights. The remaining shares of authorized and unissued ordinary shares will be available for future issuance without additional shareholder approval. While the additional shares are not designed to deter or prevent a change of control, under some circumstances CN Holdings could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing shares in private placements to purchasers who might side with CN Holdings' board of directors in opposing a hostile takeover bid.

Warrants. After the Redomestication Merger and Business Combination, CN Holdings will have 9,864,400 warrants outstanding. Each warrant entitles the registered holder to purchase one share of our ordinary shares at a price of $5.00 per share, subject to adjustment as discussed below, at any time commencing on the completion of the business combination. The warrants will expire at 5:00 p.m., New York City time on July 29, 2011. CN Holdings may call the warrants for redemption (including the insider warrants and any warrants issued upon exercise the unit purchase option issued to Ferris, Baker Watts and Jesup & Lamont), with the prior consent of Ferris, Baker Watts and Jesup & Lamont: (a) in whole and not in part, (b) at a price of $.01 per warrant at any time after the warrants become exercisable, (c) upon not less than 30 days' prior written notice of redemption to each warrantholder and (d) if, and only if, the reported last sale price of the ordinary shares equals or exceeds $11.50 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrantholders. Those warrants originally issued to insiders of Alyst are identical to those held by the public warrant holders, except they also contain a cashless exercise feature.

The warrants have been issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and Alyst.

Since CN Holdings may convert the warrants only with the prior written consent of Ferris, Baker Watts and Jesup & Lamont and Ferris, Baker Watts and Jesup & Lamont may hold warrants subject to redemption, they may have a conflict of interest in determining whether or not to consent to such redemption. CN Holdings cannot assure you that Ferris, Baker Watts and Jesup & Lamont will consent to such redemption if it is not in Ferris, Baker Watts's and Jesup & Lamont's best interest even if it is in CN Holdings' best interest.

If CN Holdings calls the warrants for redemption as described above, CN Holdings has agreed to allow Robert A. Schriesheim, Dr. William Weksel, Robert H. Davies, Michael E. Weksel, Paul Levy, Ira Hollenberg IRA, Silverman Realty Group, Inc. Profit Sharing Plan (LCPSP), Norbert W. Strauss, David Strauss and Jonathan Strauss and their affiliates to exercise the insider warrants, and CN Holdings' initial stockholders to exercise their warrants included in the initial shares, on a "cashless basis." If the holders take advantage of this option, they would pay the exercise price by surrendering their insider warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the insider warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of CN Holdings' common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of warrants. The reason that CN Holdings has agreed that the insider warrants will be exercisable on a cashless basis so long as they are held by the purchasers or their affiliates is because it is not known at this time whether they will be affiliated with CN Holdings following a business combination. If they are, their ability to sell their securities in the open market will be significantly limited. If they remain insiders, CN Holdings will have policies in place that prohibit insiders from selling its securities except during specific periods of time. Even during such periods of time, an insider cannot trade in CN Holdings' securities if he is in possession of material non-public information. Accordingly, unlike public stockholders who could exercise their warrants and sell the shares of common stock received upon such exercise freely in the open market in order to recoup the cost of such exercise, the insiders could be significantly restricted from selling such securities. As a result, CN Holdings believes that allowing the holders to exercise such warrants on a cashless basis is appropriate.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No warrants will be exercisable and CN Holdings will not be obligated to issue shares of common stock unless at the time a holder seeks to exercise such warrant, a prospectus relating to the common stock issuable upon exercise of the warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Pursuant to a warrant agreement, CN Holdings has agreed to use its best efforts to meet these conditions and to maintain a current prospectus relating to the common stock issuable upon exercise of the warrants until the expiration of the warrants.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, CN Holdings will, upon exercise, round up or down to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

The warrants may be deprived of any value and the market for the warrants may be limited if the prospectus relating to the ordinary shares issuable upon the exercise of the warrants is not current or if the ordinary shares are not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside. No fractional shares will be issued upon exercise of the warrants. However, if a warrantholder exercises all warrants then owned of record by him, her or it, CN Holdings will pay to the warrantholder, in lieu of the issuance of any fractional share which is otherwise issuable to the warrantholder, an amount for such fractional share in cash based on the market value of the ordinary shares on the last trading day prior to the exercise date.

Purchase Option.

In connection with Alyst's IPO, an option to purchase up to a total of 300,000 units was issued to Ferris, Baker & Watts, as representatives of the underwriters, for $100. The units issuable upon exercise of the option are identical to the units issued to the public in the IPO, except that the exercise price of the underlying warrants will be $10.00 per share. The fair value of the option at the date of issuance was estimated by Alyst to be approximately $930,000 (or $3.10 per unit) using a Black-Scholes option-pricing model. Alyst has no obligation to net cash settle the exercise of the unit purchase option of the warrants underlying such option. Ferris, Baker & Watts is not entitled to exercise the option or the underlying warrants unless a registration statement covering the securities underlying the option is effective or an exemption from registration under the Securities Act is available. If Ferris, Baker & Watts is unable to exercise the option or the underlying warrants, the securities will expire as worthless.

Registration Rights Agreements In the Merger Agreement, Alyst and CN Holdings agreed to enter into a registration rights agreement providing for the registration of the ordinary shares issuable by CN Holdings upon the conversion of Class A Preferred Shares of China Networks Media.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for Alyst's common stock, warrants and units is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004, (212) 509-4000. Continental Stock Transfer & Trust Company is also the transfer agent and registrar for CN Holdings' ordinary shares, units and warrants.

STOCKHOLDER PROPOSALS

If the Business Combination is consummated, CN Holdings' annual meeting of shareholders will be held on or about [ ], 2009 unless the date is changed by the Board of Directors. If you are a shareholder and you want to include a proposal in the Proxy Statement for that annual meeting, you need to provide it to CN Holdings by no later than [ ]. You should direct any proposals to CN Holdings secretary at CN Holdings principal office.

LEGAL MATTERS

Maples and Calder, British Virgin Islands, will pass upon the validity of the CN Holdings securities to be issued in the Redomestication Merger and certain other legal matters related to this proxy statement/prospectus. McDermott Will & Emery LLP, New York, New York, special U.S. counsel to the registrant and Alyst, will has provided its advice as to certain matters of U.S. law. Copies of the respective legal opinions are included as exhibits to the Registration Statement of which this proxy/prospectus form a part.

EXPERTS

The financial statements of Alyst as at and for the periods from August 16, 2006 (inception) through June 30, 2007 and June 30, 2008 included in this proxy/prospectus have been audited by Marcum & Kliegman LLP, an independent registered public accounting firm, as stated in their report dated September 23, 2008 which includes an explanatory paragraph related to the Company's ability to continue as a going concern, appearing herein and are included in reliance upon the report of such firm given upon their authority as experts in auditing and accounting.

The financial statements of China Networks Media, Ltd. (formerly known as China Networks Limited) (a development stage enterprise) as at December 31, 2007 and for the period from March 30, 2007 (inception) to December 31, 2007 included in this proxy/prospectus have been audited by UHY LLP, independent registered public accounting firm, as stated in their report appearing herein and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statement of PRC TV Stations as at and for the periods ended December 31, 2007, December 31, 2006 and December 31, 2005 included in this proxy/prospectus have been audited by UHY Vocation HK CPA Limited, independent registered accountants, as stated in their reports appearing herein and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS

Pursuant to the rules of the SEC, Alyst and services that it employs to deliver communications to its stockholders are permitted to deliver to two or more stockholders sharing the same address a single copy of each of Alyst’s annual report to stockholders and proxy statement. Upon written or oral request, Alyst will deliver a separate copy of the annual report to stockholders and/or proxy statement to any stockholder at a shared address who wishes to receive separate copies of such documents in the future. Stockholders receiving multiple copies of such documents may likewise request that Alyst deliver single copies of such documents in the future. Stockholders may notify Alyst of their requests by calling or writing Alyst at Alyst’s principal executive offices at 233 E. 69th Street, #6J, New York, NY 10021.

WHERE YOU CAN FIND MORE INFORMATION

Alyst files reports, proxy statements and other information with the SEC as required by the Securities Exchange Act of 1934, as amended.

You may read and copy reports, proxy statements and other information filed by Alyst with the SEC at its public reference room located at 100 F Street, N.E., Washington, D.C. 20549-1004 on official business days during the hours of 10:00 am to 3:00 pm.

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of the materials described above at prescribed rates by writing to the SEC, Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-1004.

Alyst files its reports, proxy statements and other information electronically with the SEC. You may access information on Alyst at the SEC web site containing reports, proxy statements and other information at http://www.sec.gov.

This Proxy describes the material elements of relevant contracts, exhibits and other information described in this Proxy. Information and statements contained in this Proxy are qualified in all respects by reference to the copy of the relevant contract or other document included as an annex to this document.

All information contained or incorporated by reference in this Proxy relating to Alyst has been supplied by Alyst, and all such information relating to China Networks Media has been supplied by China Networks Media. Information provided by either of us does not constitute any representation, estimate or projection of the other. If you would like additional copies of this proxy statement/prospectus, or if you have questions about the Redomestication Merger or the Business Combination, you should contact:

William Weksel
Chairman and Chief Executive Officer
Alyst Acquisition Corp.

This proxy statement/prospectus incorporates important business and financial information about Alyst, China Networks Media and their respective subsidiaries that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. The request should be sent to:

William Weksel
Alyst Acquisition Corp.
233 E. 69th Street, #6J
New York, NY 10021
(646) 290-6104

To obtain timely delivery of requested materials, security holders must request the information no later than five business days before the date they submit their proxies or attend the Special Meeting. The latest date to request the information to be received timely is [ ], 2008.

ALYST ACQUISITION CORP.
(a development stage company)

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ALYST ACQUISITION CORP.
(a development stage company)

CONDENSED BALANCE SHEETS

	September 30, 2008 Unaudited	June 30, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 722,578	$ 419,058
Cash held in trust account, interest and dividends available for working capital and taxes (including prepaid income taxes of $173,995 and $256,481 as of September 30, 2008 and June 30, 2008, respectively)	521,011	749,337
Prepaid expenses	21,656	43,476
Total current assets	1,265,245	1,211,871
Trust account, restricted		
Cash held in trust account, restricted	63,154,286	63,154,286
Other assets		
Deferred acquisition costs	683,330	472,752
Total assets	$ 65,102,861	$ 64,838,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 607,031	$ 459,025
Common stock subject to possible conversion, 2,413,319 shares at conversion value	18,946,276	18,946,276
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $.0001 par value, authorized 1,000,000 shares; none issued or outstanding	—	—
Common stock, $.0001 par value, authorized 30,000,000 shares; issued and outstanding 9,794,400 shares (less 2,413,319 shares subject to possible conversion)	738	738
Additional paid-in capital	44,280,250	44,280,250
Income accumulated during the development stage	1,268,566	1,152,620
Total stockholders' equity	45,549,554	45,433,608
Total liabilities and stockholders' equity	$ 65,102,861	$ 64,838,909

The accompanying notes are an integral part of these condensed financial statements

ALYST ACQUISITION CORP.
(a development stage company)

CONDENSED STATEMENTS OF INCOME
(Unaudited)

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the period from August 16, 2006 (inception) through September 30, 2008
Revenue	$ —	$ —	$ —
Formation and operating costs	135,553	40,814	459,404
Loss from operations	(135,553)	(40,814)	(459,404)
Interest and dividend income, net	347,520	761,888	2,775,989
Income before provision for income taxes	211,967	721,074	2,316,585
Provision for income taxes	96,021	260,875	1,048,019
Net income	$ 115,946	$ 460,199	$ 1,268,566
Weighted average number of common shares outstanding excluding shares subject to possible conversion-basic and diluted	7,381,081	7,137,020	
Basic and diluted net income per share	$ 0.02	$ 0.06	

The accompanying notes are an integral part of these condensed financial statements

ALYST ACQUISITION CORP.
(a development stage company)

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the period from August 16, 2006 (inception) through September 30, 2008
(Unaudited)

	Common Stock		Additional paid-in capital	(Deficit) income accumulated during the development stage	Total stockholders' equity
	Shares	Amount			
Balance at August 16, 2006 (inception)	—	$ —	$ —	$ —	$ —
Common shares issued at inception at $0.014 per share	1,750,000	175	24,825	—	25,000
Net loss from August 16, 2006 (inception) through June 30, 2007	—	—	—	(3,916)	(3,916)
Balance at June 30, 2007	1,750,000	175	24,825	(3,916)	21,084
Sale of 8,044,400 units, net of underwriters' discount and offering expenses of $2,973,036 (includes 2,413,319 shares subject to possible conversion)	8,044,400	804	61,381,360	—	61,382,164
Proceeds subject to possible conversion of 2,413,319 shares	—	(241)	(18,946,035)	—	(18,946,276)
Proceeds from issuance of insiders' warrants	—	—	1,820,000	—	1,820,000
Proceeds from issuance of underwriters' purchase option	—	—	100	—	100
Net income for the year ended June 30, 2008	—	—	—	1,156,536	1,156,536
Balance at June 30, 2008	9,794,400	738	44,280,250	1,152,620	45,433,608
Net income for the three months ended September 30, 2008	—	—	—	115,946	115,946
	9,794,400	$ 738	$ 44,280,250	$ 1,268,566	$ 45,549,554

Balance at September 30, 2008 (unaudited)

The accompanying notes are an integral part of these condensed financial statements

ALYST ACQUISITION CORP.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the period from August 16, 2006 (inception) through September 30, 2008
Cash flows from operating activities			
Net income	$ 115,946	$ 460,199	$ 1,268,566
Adjustment to reconcile net income to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Prepaid expenses	21,820	(76,946)	(21,656)
Accounts payable and accrued expenses	148,006	15,396	607,031
Income taxes payable	—	260,000	—
Net cash provided by operating activities	285,772	658,649	1,853,941
Cash flows from investing activities			
Cash held in trust account, restricted	—	(63,154,286)	(63,154,286)
Cash held in trust account, interest and dividends available for working capital and taxes	228,326	(228,884)	(521,011)
Deferred acquisition costs	(210,578)	—	(683,330)
Net cash provided by (used in) investing activities	17,748	(63,383,170)	(64,358,627)
Cash flows from financing activities			
Proceeds from issuance of common stock to initial stockholders	—	—	25,000
Proceeds from notes payable to stockholders	—	—	150,000
Gross proceeds from initial public offering	—	64,355,200	64,355,200
Proceeds from issuance of insiders' warrants	—	1,820,000	1,820,000
Proceeds from issuance of underwriters' purchase option	—	100	100
Payment of notes payable to stockholders	—	(150,000)	(150,000)
Payment of offering costs	—	(2,865,438)	(2,973,036)
Net cash provided by financing activities	—	63,159,862	63,227,264
Net increase in cash	303,520	435,341	722,578
Cash at beginning of period	419,058	65,487	—
Cash at end of period	$ 722,578	$ 500,828	$ 722,578
Cash paid during period for:			
Interest	$ —	$ 951	$ 951
Income taxes	$ 13,355	$ 875	$ 1,222,014

The accompanying notes are an integral part of these condensed financial statements

ALYST ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL INFORMATION, ORGANIZATION, BUSINESS OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

Alyst Acquisition Corp.'s (the "Company") unaudited, condensed interim financial statements as of September 30, 2008, and for the three months ended September 30, 2008, and 2007, and for the period from August 16, 2006 (inception) through September 30, 2008, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the June 30, 2008 balance sheet was derived from the audited financial statements, but does not include all disclosures required by GAAP in these unaudited condensed financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for any other interim period or for the full year.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended June 30, 2008 included in the Company's Form 10-KSB filed on September 25, 2008. The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those described in the June 30, 2008 financial statements.

The Company was incorporated in Delaware on August 16, 2006 as a blank check company to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business ("Business Combination").

All activity from August 16, 2006 (inception) through July 5, 2007 relates to the Company's formation and the public offering, described below. Since July 6, 2007, the Company has been searching for a target business to acquire. The Company has selected June 30 as its fiscal year end.

Going Concern and Management's Plan and Intentions:

As of September 30, 2008, the Company had working capital of $658,214. Other than interest and dividend income of up to $1.68 million from the trust account, the Company's only source of income, to enable it to continue to fund its search for an acquisition candidate, is the interest and dividends it earns on its cash not held in the Trust Account. These funds may not be sufficient to maintain the Company until a business combination is consummated. In addition, there can be no assurance that the Company will enter into a Business Combination prior to June 29, 2009. Pursuant to its Certificate of Incorporation, the Company would have to liquidate pursuant to a dissolution plan and return the funds held in the Trust Account to the holders of shares issued in the Offering as previously described. These factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

ALYST ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL INFORMATION, ORGANIZATION, BUSINESS OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (CONTINUED)

Concentration of Credit Risk:

Statement of Financial Accounting Standards ("SFAS") No. 105, "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk", requires disclosure of significant concentrations of credit risk regardless of the degree of risk. At September 30, 2008, financial instruments that potentially expose the Company to credit risk consist of cash. The Company maintains its cash balances in U.S. Treasury only money market funds at various financial institutions. As of September 30, 2008 the Federal Deposit Insurance Corporation insured balances in bank accounts up to $100,000 ($250,000 effective October 3, 2008) and the Securities Investor Protection Corporation insured balances up to $500,000 in brokerage accounts. At September 30, 2008, the uninsured balances amounted to approximately $63.6 million.

Earnings Per Share:

The Company follows the provisions of SFAS No. 128, "Earnings per Share". In accordance with SFAS No. 128, earnings per common share amounts ("Basic EPS") are computed by dividing earnings by the weighted average number of common shares outstanding for the period. Common shares subject to possible conversion of 2,413,319 have been excluded from the calculation of basic earnings per share since such shares, if redeemed, only participate in their pro rata shares of the trust earnings. Earnings per common share amounts, assuming dilution ("Diluted EPS"), gives effect to dilutive options, warrants, and other potential common stock outstanding during the period. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. The effect of the 9,864,400 outstanding Warrants issued in connection with the Public Offering and the Insiders' Warrants have not been considered in the diluted earnings per share calculation since the Warrants are contingent upon the occurrence of future events, and therefore, are not includable in the calculation of diluted earnings per share in accordance with SFAS 128.

NOTE 2. POTENTIAL ACQUISITION

On August 13, 2008, the Company signed an agreement and plan of merger to acquire all of the issued and outstanding shares of China Networks Media Ltd., a British Virgin Islands Company ("China Networks") which owns and is in the process of acquiring television station operating assets in the People's Republic of China (PRC). As part of the transaction, the Company will redomesticate to the British Virgin Islands by means of merging with its wholly owned subsidiary China Networks Holdings immediately prior to consummating its transaction with China Networks.

Pursuant to the transaction, China Networks will become a wholly owned subsidiary of the Company and the holders of the capital stock of China Networks will receive, upon the effectiveness of the merger, an aggregate of (i) 2,880,000 shares and (ii) $17,000,000 in cash. The holders of ordinary shares of China Networks will also be entitled to receive up to $6,000,000 of additional cash and 9,000,000 additional shares upon attaining certain performance milestones.

ALYST ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 2. POTENTIAL ACQUISITION (CONTINUED)

Additionally, the holders of the capital stock of China Networks will be entitled to receive up to $24,910,000 of the cash received by the Company from the exercise of outstanding warrants. There remain a number of conditions to the Company's completing the acquisition of China Networks, including review by the U.S. Securities and Exchange Commission (the "SEC") of the Company's forthcoming proxy and the related registration statement and approval by the Company's stockholders of the merger between the Company and China Networks.

NOTE 3. COMMITMENTS AND CONTINGENCIES

The Company entered into an agreement with the underwriters of the Offering (the "Underwriting Agreement"). Under the terms of the Underwriting Agreement, the Company paid an underwriting discount of 3.723% ($2,395,914) of the gross proceeds in connection with the consummation of the Offering and has placed 3.277% ($2,108,950) of the gross proceeds in the Trust Account which will be paid to the underwriters only upon consummation of a Business Combination. Additionally, the Company has placed $560,000 in the Trust Account representing the non-accountable expense allowance due from the Offering which will be paid to the underwriters only upon consummation of a Business Combination. The Company did not pay any discount related to the insiders' warrants. The Underwriters have waived their rights to receive payments from the Trust Account of $2,108,950 of underwriting discounts and $560,000 of expense reimbursements, which are due under the Underwriting Agreement if the Company is unable to consummate a Business Combination prior to June 29, 2009.

ALYST ACQUISITION CORP.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and Stockholders of

Alyst Acquisition Corp.

We have audited the accompanying balance sheet of Alyst Acquisition Corp. (a development stage company) (the "Company") as of June 30, 2008, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended and for the periods from August 16, 2006 (inception) through June 30, 2007 and June 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's certificate of incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a business combination (as defined) prior to June 29, 2009. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alyst Acquisition Corp. (a development stage company) as of June 30, 2008, and the results of its operations and its cash flows for the year then ended, and for the periods from August 16, 2006 (inception) through June 30, 2007 and June 30, 2008, in conformity with United States generally accepted accounting principles.

/s/ Marcum & Kliegman LLP
Marcum & Kliegman LLP
Melville, New York

September 23, 2008

ALYST ACQUISITION CORP.
(a development stage company)

BALANCE SHEET

		June 30, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$	419,058
Cash held in trust account, interest available for working capital and taxes (totaling $749,337):		
Cash held in trust account		492,856
Income taxes refund receivable		256,481
Prepaid expenses		43,476
Deferred target acquisition costs		472,752
Total current assets		1,684,623
Cash held in trust account, restricted		63,154,286
Total assets	$	64,838,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -accrued expenses	$	459,025
Common stock subject to possible conversion, 2,413,319 shares at conversion value		18,946,276
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $.0001 par value, authorized 1,000,000 shares; none issued or outstanding		—
Common stock, $.0001 par value, authorized 30,000,000 shares; issued and outstanding 9,794,400 shares (less 2,413,319 shares subject to possible conversion)		738
Additional paid-in capital		44,280,250
Earnings accumulated during the development stage		1,152,620

Total stockholders’ equity		45,433,608
Total liabilities and stockholders’ equity	$	64,838,909

The accompanying notes are an integral part of these financial statements.

ALYST ACQUISITION CORP.
(a development stage company)

STATEMENTS OF OPERATIONS

	For the year ended June 30, 2008	For the period from August 16, 2006 (inception) through June 30,2007	For the period from August 16, 2006 (inception) through June 30,2008
Revenue	$ —	$ —	$ —
Formation and operating costs	319,003	4,848	323,851
Loss from operations	(319,003)	(4,848)	(323,851)
Interest income, net	2,426,933	1,536	2,428,469
Income (loss) before provision for income taxes	2,107,930	(3,312)	2,104,618
Provision for income taxes	951,394	604	951,998
Net income (loss)	$ 1,156,536	$ (3,916)	$ 1,152,620
Weighted average number of common shares outstanding excluding shares subject to possible conversion- basic and diluted	7,319,371	1,750,000	
Basic and diluted net income (loss) per share	$ 0.16	$ (0.00)	

The accompanying notes are an integral part of these financial statements.

ALYST ACQUISITION CORP.
(a development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the period from August 16, 2006 (inception) through June 30, 2008

	Common Stock		Additional	(Deficit) earnings accumulated during the development	Total stockholders'
	Shares	Amount	paid-in capital	Stage	equity
Balance at August 16, 2006 (inception)	—	$ —	$ —	$ —	$ —
Common shares issued at inception at $0.014 per share	1,750,000	175	24,825	—	25,000
Net loss from August 16, 2006 (inception) through June 30, 2007	—	—	—	(3,916)	(3,916)
Balance at June 30, 2007	1,750,000	175	24,825	(3,916)	21,084
Sale of 8,044,400 units, net of underwriters' discount and offering expenses of $2,973,036 (includes 2,413,319 shares subject to possible conversion)	8,044,400	804	61,381,360	—	61,382,164
Proceeds subject to possible conversion of 2,413,319 shares	—	(241)	(18,946,035)	—	(18,946,276)
Proceeds from issuance of insiders' warrants	—	—	1,820,000	—	1,820,000
Proceeds from issuance of underwriters' purchase option	—	—	100	—	100
Net income for year ended June 30, 2008	—	—	—	1,156,536	1,156,536
Balance at June 30, 2008	9,794,400	$ 738	$ 44,280,250	$ 1,152,620	$ 45,433,608

The accompanying notes are an integral part of these financial statements.

ALYST ACQUISITION CORP.
(a development stage company)

STATEMENTS OF CASH FLOWS

	For the year ended June 30, 2008	For the period from August 16, 2006 (inception) through June 30, 2007	For the period from August 16, 2006 (inception) through June 30, 2008
Cash flows from operating activities	$ 1,156,536	$ (3,916)	$ 1,152,620
Net income (loss)			
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Change in operating assets and liabilities:			
Prepaid expenses	(43,476)	—	(43,476)
Accrued expenses	457,025	2,000	459,025
Net cash provided by (used in) operating activities	1,570,085	(1,916)	1,568,169
Cash flows from investing activities			
Cash held in trust account restricted	(63,154,286)	—	(63,154,286)
Cash held in trust account, interest available for working capital and taxes	(749,337)	—	(749,337)
Deferred target acquisition costs	(472,752)	—	(472,752)
Net cash used in investing activities	(64,376,375)	—	(64,376,375)
Cash flows from financing activities			
Proceeds from issuance of common stock to initial stockholders	—	25,000	25,000
Proceeds from notes payable to stockholders	—	150,000	150,000
Gross proceeds from IPO	64,355,200	—	64,355,200
Proceeds from issuance of insiders' warrants	1,820,000	—	1,820,000
Proceeds from issuance of underwriters' purchase option	100	—	100
Payment of notes payable to stockholders	(150,000)	—	(150,000)
Payment of offering costs	(2,865,439)	(107,597)	(2,973,036)
Net cash provided by financing activities	63,159,861	67,403	63,227,264
Net increase in cash	353,571	65,487	419,058
Cash at beginning of period	65,487	—	—
Cash at end of period	$ 419,058	$ 65,487	$ 419,058
Supplemental disclosures of non-cash transactions:			
Cash paid during period for:			
Interest	$ 951	$ —	$ 951
Taxes	$ 1,207,875	$ 604	$ 1,208,479
Accrual for deferred offering costs:			
Deferred offering costs	$ —	$ 20,123	$ —
Accrued offering costs	$ —	$ (20,123)	$ —

The accompanying notes are an integral part of these financial statements.

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 1. Organization and Business Operations

Alyst Acquisition Corp. (the “Company”) was incorporated in Delaware on August 16, 2006 as a blank check company to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business (“Business Combination”).

All activity from August 16, 2006 through July 5, 2007 relates to the Company’s formation and the public offering described below. Since July 6, 2007, the Company has been searching for a target business to acquire. The Company has selected June 30 as its fiscal year end.

The registration statement for the Company’s IPO (“Offering”) was declared effective June 29, 2007 (“Effective Date”). The Company consummated the Offering on July 5, 2007 and received net proceeds of $61,382,164 and $1,820,000 from the sale of insider warrants on a private placement basis (see Note 3). The Company’s management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a Business Combination. There is no assurance that the Company will be able to successfully effect a Business Combination.

An amount of $63,154,286 (or approximately $7.85 per share) of the net proceeds of the Offering and the sale of the insiders’ warrants (see Note 3) was placed in a trust account (“Trust Account”) upon the consummation of the Offering. The proceeds held in the Trust Account may be invested in United States “government securities” within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940 until the earlier of (i) the consummation of the Company’s initial Business Combination or (ii) liquidation of the Company. As of June 30, 2008, the balance in the Trust Account was $63,647,142, which includes $492,856 which is available for working capital purposes and $256,481 of prepaid income taxes included in total cash held in trust account, interest available for working capital and taxes. The balance of $63,154,286 has been classified on the June 30, 2008 balance sheet as cash held in trust account, restricted. Since the inception of the Trust Account through June 30, 2008, $2,411,857 has been earned in cumulative interest, of which $1,919,000 has been transferred out of the Trust Account to the operating account of the Company for working capital and tax purposes. During the year ended June 30, 2008 all of the funds in the Trust Account were invested in Western Asset Institutional Government Money Market Fund Class A. The placing of funds in the Trust Account may not protect those funds from third party claims against the Company. Although the Company will seek to have all vendors, prospective target businesses or other entities it engages, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account, there is no guarantee that they will execute such agreements.

The Company’s officers have agreed that they will be personally liable under certain circumstances to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by the Company for services rendered, contracted for or products sold to the Company. However, there can be no assurance that they will be able to satisfy those obligations. The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Except with respect to interest income that may be released to the Company of (i) up to $1,680,000 to fund expenses related to investigating and selecting a target business and other working capital requirements and (ii) any additional amounts needed to pay income or other tax obligations, the proceeds held in trust will not be released from the Trust Account until the earlier of the completion of a Business Combination or the Company’s liquidation.

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 1. Organization and Business Operations (Continued)

The Company, after signing a definitive agreement for a Business Combination with a target business or businesses, is required to submit such transaction for stockholder approval. In the event that the stockholders owning 30% or more of the shares sold in the Offering vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders") have agreed to vote all of their Founders' Common Stock in accordance with the vote of the majority in interest of all other stockholders of the Company ("Public Stockholders") with respect to any Business Combination. After consummation of a Business Combination, these voting restrictions will no longer apply.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares into cash from the Trust Account. The per share conversion price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 30% (minus 1 share) of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders.

The Company's Certificate of Incorporation was amended on June 29, 2007 ("Effective Date") to provide that the Company will continue in existence only until 24 months from the Effective date of the registration statement relating to the Offering, or June 29, 2009. If the Company has not completed a Business Combination by such date, its corporate existence will cease except for the purposes of liquidating and winding up its affairs. In the event of liquidation, it is possible that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the IPO price per Unit in the Offering.

The Initial Stockholders have waived their rights to participate in any liquidation distribution, but only with respect to the 1,750,000 shares issued at inception at $0.014 per share (the "Founders' Common Stock"); they will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following the Offering.

NOTE 2. Summary of Significant Accounting Policies

Going Concern and Management's Plan and Intentions:

As of June 30, 2008, excluding Cash held in the Trust Account - restricted of $63,154,286, the Company had working capital of $1,225,598. The Company's only source of income, to enable it to continue to fund its search for an acquisition candidate, is the interest it earns on its money not held in the Trust Account. These funds may not be sufficient to maintain the Company until a business combination is consummated. In addition, there can be no assurance that the Company will enter into a Business Combination prior to June 29, 2009. Pursuant to its Amended and Restated Certificate of Incorporation, the Company would have to liquidate pursuant to a dissolution plan and return the funds held in the Trust Account to the holders of shares issued in the Offering as previously described. These factors raise substantial doubt about the Company's ability to continue as a going concern. These audited financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

NOTE 2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk:

SFAS No. 105, “Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk”, requires disclosure of significant concentrations of credit risk regardless of the degree of risk. At June 30, 2008, financial instruments that potentially expose the Company to credit risk consist of cash. The Company maintains its cash balances in various financial institutions. The Federal Deposit Insurance Corporation insures balances in bank accounts up to $100,000 and the Securities Investor Protection Corporation insures balances up to $500,000 in brokerage accounts. At June 30, 2008, the uninsured balances amounted to approximately $63,400,000. Management believes the risk of loss to be minimal.

Cash held in Trust Account—restricted:

The Company considers the restricted portion of the funds held in the Trust Account as being a non-current asset. A current asset is one that is reasonably expected to be used to pay current liabilities, such as accounts payable or short-term debt or to pay current operating expenses, or will be used to acquire other current assets. Since the acquisition of a business is principally considered to be a long-term purpose, with long-term assets such as property and intangibles, typically being a major part of the acquired assets, the Company has reported the funds anticipated to be used in the acquisition as a non-current asset.

Accretion of Trust Account relating to common stock subject to possible conversion:

The Company records accretion, if any, of the income earned in the trust account relating to the common stock subject to possible conversion based on the excess of the earnings for the period over the amount which is available to be used for working capital and taxes. Since 30% (less one share) of the shares issued in the Offering are subject to possible conversion, the portion of the excess earnings related to those shares will be reflected on the balance sheet as part of “Common stock subject to possible conversion” and is deducted from “Additional paid-in capital”. The portion of the excess earnings will also be presented as a deduction from the net income on the Statements of Operations to appropriately reflect the amount of net income which would remain available to the common stockholders who did not elect to convert their shares to cash. At June 30, 2008 there was no accretion of income due to stockholders.

Earnings Per Share:

The Company follows the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 128, “Earnings per Share”. In accordance with SFAS No. 128, earnings per common share amounts (“Basic EPS”) are computed by dividing earnings by the weighted average number of common shares outstanding for the period. Common shares subject to possible conversion of 2,413,319 have been excluded from the calculation of basic earnings per share since such shares, if redeemed, only participate in their pro rata shares of the trust earnings. Earnings per common share amounts, assuming dilution (“Diluted EPS”), gives effect to dilutive options, warrants, and other potential common stock outstanding during the period. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. The effect of the 9,864,400 outstanding Warrants issued in connection with the Public Offering and the Insiders’ Warrants described in Note 3 have not been considered in the diluted earnings per share calculation since the Warrants are contingent upon the occurrence of future events, and therefore, are not includable in the calculation of diluted earnings per share in accordance with SFAS 128.

ALYST ACQUISITION CORP.
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Notes to Financial Statements

NOTE 2. Summary of Significant Accounting Policies (Continued)

Stock Based Compensation:

The Company accounts for stock options and warrants using the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123(R)"). SFAS 123(R) addresses all forms of share based compensation awards including shares issued under employment stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS 123(R), share based payment awards will be measured at fair value on the awards grant date, based on the estimated number of awards that are expected to vest and will be reflected as compensation expense in the financial statements.

Fair Value of Financial Instruments:

The carrying value of cash, investments held in the Trust Account, and accrued expenses are reasonable estimates of the fair values due to their short-term maturity.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Issued and Adopted Accounting Pronouncements:

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" (SFAS No. 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007. Early adoption was permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of SFAS No. 157. The Company does not expect that the adoption will have a material impact on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R changes accounting for acquisitions that close beginning in 2009 in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, IPR&D and restructuring costs. More transactions and events will qualify as business combinations and will be accounted for at fair value under the new standard. SFAS 141R promotes greater use of fair values in financial reporting. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. Some of the changes will introduce more volatility into earnings. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. SFAS 141R will have an impact on accounting for any business acquired after the effective date of this pronouncement.

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Notes to Financial Statements

NOTE 2. Summary of Significant Accounting Policies (Continued)

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ("SFAS 160"). SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest

Recently Issued and Adopted Accounting Pronouncements (Continued):

holders. SFAS 160 is effective for fiscal years beginning after December 15, 2008. SFAS 160 would have an impact on the presentation and disclosure of the noncontrolling interests of any non-wholly owned business acquired in the future.

In December 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110 (''SAB 110''). SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, Share-Based Payment of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the ''simplified'' method in developing an estimate of the expected term of ''plain vanilla'' share options and allows usage of that method for option grants prior to December 31, 2007. SAB 110 allows public companies which do not have sufficient historical experience to provide a reasonable estimate to continue the use of this method for estimating the expected term of ''plain vanilla'' share option grants after December 31, 2007. The adoption of this pronouncement by the Company in fiscal 2008 has not had an effect on its financial statements

In February 2008, the FASB issued Staff Position No. FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions," which provides guidance on accounting for a transfer of a financial asset and a repurchase financing. This accounting guidance presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140. However, if certain criteria are met, the initial transfer and repurchase financing shall be evaluated separately under SFAS No. 140. Staff Position No. FAS 140-3 will be effective for financial statements issued for fiscal years beginning after November 15, 2008, and for interim periods within those fiscal years. Early adoption is prohibited. Management is evaluating the potential effect this guidance may have on our financial condition and results of operations.

In February 2008, the FASB issued FASB Staff Positions ("FSP") No. 157-1 and No. 157-2, which respectively, remove leasing transactions from the scope of SFAS No. 157 and defer its effective date for one year relative to certain nonfinancial assets and liabilities. As a result, the application of the definition of fair value and related disclosures of SFAS No. 157 (as impacted by these two FSP's) was effective for the Company beginning January 1, 2008 on a prospective basis with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. This adoption did not have a material impact on the Company's results of operations or financial condition. The remaining aspects of SFAS No. 157 for which the effective date was deferred under FSP No. 157-2 are currently being evaluated by the company. Areas impacted by the deferral relate to nonfinancial assets and liabilities that are measured at fair value, but are recognized or disclosed at fair value on a nonrecurring basis. This deferral applies to such items as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) or nonfinancial long-lived asset groups measured at fair value for an impairment assessment. The effects of these remaining aspects of SFAS No. 157 are to be applied to fair value measurements prospectively beginning January 1, 2009. The Company does not expect them to have a material impact on the Company's results of operations or financial condition.

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 2. Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued):

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133," (SFAS "161") as amended and interpreted, which requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity's financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early adoption is permitted, but not expected. Management is evaluating the potential effect this guidance may have on the Company's financial condition and results of operations.

In April 2008, the FASB issued FSP FAS No. 142-3, which amends the factors that must be considered in developing renewal or extension assumptions used to determine the useful life over which to amortize the cost of a recognized intangible asset under FAS No. 142, "Goodwill and Other Intangible Assets." The FSP requires an entity to consider its own assumptions about renewal or extension of the term of the arrangement, consistent with its expected use of the asset, and is an attempt to improve consistency between the useful life of a recognized intangible asset under FAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141, "Business Combinations." The FSP is effective for fiscal years beginning after December 15, 2008, and the guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The FSP is not expected to have a significant impact on the Company's results of operations, financial condition or liquidity.

In May 2008, the FASB issued Financial Accounting Standard (FAS) No. 162, "The Hierarchy of Generally Accepted Accounting Principles." The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. Unlike Statement on Auditing Standards (SAS) No. 69, "The Meaning of Present Fairly in Conformity With GAAP," FAS No. 162 is directed to the entity rather than the auditor. The statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with GAAP," and is not expected to have any impact on the Company's results of operations, financial condition or liquidity.

In June 2008, FASB issued FSP Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Under the FSP, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two- class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years, and is not expected to have a significant impact on the Company's results of operations, financial condition or liquidity.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 3. Initial Public Offering

On July 5, 2007, the Company sold 8,044,400 Units, including 1,044,400 units from the exercise of the underwriters' over-allotment option, at a Offering price of $8.00 per unit. Each unit ("Unit") consists of one share of the Company's common stock, $.0001 par value, and one Redeemable Common Stock Purchase Warrant ("Warrant"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $5.00 commencing the later of the completion of a Business Combination or June 29, 2008 and expiring June 28, 2011. The Company may redeem the Warrants, with prior consent of Ferris, Baker Watts Incorporated and Jesup & Lamont Securities Corporation, the representatives ("Representatives") of the underwriters of the Offering, at a price of $0.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $11.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which the notice of redemption is given. In accordance with the warrant agreement relating to the Warrants sold and issued in the Offering, the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration statement is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to settle the warrant exercise, whether by net cash settlement or otherwise. Consequently, the Warrants may expire unexercised and unredeemed and an investor in the Offering may effectively pay the full unit price solely for the shares of common stock included in the units (since the Warrants may expire worthless).

On July 5, 2007, pursuant to Subscription Agreements, dated as of October 12, 2006, certain of the Initial Stockholders purchased from the Company, in the aggregate, 1,820,000 warrants for $1,820,000 (the "Insiders' Warrants"). All of the proceeds the Company received from these purchases were placed in the Trust Account. The Insiders' Warrants are identical to the Warrants underlying the Units sold in the Offering except that if the Company calls the Warrants for redemption, the Insiders' Warrants may be exercised on a "cashless basis". The purchasers of the Insiders' Warrants have agreed that the Insiders' Warrants will not be sold or transferred by them until 90 days after the date the Company has completed a Business Combination.

The Initial Stockholders and holders of the Insiders' Warrants (or underlying securities) are entitled to registration rights with respect to their founding shares or Insiders' Warrants (or underlying securities), as the case may be, pursuant to an agreement dated June 29, 2007. The holders of the majority of the founding shares are entitled to demand that the Company register these shares at any time commencing nine months after the consummation of a Business Combination. The holders of the Insiders' Warrants (or underlying securities) are entitled to demand that the Company register such securities at any time after the Company consummates a Business Combination. In addition, the Initial Stockholders and holders of the Insiders' Warrants (or underlying securities) have certain "piggy-back" registration rights on registration statements filed after the Company's consummation of a Business Combination.

NOTE 4. Income Taxes

On July 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes," and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company has identified its federal, New York State and New York City returns as “major” tax jurisdictions. Based on the Company’s evaluation, it has concluded that there are no significant uncertain tax positions requiring recognition in the Company’s financial statements. Since the Company was incorporated on August 16, 2006, the evaluation was performed for the tax years ending in 2007 and 2008, which are the only periods subject to examination.

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 4. Income Taxes (Continued)

The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position. In addition, the Company did not record a cumulative effect adjustment related to the adoption of FIN 48.

The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the period from August 16, 2006 (inception) through June 30, 2008. The Company does not expect its unrecognized tax benefit position to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position. The adoption of the provisions of FIN 48 did not have a material impact on the Company's financial position, results of operations and cash flows.

The provision for income tax consists of the following:

	For the year ended June 30,2008	For the period from August 16, 2006 (inception) through June 30, 2007	For the period from August 16, 2006 (inception) through June 30, 2008
Current:			
Federal	$ 597,899	$ —	$ 597,899
State and Local	353,495	604	354,099
Deferred:			
Federal	—	—	—
State and Local	—	—	—
Total provision for income taxes	$ 951,394	$ 604	$ 951,998

Deferred income taxes, if applicable, are provided for the differences between the basis of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. There are no deferred tax assets or liabilities as of June 30 2008.

A reconciliation between the effective rate for income taxes and the amount computed by applying the statutory Federal income tax rate to income (loss) from continuing operations before provision for income taxes is as follows:

	For the year ended June 30, 2008	For the period from august 16, 2006 (inception) through June 30, 2007	For the period from august 16, 2006 (inception) through June 30, 2008
Tax provision at statutory rate	34%	34%	34%
State and local taxes (net of federal tax benefit)	11	—	11
Losses not providing benefits	—	(34)	—

	45%	0%	45%

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 5. Commitments and Contingencies

The Company entered into an agreement with the underwriters of the Offering (the "Underwriting Agreement"). Under the terms of the Underwriting Agreement, the Company paid an underwriting discount of 3.723% ($2,395,914) of the gross proceeds in connection with the consummation of the Offering and has placed 3.277% ($2,108,950) of the gross proceeds in the Trust Account which will be paid to the underwriters only upon consummation of a Business Combination. Additionally, the Company has placed $560,000 in the Trust Account representing the non-accountable expense allowance due from the Offering which will be paid to the underwriters only upon consummation of a Business Combination. The Company did not pay any discount related to the insiders' warrants. The Underwriters have waived their rights to receive payments from the Trust Account of $2,108,950 of underwriting discounts and $560,000 of expense reimbursements, which are due under the Underwriting Agreement if the Company is unable to consummate a Business Combination prior to June 29, 2009.

The Company also issued a unit purchase option, for $100, to the Representatives, on the Effective Date to purchase 300,000 Units at an exercise price of $10.00 per Unit. The Units issuable upon exercise of the unit purchase option are identical to those sold by the Company during the Offering, except that the exercise price of the underlying warrants will be $7.50 per share. The Company accounted for the fair value of the unit purchase option, inclusive of the receipt of the $100 cash payment, as an expense of the Offering resulting in a charge directly to stockholders' equity. The Company estimated that the fair value of this unit purchase option was approximately $930,000 ($3.10 per Unit underlying the unit purchase option) using a Black-Scholes option-pricing model. The fair value of the unit purchase option granted to the Representatives is estimated as of the date of grant using the following assumptions: (1) expected volatility of 45%, (2) risk-free rate of 4.65% and (3) expected life of 5 years. The unit purchase option may be exercised for cash or on a "cashless" basis, at the holder's option, such that the holder may use the appreciated value of the Units underlying the unit purchase option (the difference between the market price of the Units and the exercise price of the unit purchase option) to exercise the unit purchase option without the payment of any cash. The Company will have no obligation to net cash settle the exercise of the unit purchase option or the Warrants underlying the unit purchase option. The holder of the unit purchase option will not be entitled to exercise the unit purchase option or the Warrants underlying the unit purchase option unless a registration statement covering the securities underlying the unit purchase option is effective or an exemption from registration is available. If the holder is unable to exercise the unit purchase option or underlying Warrants, the unit purchase option or Warrants, as applicable, will expire worthless.

The Initial Stockholders have waived their right to receive distribution with respect to the Founders' Common stock upon the Company's liquidation.

The Company engaged SMH Capital, on April 13, 2008 to perform consulting services in connection with a prospective transaction regarding the Company. The agreement requires SMH Capital to analyze an acquisition candidate (the "Target") including their financial condition, market valuation and future business and financial prospects. Additionally evaluate the potential business synergies, cost savings and potential proforma financial and strategic impact on the Company and its stockholders. Finally to render a fairness opinion evaluating the fairness of the transaction from a financial point of view to the stockholders of the Company and opine on whether the fair market value of the Target is at least equal to 80% if the net assets of the Company. The cost to the Company will be $150,000.

The Company engaged Skillnet, on April 13, 2008 to provide a qualified due diligence on the Target, focusing on market potential, competitive situations, business concepts, marketing, and financial projections. The cost to the Company will be $100,000.

ALYST ACQUISITION CORP.
(a development stage company)
Notes to Financial Statements

NOTE 6. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

The agreement with the underwriters prohibits the Company, prior to a Business Combination, from issuing preferred stock which participates in the proceeds of the Trust Account or which votes as a class with the Common Stock on a Business Combination.

NOTE 7. Common Stock

The Company is authorized to issue 30,000,000 shares of common stock with a par value of $.0001 per share.

On August 16, 2006, the Company issued 1,750,000 shares of common stock to its initial stockholders for $25,000 in cash, at a purchase price of approximately $0.014 per share.

On July 5, 2007, the Company issued 8,044,400 Units, including 1,044,400 Units pursuant to the underwriters' over-allotment option, at the offering price of $8.00 per Unit. Each Unit consists of one share of the Company's common stock and one Redeemable Common Stock Purchase Warrant. (See Note 3).

At June 30, 2008 and 2007, there were 10,464,400, and 0 shares, respectively of common stock reserved for issuance upon exercise of Warrants and the Insiders' Warrants.

NOTE 8. Subsequent Event

On August 13, 2008, the Company signed an agreement and plan of merger to acquire all of the issued and outstanding shares of China Networks Media Ltd., a British Virgin Islands company ("China Networks") which owns and is in the process of acquiring broadcast television advertising rights in the People's Republic of China. As part of the transaction, the Company proposes to redomesticate to the British Virgin Islands by means of merging with its wholly-owned subsidiary, China Networks International Holdings, Ltd., a British Virgin Islands company, immediately prior to consummating its transaction with China Networks.

Pursuant to the transaction, China Networks will become a wholly-owned subsidiary of the Company and the holders of the capital stock of China Networks will receive, upon the effectiveness of the merger, an aggregate of (i) 2,880,000 shares and (ii) $17,000,000 in cash. The holders of ordinary shares of China Networks will also be entitled to receive up to $6,000,000 of additional cash and 9,000,000 additional shares upon attaining certain performance milestones.

Additionally, the holders of the capital stock of China Networks will be entitled to receive up to $24,910,000 of the cash received by the Company from the exercise of outstanding warrants. There remain a number of conditions to the Company's completing the acquisition of China Networks, including approval by Alyst's stockholders of the redomestication and the business combination and approval by the shareholders of China Networks of the merger agreement.

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2008 AND 2007

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)

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CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 22,603,740	$ 28,670
Deferred transaction costs	-	8,061
Other receivables and prepaid expense	4,527	-
Loan receivable from related parties	111,111	-
Total current assets	22,719,378	36,731
DEFERRED FINANCING COSTS	1,953,954	-
PROGRAM RIGHTS	31,161,900	-
TOTAL ASSETS	$ 55,835,232	$ 36,731
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accrued liabilities	$ 1,953,973	$ -
Due to related parties	185,877	66,951
Notes payable, net	24,139,475	-
Total current liabilities	26,279,325	66,951
TOTAL LIABILITIES	26,279,325	66,951
NON-CONTROLLING INTEREST	28,582,799	-
SHAREHOLDERS' EQUITY (DEFICIT)		
Class A Convertible Preferred Shares, net of issuance costs ($0.0005 par value; 1,050,000 shares authorized, 980,000 shares issued and outstanding at September	490	-

30, 2008; liquidation preference of $9,800)				
Common stock at $0.0005 par value; 1,900,000 shares authorized, issued and outstanding at September 30, 2008		950		1,000
Additional paid-in capital		3,951,599		-
Deficit accumulated in the development stage		(2,967,474)		(31,220)
Accumulated other comprehensive income		(12,457)		-
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		973,108		(30,220)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$	55,835,232	$	36,731

See accompanying notes to consolidated financial statements.

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended September 30, 2008	2007	For the nine months ended September 30, 2008	Period from March 30, 2007 (Inception) to September 30, 2007	Period from March 30, 2007 (Inception) to September 30, 2008
NET REVENUE	$ -	$ -	$ -	$ -	$ -
OPERATING EXPENSES					
General and administrative expenses	1,614,995	8,189	1,711,927	16,189	1,743,147
	1,614,995	8,189	1,711,927	16,189	1,743,147
LOSS FROM OPERATIONS	(1,614,995)	(8,189)	(1,711,927)	(16,189)	(1,743,147)
OTHER INCOME (EXPENSE)					
Other income	7,352	-	7,352	-	7,352
Interest expense	(1,303,354)	-	(1,303,354)	-	(1,303,354)
Interest income	83,510	-	83,510	-	83,510
	(1,212,492)	-	(1,212,492)	-	(1,212,492)
NET LOSS BEFORE NON-CONTROLLING INTEREST	(2,827,487)	(8,189)	(2,924,419)	(16,189)	(2,955,639)
NON-CONTROLLING INTEREST	(11,835)	-	(11,835)	-	(11,835)
NET LOSS	$ (2,839,322)	$ (8,189)	$ (2,936,254)	$ (16,189)	$ (2,967,474)

See accompanying notes to consolidated financial statements.

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-in	Deficit Accumulated in the Development	Accumulated Other Comprehensive Income	
	Shares	Amount	Shares	Amount	capital	Stage	(loss)	Total
BALACE AT MARCH 30, 2007 (INCEPTION)	-	$ -	-	$ -	$ -	$ -	$ -	$
Issuance of common stock	-	-	1,000	1,000	-	-	-	1,0
Net loss	-	-	-	-	-	(31,220)	-	(31,2
Total comprehensive loss								
BALANCE AT DECEMBER 31, 2007	-	$ -	1,000	$ 1,000	$ -	$ (31,220)	$ -	$ (30,2
Cancellation of shares due to change of share capital structure	-	-	(1,000)	(1,000)	1,000	-	-	
Issuance of shares due to change of share capital structure	-	-	1,900,000	950	(950)	-	-	
Issuance of preferred stock in debt and equity bridge financing, net of issuance cost of $406,902 (Note 8)	980,000	490	-	-	3,951,549	-	-	3,952,0

Foreign currency translation adjustment	-		-	-		-		-		-		(12,457)		(12,4
Net loss	-		-	-		-		-		(2,936,254)		-		(2,936,2
Total comprehensive loss														
(unaudited)	980,000	$	490	1,900,000	$	950	$	3,951,599	$	(2,967,474)	$	(12,457)	$	973,1

See accompanying notes to consolidated financial statements.

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months September 30, 2008	For the nine months September 30, 2007	For the period from March 30, 2007 (Inception) to September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (2,936,254)	$ (16,189)	$ (2,967,474)
Adjustments to reconcile net loss from operations to net cash used in operating activities			
Amortization of debt discount and deferred financing cost	751,325	-	751,325
Net income attributable to non-controlling interest	11,836	-	11,836
Increase (decrease) in assets and liabilities			
Accrued liabilities	993,973	-	993,973
Deferred transaction costs	8,061	-	-
Other receivable and prepaid expenses	(4,437)	-	(4,437)
Net cash used in operating activities	(1,175,496)	(16,189)	(1,214,777)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan receivable from related parties	(111,111)	-	(111,111)
Purchase of intangible assets	(2,628,620)	-	(2,628,620)
Net cash used in investing activities	(2,739,731)	-	(2,739,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Gross proceeds from bridge loan financing	28,000,000	-	28,000,000
Direct issuance costs for bridge debt and equity offering	(1,653,765)	-	(1,653,765)
Capital contribution from non-controlling interest	35,615	-	35,615
Proceeds from issuance of common stock	-	1,000	1,000
Due to related parties	117,737	15,189	184,688
Net cash provided by financing activities	26,499,587	16,189	26,567,538
EXCHANGE RATE EFFECT ON CASH	(9,290)	-	(9,290)
NET INCREASE IN CASH	22,575,070	-	22,603,740
CASH - BEGINNING OF PERIOD	28,670	-	-

CASH - END OF PERIOD	$	22,603,740	$	-	$	22,603,740
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash paid during the year for:						
Interest	$	-	$	-	$	-
Income taxes		-		-		-
NON-CASH FINANCING INFORMATION						
Intangible assets contributed by non-controlling interest	$	28,546,844	$	-	$	28,546,844
Deferred financing costs included in accrued liabilities	$	960,000	$	-	$	960,000

See accompanying notes to consolidated financial statements.

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 – ORGANIZATION

China Networks Media, Ltd. (formerly known as China Networks Limited) was first incorporated in the Cayman Islands and registered with the Cayman Islands Registrar of Companies on March 30, 2007. China Networks Media, Ltd. ("China Networks" or "the Company") was continued in the British Virgin Islands as a BVI Business Company incorporated under the "BVI Business Companies Act" on June 2, 2008 in anticipation of a business combination with a U.S. reporting company.

The Company is a development stage enterprise formed to provide broadcast television advertising services in the People's Republic of China (PRC) operating via joint venture partnerships with PRC state-owned television broadcasters (PRC TV Stations). At September 30, 2008, the Company had not yet commenced any operations nor generated revenue. Activity through September 30, 2008 relates to the Company's formation, private placement offering, establishment of joint ventures and contractual relationships in the PRC, and potential business combination with Alyst Acquistion Corp. as described below. The Company has selected December 31 as its fiscal year end.

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. These interim financial statements are unaudited and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the balance sheet, statements of operations, shareholders' equity (deficit) and cash flows for the periods presented. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the full year or for any future period.

The unaudited consolidated financial statements include the accounts of China Networks and its wholly owned subsidiary Advertising Networks Ltd. ("ANT"). ANT's accounts include the accounts of its joint-ventures with the PRC TV Stations, Kunming Taishi Information Cartoon Co., Ltd ("Kunming JV") and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd ("Taiyuan JV"), as a result of ANT's effective control of these entities through the composition of the board of directors. As a result of several contractual arrangements with Beijing Guangwang Hetong Advertising and Media Co., Ltd. ("Hetong") and its shareholders, the Company (through ANT) controls and is considered the primary beneficiary of Hetong, and, accordingly, consolidates the accounts of Hetong in its financial statements. All significant intercompany accounts, transactions and cash flows are eliminated on consolidation.

Hetong is a variable interest entity (VIE) as defined by Financial Accounting Standards Board Interpretation No. 46(R): Consolidation of Variable Interest Entities, an interpretation of ARB 51 (''FIN 46R'').

Kunming JV, Taiyuan JV and Hetong have been consolidated in these financial statements as of the date of their formation as described below. The operations of these entities and activity under the arrangements described below commenced on October 1, 2008.

Establishment of Joint Ventures between ANT and the PRC TV Stations

Establishment of Joint Ventures. In 2008, China Networks established certain equity joint ventures with the state owned PRC TV Stations through its Hong Kong wholly-owned subsidiary, ANT. ANT established the equity joint venture Taiyuan JV with China Yellow River TV Station in Shanxin Province in June 2008; and established an equity joint venture Kunming JV with Kunming TV Station in Yunnan Province in July 2008 (Taiyuan JV and Kunming JV are collectively referred to as the “JV Tech Cos”, and China Yellow River TV Station and Kunming TV Station are collectively referred to as the “PRC TV Stations”). ANT holds 50% equity interest in the Kunming JV and Taiyuan JV, respectively, and Kunming TV Station and China Yellow River TV Station own the remaining 50% of the respective JV Tech Cos. Under the terms of the Kunming JV agreement, Kunming TV Station will contribute certain assets with a fair value of RMB150 million (approximately $21,900,000) and ANT will contribute an equal amount in cash. Kunming TV Station and ANT have contributed 100% and 50%, respectively, of their obligations under this agreement at September 30, 2008. Under the terms of the Taiyaun JV agreement, China Yellow River TV Station will contribute certain assets with a fair value of RMB45 million (approximately $6,600,000) and ANT will contribute an equal amount in cash. China Yellow River TV Station and ANT have contributed 100% and 40%, respectively, of their obligations under this agreement at September 30, 2008.

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NOTE 1 – ORGANIZATION (CONTINUED)

Exclusive Cooperation Agreement. Pursuant to the Exclusive Cooperation Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations have exclusively and irrevocably granted to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising business. The JV Tech Cos share their resources with the PRC TV Stations, including, but not limited to, all client information (e.g. databases). Under the terms of this agreement, the PRC TV Stations will not engage any other party in any similar agreements. As such, the JV Tech Cos have the exclusive right to carry out advertising business on PRC TV Stations' channels.

Kunming JV and Kunming TV Station entered into such Exclusive Cooperation Agreement on August 6, 2008, while Taiyuan JV and China Yellow River TV Station entered such Exclusive Cooperation agreement on July 17, 2008.

Establishment of Trustee Company. In August 2008, Hetong, the trustee company, established two domestic advertising companies with Kunming TV Station and China Yellow River TV Station, under the respective name of Kunming Kaishi Advertising Co., Ltd. ("Kunming Ad Co.") and Taiyuan Guangwang Hetong Advertising Co., Ltd. ("Taiyuan Ad Co.") (Kunming Ad Co. and Taiyuan Ad Co. are collectively referred to as the "JV Ad Cos"). Hetong is 100% owned by two PRC nationals, who are the trustees.

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks' operations are conducted through direct ownership of ANT and through contractual arrangements with Hetong. China Networks does not have an equity interest in Hetong, but instead derives indirect economic benefits from Hetong through a series of contractual arrangements. Through these arrangements, ANT controls Hetong, which in turn owns 50% of Kunming Ad Cos, and 50% of Taiyuan Ad Co. established with PRC TV Stations. The JV Tech Cos collect the television advertising revenue earned by the JV Ad Cos pursuant to an Exclusive Services Agreement, using assets transferred from PRC TV Stations to the JV Tech Cos pursuant to an Asset Transfer Agreement.

Asset Transfer Agreements. Kunming TV Station and Kunming JV entered into such Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer certain of its assets to Kunming JV, valued at RMB150 million, and Kunming JV will pay the same to Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. ("Taiyuan JV") also entered into such Asset Transfer Agreement on July 17, 2008, under which China Yellow River TV Station will transfer certain of its assets, valued at RMB45 million, to Taiyuan JV, and the same consideration will be paid by Taiyuan JV. All governmental, statutory and other approvals required for the transfer of these assets were obtained as of the date of the first transfer in August 2008. At September 30, 2008, Taiyuan JV paid China Yellow River TV Station RMB18 million (approximately $2,600,000) for certain assets under this agreement. No assets were purchased under the Kunming Asset Transfer Agreement as of September 30, 2008.

Exclusive Services Agreement. Pursuant to the Exclusive Services Agreement between the JV Tech Cos and the JV Ad Cos, the JV Tech Cos will be the sole and exclusive provider of services to JV Ad Cos relating to technical support for the production of advertising and advertising consulting. In addition, the JV Ad Cos will be the sole and exclusive advertising agent to the JV Tech Cos and will grant to the JV Ad Cos agency rights for all advertising under the exclusive right to carry out advertising operations, granted by the corresponding PRC TV Stations to the JV Tech Cos in accordance with the Exclusive Cooperation Agreement. Under the terms of the Exclusive Services Agreement, the JV Ad Cos will pay the service fee to the JV Tech Cos as accrued, in accordance with the JV Tech Cos' regular invoices. As such, all of the JV Ad Cos’ pre-tax revenue (less the relevant business tax) generated during the term of this agreement and relating to the marketing of advertising and other operations will be transferred to the JV Tech Cos as the service fee.

Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 6, 2008, while Taiyuan JV and Taiyuan Ad Co. entered into an Exclusive Services Agreement on July 17, 2008.

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NOTE 1 – ORGANIZATION (CONTINUED)

Business Combination

On August 13, 2008, the Company, Alyst Acquisition Corp. (“Alyst”), a Delaware corporation, and specified other persons, executed an Agreement and Plan of Merger (the “Merger Agreement”), providing for, among other things, the redomestication of Alyst from the State of Delaware to the British Virgin Islands (the “Redomestication Merger”) and the merger of a wholly-owned subsidiary of Alyst into China Networks (the "Business Combination"). China Networks is expected to be the surviving corporation in the Business Combination and is expected to become a wholly-owned subsidiary of China Networks International Holding, Ltd. (“China Networks Holdings).

The Business Combination is expected to be accomplished by the merger of China Networks Holdings’ wholly-owned subsidiary, China Networks Merger Co., with and into China Networks, resulting in China Networks becoming a wholly-owned subsidiary of China Networks Holdings. Pursuant to the Merger Agreement, (i) each ordinary share of China Networks will be converted automatically into (A) a number of ordinary shares of China Networks Holdings determined as follows: (x) 1,900,000 divided by (y) the total number of ordinary shares of China Networks issued and outstanding immediately prior to the Business Combination, plus (B) the right to receive a cash amount determined as follows: (x) U.S. $10,000,000 divided by (y) the total number of ordinary shares of China Networks issued and outstanding immediately prior to the Business Combination, plus (C) the additional common share consideration as set forth in the merger agreement, and (ii) each preferred share of China Networks will be converted automatically into (A) a number of ordinary shares of China Networks Holdings determined as follows: (x) 980,000 divided by (y) the total number of preferred shares of China Networks issued and outstanding immediately prior to the Business Combination, plus (B) the right to receive $7.143 per share in cash, plus (C) the Additional Preferred Share Consideration, as defined in the agreement.

Holders of a majority of shares of Alyst’s common stock must vote in favor of the redomestication and the Business Combination in order for these transactions to be consummated.

Going Concern and Management’s Plans

The accompanying financial statements have been prepared assuming the company will continue as a going concern. The Company’s independent registered public accounting firm’s report on the Company’s financial statements as of December 31, 2007 contained an explanatory paragraph regarding the Company’s ability to continue as a going concern. At September 30, 2008, the Company incurred a net loss since inception of approximately $2,967,000. Through September 30, 2008 the Company had not engaged in any operations, had no revenues and was dependent upon borrowings from related parties and fund raising activities. The Company’s business plan is dependent upon financings and the proposed business combination with Alyst described above.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The accompanying unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”), using the accrual basis of accounting.

Valuation of long-lived assets-The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

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NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes- The Company was originally incorporated in the Cayman Islands and subsequently reincorporated in the British Virgin Islands ("BVI"). The Company is not subject to income taxes under the current laws of the Cayman Islands or BVI. PRC entities will be subject to the PRC Enterprise Income tax at the applicable rates on taxable income at the commencement of operations.

Use of estimates- The preparation of the Company's financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency- The functional currency of each foreign operation is the local currency. The JV Tech Cos and JV Ad Cos translate their assets and liabilities into U.S. dollars at the current exchange rate at the end of the reporting period. Revenues and expenses of are translated into U.S. dollars using the average exchange rate during the period. Gains and losses that result from the translation are included in other comprehensive loss. Gains and losses on foreign currency transactions (if any) are included in the statement of operations.

Recently Issued Accounting Pronouncements

During February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115 ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company adopted SFAS 159 on January 1, 2008 and has elected not to measure any additional financial assets, liabilities or other items at fair value.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for the Company beginning January 1, 2009 and will change the accounting for business combinations on a prospective basis. The potential Business Combination described above will be accounted for in accordance with SFAS 141R.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for the Company beginning January 1, 2009. The Company is currently assessing the potential effect of SFAS 160 on its financial statements.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"), which is effective January 1, 2009. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity's financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosures of the fair values of derivative instruments and associated gains and losses in a tabular formant. SFAS 161 is not currently applicable to the Company since the Company does not have derivative instruments or hedging activity.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles ("FAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. This Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. This FSP is not currently applicable to the Company.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company does not currently have any share-based awards that would qualify as participating securities. Therefore, application of this FSP is not expected to have an effect on the Company's financial reporting.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP 14-1"). FSP 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. The FSP includes guidance that convertible debt instruments that may be settled in cash upon conversion should be separated between the liability and equity components, with each component being accounted for in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP 14-1 is not currently applicable to the Company since the Company does not have convertible debt.

NOTE 3 – DEFERRED TRANSACTION COSTS

Deferred transaction costs consist of direct costs associated with activities related to the proposed merger with Alyst Acquisition Corporation (“Alyst”). As the Company expects to expense these deferred transaction costs upon the adoption of SFAS 141R effective January 1, 2009 (Note 2), the Company has expensed all previously capitalized transaction costs related to the potential business combination as of September 30, 2008. Transaction costs associated with the potential business combination totaled $221,745 for the period ended September 30, 2008.

NOTE 4 – PROGRAM RIGHTS

Program rights represent (1) programs that were contributed by the PRC TV Stations to the JV Tech Cos as capital, and (2) programs purchased by the JV Tech Cos from the PRC TV Stations in accordance with the joint venture and asset transfer agreements, respectively. Program rights are carried at cost and are amortized over there expected useful lives. Program rights are evaluated periodically to determine if expected revenues are sufficient to cover the unamortized portion of the programs. To the extent that expected revenues are insufficient, the program rights are written down to their net realizable value by way of recording an additional amortization charge. Program rights are expected to be amortized on a systematic basis over their expected useful lives of 20 years. Expected amortization totals approximately $390,000 in 2008, approximately $1,558,000 in 2009 through 2013, and approximately $22,982,000 in the years thereafter.

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NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

		September 30, 2008		December 31, 2007
Placement fee payable	$	960,000	$	-
Accrued expenses		441,944		
Accrued interest		552,029		-
	$	1,953,973	$	-

Pursuant to the purchase agreement of the bridge loan financing, the Company is obligated to pay to the placement agent a percentage of the gross proceeds, totaling $1,960,000, as placement fees for securing the investment and in non-accountable expenses. $1,000,000 of the fee was paid from the proceeds received from the bridge loan financing. The remaining $960,000 will be paid by the Company upon the earlier of the consummation of the Business Combination (Note 1) or 24 months anniversary of the closing of the bridge loan.

The notes payable (Note 6) accrues interest at 10% per annum on the unpaid principal amount. Interest on the note is payable annually in arrears. Accrued interest as of September 30, 2008 is $552,029.

NOTE 6 – NOTES PAYABLE, NET

		September 30, 2008		December 31, 2007
Notes payable	$	27,990,200	$	-
Less: Unamortized discount		(3,850,725)		-
Notes payable, net	$	24,139,475	$	-

Discount on the notes payable (Note 8) is amortized over 18 months, the estimated life of the notes payable and recorded as interest expense. Interest expense resulted from the amortization of debt discount totaled $498,416 for the three and nine months ended September 30, 2008.

NOTE 7 – RELATED PARTY TRANSACTIONS

Due to related parties

Amounts due to related parties consist of advances made to the Company to finance development stage activities and other costs. At September 30, 2008 the amounts due to related parties were non-interest bearing and had no stated repayment terms. Amounts due to related parties totaled $204,119 and $66,951 at September 30, 2008 and December 31, 2007.

Loan receivable from related parties

Loan receivable from related parties represent amount extended to the trustees for the purpose of contributing 100% of the registered capital of Hetong, as discussed in Note 1 under Establishment of Trustee Company. The loan receivable is non-interest bearing and due on demand.

NOTE 8 – DEBT AND EQUITY BRIDGE FINANCING

On July 21, 2008, the Company issued an aggregate of promissory notes in the face value of $27,990,200 bearing interest at the rate of 10% per annum and 980,000 shares of Class A Preferred Stock with a par value of $0.0005 in exchange for proceeds of $28,000,000. Each share of preferred stock is convertible into one share of the Company's common stock. The promissory notes are secured by a pledge of 50.1% of the outstanding common stock of the Company.

NOTE 8 – DEBT AND EQUITY BRIDGE FINANCING (CONTINUED)

Assuming the merger between the Company and Alyst is consummated, all principal outstanding plus accrued interest is due 10 days following the consummation of the business combination. If the merger between the Company and Alyst is not consummated by March 31, 2009, one-half of the principal outstanding plus accrued interest is due eighteen months from the issuance of the promissory notes and the remaining one-half of the principal outstanding plus accrued interest is due thirty-six months from the issuance of the promissory notes.

Management has determined that the fair value of the 980,000 Class A Preferred Stock on the issuance date is $5.27 per share, calculated using the Black-Scholes valuation model and the following assumptions: expected life of 30 years; volatility of 25%; risk free interest rate of 0%; common stock price of the Company of $5.28 per share on grant date. Using the relative fair value method, the Company allocated $23,641,059 of the gross proceeds to the promissory notes and $4,358,941 to Class A Preferred Stock. Each share of Class A Preferred Stock has the right to receive a cash amount equal to $7.143 plus deferred cash payments contingent upon the achievement of future net income. The face amount of the promissory notes of $27,990,200 was reduced by debt discount of $4,358,941, resulting in an initial carrying value of $23,641,059. The Company estimated that the life of these promissory notes will be approximately 18 months with the expectation that the contemplated merger between the Company and Alyst will be approved by the stockholders of Alyst before January, 2010. With such estimated life of the bridge loan, the Company adopted the effective interest rate method to amortize the debt discount over the 18 month period and an effective monthly rate of 1.49%.

In connection with the bridge loan financing, the Company incurred placement fee of 6% of the gross proceeds and issuance costs of 1% of gross proceeds to the placement agent, totaling $1,960,000, of which $1,000,000 has been paid from the proceeds received from the bridge loan in July 2008. The Company also incurred other direct issuance costs of which $653,765 was also paid with proceeds from the bridge loan. Of the total issuance costs of $2,613,765, $2,206,863 was allocated to debt issuance costs and recorded as deferred financing cost. The remaining $406,902 was allocated to the preferred shares and netted with proceeds in additional paid in capital. For the three and nine months ended September 30, 2008, amortization expense from accretion of issuance costs totaled $252,909.

NOTE 9 – SHAREHOLDERS' EQUITY

The Company was initially organized as a Cayman Islands company under the name of China Networks Limited on March 30, 2007, with 50,000 shares of common stock authorized at $1 par value.

On June 2, 2008, the Company changed its registered office to the British Virgin Islands and continued under the name China Networks Media, Ltd. The Company is authorized to issue 1,900,000 share of common stocks and 1,050,000 shares of Class A Preferred Stock, each with a par value of $0.0005 per share. On the same day, the Company cancelled the 1,000 shares of common stock that were previously issued while it was a Cayman Islands company and issued 1,900,000 shares of common stock.

Each Class A Preferred Share has one voting right, a right to an equal share in any dividend paid by the Company, a liquidation preference of $0.01 per share, and is convertible into common stock without payment of any further consideration. The number of common stock that Class A Preferred Shares may be converted into initially is determined by dividing the original purchase price of Class A Preferred Shares by the conversion price of Class A Preferred Shares; provided that the initial conversion price shall be the original purchase price, subject to adjustment upon occurrence of certain events as stated in the Company’s Memorandum and Articles of Association.

CHINA NETWORKS MEDIA, LTD.
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(A DEVELOPMENT STAGE ENTERPRISE)

FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 30, 2007 (INCEPTION)
TO DECEMBER 31, 2007

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
China Networks Media, Ltd.

We have audited the accompanying balance sheet of China Networks Media, Ltd. (a development stage enterprise) (the "Company") as of December 31, 2007, and the related statements of operations, shareholders' equity (deficit) and cash flows for the period from March 30, 2007 (inception) to December 31, 2007. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007, and the results of its operations and its cash flows for the period from March 30, 2007 (inception) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not engaged in any operations to date, has no revenue, and its liabilities at December 31, 2007 exceed its assets. Further, the Company's business plan is dependant on completion of a business combination. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 6 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ UHY llp

Albany, New York
November 6, 2008

UHY llp is an independent member of Urbach Hacker Young International Limited

CHINA NETWORKS MEDIA, LTD.
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BALANCE SHEET

		December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	$	28,670
Deferred transaction costs		8,061
TOTAL ASSETS	$	36,731
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Due to related parties	$	66,951
TOTAL LIABILITIES		66,951
SHAREHOLDERS' EQUITY (DEFICIT)		
Common stock at $1 par value; 50,000 shares authorized, 1,000 shares issued and outstanding		1,000
Accumulated deficit		(31,220)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(30,220)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$	36,731

See accompanying notes to financial statements.

CHINA NETWORKS MEDIA, LTD.
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STATEMENT OF OPERATIONS

		Period from March 30, 2007 (Inception) to December 31, 2007
NET REVENUE	$	-
OPERATING EXPENSES		
General and administrative expenses		31,220
		31,220
LOSS FROM OPERATIONS		(31,220)
NET LOSS	$	(31,220)

See accompanying notes to financial statements.

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CHINA NETWORKS MEDIA, LTD.
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STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-in capital	Deficit	Total
BALANCE AT MARCH 30, 2007 (inception)	-	$ -	$ -	$ -	$ -
Issuance of common stock for cash	1,000	1,000	-	-	1,000
Net loss	-	-	-	(31,220)	(31,220)
BALANCE AT DECEMBER 31, 2007	1,000	$ 1,000	$ -	$ (31,220)	$ (30,220)

See accompanying notes to financial statements.

CHINA NETWORKS MEDIA, LTD.
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STATEMENT OF CASH FLOWS

	Period from March 30, 2007 (Inception) to December 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (31,220)
CASH FLOWS FROM FINANCING ACTIVITIES	
Due to related parties	66,951
Deferred transaction costs	(8,061)
Proceeds from issuance of common stock	1,000
Net cash provided by financing activities	59,890
NET INCREASE IN CASH	28,670
CASH - BEGINNING OF PERIOD	-
CASH - END OF PERIOD	$ 28,670

See accompanying notes to financial statements.

CHINA NETWORKS MEDIA, LTD.
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(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD MARCH 30, 2007 (INCEPTION) TO DECEMBER 31, 2007

NOTE 1 – ORGANIZATION

China Networks Media, Ltd. (formerly known as China Networks Limited) was first incorporated in the Cayman Islands and registered with the Cayman Islands Registrar of Companies on March 30, 2007. China Networks Media, Ltd. (“China Networks” or “the Company”) was continued in British Virgin Islands as a BVI Business Company incorporated under the “BVI Business Companies Act” on June 2, 2008 in anticipation of a business combination with a U.S. reporting company.

The Company is a development stage enterprise. At December 31, 2007, the Company had not yet commenced any operations nor generated revenue. Activity through December 31, 2007 relates to the Company’s formation, private placement offering and potential business combinations as described below. The Company has selected December 31 as its fiscal year end.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) using the accrual basis of accounting.

Valuation of long-lived assets-The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review. The carrying value of a long-lived assets is considered impaired when the anticipated undiscounted cash flow from such assets are separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Income taxes- The Company was originally incorporated in the Cayman Islands and subsequently reincorporated in the British Virgin Islands (“BVI”). The company is not subject to income taxes under the current laws of the Cayman Islands or BVI.

Use of estimates- The preparation of the Company’s financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

During February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115 (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company adopted SFAS 159 on January 1, 2008 and has elected not to measure any additional financial assets, liabilities or other items at fair value.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for the Company beginning January 1, 2009 and will change the accounting for business combinations on a prospective basis.

CHINA NETWORKS MEDIA, LTD.
(FORMERLY KNOWN AS CHINA NETWORKS LIMITED)
(A DEVELOPMENT STAGE ENTERPRISE)
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FOR THE PERIOD MARCH 30, 2007 (INCEPTION) TO DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for the Company beginning January 1, 2009. The Company is currently assessing the potential effect of SFAS 160 on its financial statements.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"), which is effective January 1, 2009. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity's financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosures of the fair values of derivative instruments and associated gains and losses in a tabular formant. SFAS 161 is not currently applicable to the Company since the Company does not have derivative instruments or hedging activity.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles ("FAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity that is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. This Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. This FSP is not currently applicable to the Company.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company does not currently have any share-based awards that would qualify as participating securities. Therefore, application of this FSP is not expected to have an effect on the Company's financial reporting.

In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP 14-1"). FSP 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. The FSP includes guidance that convertible debt instruments that may be settled in cash upon conversion should be separated between the liability and equity components, with each component being accounted for in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP 14-1 is not currently applicable to the Company since the Company does not have convertible debt.

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NOTE 3 – DEFERRED TRANSACTION COSTS

Deferred transaction costs consist of direct costs associated with activities related to the proposed merger with Alyst Acquisition Corporation (Note 6). The deferred transaction costs will be included as part of the total cost of the business combination upon closing.

NOTE 4 – RELATED PARTY TRANSACTIONS

Amounts due to related parties consist of advances made to the Company to finance development stage activities, transaction and other costs. At December 31, 2007 the amounts due to related parties were non-interest bearing and had no stated repayment terms. Amounts due to related parties totaled $66,951 at December 31, 2007.

NOTE 5 – SHAREHOLDERS' EQUITY

The Company was initially organized as a Cayman Islands company under the name of China Networks Limited on March 30, 2007, with 50,000 shares of common stock authorized at $1 par value. As of December 31, 2007, 1,000 shares were issued and outstanding.

On June 2, 2008, the Company changed its registered office to the British Virgin Islands and continued under the name China Networks Media, Ltd. As of June 2008, the Company is authorized to issue 1,900,000 shares of common stock and 1,050,000 shares of Class A Preferred Stock, each with a par value of $0.0005 per share. Also on June 2, 2008, the Company cancelled the 1,000 shares of common stock that were previously issued while it was a Cayman Islands company and issued 1,900,000 shares of common stock.

Each Class A Preferred Share has one voting right, a right to an equal share in any dividend paid by the Company, a liquidation preference of $0.01 per share, and is convertible into common stock without payment of any further consideration. The number of common stock shares that Class A Preferred Shares may be converted into initially is determined by dividing the original purchase price of Class A Preferred Shares by the conversion price of Class A Preferred Shares; provided that the initial conversion price shall be the original purchase price, subject to adjustment upon occurrence of certain events as stated in the Company's Memorandum and Articles of Association.

NOTE 6 – SUBSEQUENT EVENTS

Going Concern and Management's Plan

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. At December 31, 2007 the Company's liabilities exceeded its assets by approximately $30,000. Through December 31, 2007 the Company had not engaged in any operations, had no revenues and was dependent upon borrowings from related parties. The Company's business plan is dependent upon financings and a proposed business combination described below.

Debt and Equity Bridge Financing

On July 21, 2008, the Company issued an aggregate of promissory notes in the face value of $27,990,200 bearing interest at the rate of 10% per annum and 980,000 shares of Class A Preferred Stock in exchange for proceeds of $28,000,000. Each share of preferred stock is convertible into one share of the Company's common stock. The promissory notes are secured by a pledge of 50.1% of the outstanding common stock of the Company.

Assuming the merger between the Company and Alyst is consummated, all principal outstanding plus accrued interest is due 10 days following the consummation of the business combination. If the merger between the Company and Alyst is not consummated by March 31, 2009, one-half of the principal outstanding plus accrued interest is due eighteen months from the issuance of the promissory notes and the remaining one-half of the principal outstanding plus accrued interest is due thirty-six months from the issuance of the promissory notes.

NOTE 6 – SUBSEQUENT EVENTS (CONTINUED)

Business Combination

On August 13, 2008, the Company, Alyst Acquisition Corp. (“Alyst”), a Delaware corporation, and specified other persons, executed an Agreement and Plan of Merger (the “Merger Agreement”), providing for, among other things, the redomestication of Alyst from the State of Delaware to the British Virgin Islands (the “Redomestication Merger”) and the merger of a wholly-owned subsidiary of Alyst into China Networks (the "Business Combination"). China Networks will be the surviving corporation in the Business Combination and will become a wholly-owned subsidiary of China Networks International Holdings, Ltd. (“China Networks Holdings”).

The Business Combination will be accomplished by the merger of China Networks Holdings’ wholly-owned subsidiary, China Networks Merger Co., with and into China Networks, resulting in China Networks becoming a wholly-owned subsidiary of China Networks Holdings. Pursuant to the Merger Agreement, (i) each ordinary share of China Networks will be converted automatically into (A) a number of ordinary shares of China Networks Holdings determined as follows: (x) 1,900,000 divided by (y) the total number of ordinary shares of China Networks issued and outstanding immediately prior to the Business Combination, plus (B) the right to receive a cash amount determined as follows: (x) U.S. $10,000,000 divided by (y) the total number of ordinary shares of China Networks issued and outstanding immediately prior to the Business Combination, plus (C) the additional common share consideration as set forth in the merger agreement, and (ii) each preferred share of China Networks will be converted automatically into (A) a number of ordinary shares of China Networks Holdings determined as follows: (x) 980,000 divided by (y) the total number of preferred shares of China Networks issued and outstanding immediately prior to the Business Combination, plus (B) the right to receive $7.143 per share in cash, plus (C) the additional preferred share consideration, as set forth in the merger agreement.

Establishment of Joint Ventures between Advertising Networks Ltd. (“ANT”) and the PRC TV Stations

Establishment of Joint Ventures. During 2008, China Networks established certain equity joint ventures with the state owned PRC TV Stations through its Hong Kong wholly-owned subsidiary, ANT (formed subsequent to December 31, 2007). ANT established the equity joint venture under the name of Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. (“Taiyuan JV”) with China Yellow River TV Station in Shanxin Province in June 2008; and established an equity joint venture under the name Kunming Taishi Information Cartoon Co., Ltd. (“Kunming JV”) with Kunming TV Station in Yunnan Province in July 2008 (Taiyuan JV and Kunming JV are collectively referred to as the “JV Tech Cos”). ANT holds 50% equity interest in the Kunming JV and Taiyuan JV, respectively, and Kunming TV Station and China Yellow River TV Station own the remaining 50% of the respective JV Tech Cos.

Exclusive Cooperation Agreement. Pursuant to an Exclusive Cooperation Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations have exclusively and irrevocably granted to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising business. The JV Tech Cos share their resources with the PRC TV Stations, including, but not limited to, all client information (e.g. databases). Under the terms of this agreement, the PRC TV Stations will not engage any other party in any similar agreements. As such, the JV Tech Cos have the exclusive right to carry out advertising business on PRC TV Stations’ channels.

Kunming JV and Kunming TV Station entered into such Exclusive Cooperation Agreement on August 6, 2008, while Taiyuan JV and China Yellow River TV Station entered into such Exclusive Cooperation agreement on July 17, 2008.

Establishment of Trustee Company. In August 2008, Beijing Guangwang Hetong Advertising and Media Co., Ltd., ("Hetong") the trustee company, established two domestic advertising companies with Kunming TV Station and China Yellow River TV Station, under the respective name of Kunming Kaishi Advertising Co., Ltd. ("Kunming Ad Co.") and Taiyuan Guangwang Hetong Advertising Co., Ltd. ("Taiyuan Ad Co.") (Kunming Ad Co. and Taiyuan Ad Co. are collectively referred to as the "JV Ad Cos"). Beijing Guangwang Hetong Advertising and Media Co., Ltd., is 100% owned by two PRC nationals, who are the trustees.

NOTE 6 – SUBSEQUENT EVENTS (CONTINUED)

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks' operations are conducted through direct ownership of ANT and through contractual arrangements with Hetong. China Networks does not have an equity interest in Hetong but instead derives indirect economic benefits from Hetong through a series of contractual arrangements. Through these arrangements, ANT controls Hetong, which in turn owns 50% of Kunming Ad Cos, and 50% of Taiyuan Ad Co. established with PRC TV Stations. The JV Tech Cos collect the television advertising revenue earned by the JV Ad Cos pursuant to an Exclusive Services Agreement, using assets transferred from PRC TV Stations to the JV Tech Cos pursuant to an Asset Transfer Agreement.

Asset Transfer Agreements. Kunming TV Station and Kunming JV entered into such Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer its assets to Kunming JV, valued at RMB150 million, and Kunming JV will pay the same to Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. ("Taiyuan JV") also entered into such Asset Transfer Agreement on July 17, 2008, under which China Yellow River TV Station will transfer its assets, valued at RMB45 million, to Taiyuan JV, and the same consideration will be paid by Taiyuan JV. All governmental, statutory and other approvals required for the transfer of these assets were obtained as of the date of the first transfer in August 2008.

Exclusive Services Agreement. Pursuant to the Exclusive Services Agreement between the JV Tech Cos and the JV Ad Cos, the JV Tech Cos will be the sole and exclusive provider of services to JV Ad Cos relating to technical support for the production of advertising and advertising consulting. In addition, the JV Ad Cos will be the sole and exclusive advertising agent to the JV Tech Cos and will grant to the JV Ad Cos agency rights for all advertising under the exclusive right to carry out advertising operations, granted by the corresponding PRC TV Stations to the JV Tech Cos in accordance with the Exclusive Cooperation Agreement. Under the terms of the Exclusive Services Agreement, the JV Ad Cos will pay the service fee to the JV Tech Cos as accrued, in accordance with the JV Tech Cos' regular invoices. As such, all of the JV Ad Cos' pre-tax revenue (less the relevant business tax) generated during the term of this agreement and relating to the marketing of advertising and other operations will be transferred to the JV Tech Cos as the service fee.

Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 6, 2008, while Taiyuan JV and Taiyuan Ad Co. entered into an Exclusive Services Agreement on July 17, 2008.

CHINA NETWORKS MEDIA, LTD.

SPECIAL PURPOSE COMBINED CARVE-OUT FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

CHINA NETWORKS MEDIA, LTD.
SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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CHINA NETWORKS MEDIA, LTD.
COMBINED BALANCE SHEETS
AS AT SEPTEMBER 30, 2008 AND DECEMBER 31, 2007

		September 30, 2008 USD (Unaudited)		December 31, 2007 USD (Restated)
ASSETS				
Current Assets: -				
Cash	$	79,660	$	116,055
Accounts Receivable, net		2,628,092		1,677,703
Receivable from Television Stations		1,886,874		1,858,956
Other Receivables		389,153		17,684
Total Current Assets		4,983,779		3,670,398
TOTAL ASSETS	$	4,983,779	$	3,670,398
LIABILITIES AND EQUITY				
Current Liabilities: -				
Accrued Expenses	$	583,146	$	410,376
Due to Television Stations		1,408,901		-
Customer Deposits		1,914,740		2,584,941
TOTAL LIABILITIES		3,906,787		2,995,317
TOTAL EQUITY		1,076,992		675,081
TOTAL LIABILITIES AND EQUITY	$	4,983,779	$	3,670,398

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
COMBINED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	For the nine months ended September 30,	
	2008	2007
	USD	USD
	(Uuaudited)	(Uuaudited)
Revenue	$ 13,994,827	$ 15,318,025
Sales Tax	(1,129,634)	(1,255,188)
Cost of Revenue	(4,584,533)	(3,653,174)
Gross Profit	8,280,660	10,409,663
Selling, General and Administrative Expenses	(1,811,244)	(1,228,008)
Income before Income Taxes	6,469,416	9,181,655
Income Taxes	-	-
Net Income	$ 6,469,416	$ 9,181,655

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
COMBINED STATEMENTS OF EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

	Unit equity excluding accumulated other comprehensive income USD	Accumulated other comprehensive income USD	Total equity USD
Balance, December 31, 2006 (Restated)	$ -	$ 251,539	$ 251,539
Net income	12,458,479	-	12,458,479
Distribution to Television Stations	(12,458,479)		(12,458,479)
Foreign Currency Translation Adjustment	-	423,542	423,542
Balance, December 31, 2007 (Restated)	-	675,081	675,081
Net income	6,469,416	-	6,469,416
Distribution to Television Stations	(6,469,416)	-	(6,469,416)
Foreign Currency Translation Adjustment	-	401,911	401,911
Balance, September 30, 2008	-	1,076,992	1,076,992

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	For the nine months ended September 30,	
	2008 USD (UNAUDITED)	2007 USD (UNAUDITED)
Cash flows from operating activities:		
Net income	$ 6,469,416	$ 9,181,655
Changes in assets and liabilities:		
Accounts Receivable, net	(841,715)	345,618
Receivable from Television Stations	1,855,867	(446,405)
Other Receivables	(369,778)	-
Accrued Expenses and Accounts Payable	146,278	85,840
Customer Deposits	(834,411)	26,985
Net cash provided by operating activities	6,425,658	9,193,693
Cash flows from financing activities:		
Distribution to Television Stations	(6,469,416)	(9,181,655)
Net cash used in financing activities	(6,469,416)	(9,181,655)
Effect of foreign exchange rate changes	7,363	17,615
Net (decrease)/increase in cash	(36,395)	29,653
Cash, beginning of period	116,055	450,502
Cash, end of period	$ 79,660	$ 480,155
Supplemental disclosures of cash flow and non-cash information:		
Interest paid	$ -	$ -
Income tax paid	$ -	$ -

See accompanying notes to combined financial statements

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CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 1 - NATURE OF BUSINESS

These special purpose financial statements for China Network Media Ltd represent the combined carved out historical operations of Kunming TV Station - Advertising Center and Yellow River TV Station - Advertising Center for the nine months ended September 30, 2008 and 2007. China Networks Media Ltd intends to consolidate the operations of the Centers into its consolidated financial statements commencing on October 1, 2008.

Kunming TV Station - Advertising Center (a business unit of Kunming Television Station) and Yellow River TV Station - Advertising Center (a business unit of Yellow River TV Station) (collectively the "Centers") consist of advertising revenue of the Kunming Television Station and Yellow River Television Station along with direct costs necessary to generate that revenue. Direct costs include purchased TV program costs and rental fees for equipment used in generating advertising revenue. The Centers earn substantially all of their revenues from advertising income, which includes sale of advertising time-slots and sale of program-related advertising.

Sale of advertising time-slots
The Centers currently derives a substantial majority of their revenue from selling advertising time slots to advertising agencies and advertisers.

Sale of program-related advertising services
A small portion of revenues are generated from advertising opportunities relating to programs produced by the TV station themselves – these include program sponsorship ‘sting’ slots, in-program product placements and other ‘soft’ advertising opportunities as well as revenue from value-added services such as SMS messages relating to program content.

The Centers do not currently have assets or liabilities. Kunming Television Station and Yellow River Television Station (the "Stations") intend to separate the Centers from their operations. At that time, the advertising business will be transferred from Kunming Television Station and Yellow River Television Station to the Centers. These financial statements were prepared in contemplation of the separation and transfer of the advertising business to the Centers.

NOTE 2 – BASIS OF PREPARATION

The accompanying combined financial statements have been prepared for the Centers and consist of historical financial information of the business unit to be transferred to the Centers by the Stations as if the transfer occurred prior to the periods presented. The Stations have not historically accounted for the Centers as a stand-alone company. The Centers' historical financial information has been "carved-out" from the Stations' financial statements and reflects assumptions and allocations made by the management. These statements include all adjustments (consisting only of their normal recurring adjustments) which management believes necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting policies described in Note 3.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 2 – BASIS OF PREPARATION (……/CONT'D)

These financial statements are prepared for the interest of prospective investor only. The Centers are an integral business unit of the Kunming Television Station and Yellow River Television Station that operates in a single business segment and is not a stand-alone entity. The financial statements of the Centers reflects the assets, liabilities, revenues and expenses directly attributable to the Centers, as well as allocations deemed reasonable by management, to present the financial position and results of operations on a stand-alone basis. The financial statements included herein may not necessarily reflect the financial position, results of operations of the Centers in the future or what they would have been had the Centers been a separate, stand-alone entity during the years presented.

The accompanying unaudited financial statements as of September 30, 2008 have been prepared by the Centers in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. These interim financial statements are unaudited and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the balance sheets, statements of operations, equity and cash flows for the periods presented. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the full year or for any future period.

All significant intercompany accounts and transactions have been eliminated in combination.

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

The audited financial statements as of December 31, 2007 referred to herein, have been restated from our previously issued report dated April 15, 2008. During 2008, management of the Centers determined that certain commissions paid to advertising agents during the years ended December 31, 2007 and 2006. These commissions paid were omitted from the previously issued financial statements. As a result, the financial statements were restated and the net income of the Centers decreased by $289,607 and $900,229 as of December 31, 2006 and 2007, respectively.

In addition, management of the Centers determined that there is suspended broadcasting time that has not been recorded in the previously issued financial statements for the years ended December 31, 2007 and 2006. As a result, the financial statements were restated and the net income of the Centers decreased by $730,882 and $395,398 in 2006 and 2007, respectively.

Furthermore, management of the Centers determined that certain sales taxes have not been accrued in the previously issued financial statements for the year ended December 31, 2007. As a result, the financial statements were restated and the net income of the Centers was further decreased by $339,884 in 2007.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 3 - PRIOR PERIOD ADJUSTMENTS (……/CONT'D)

Further, management of the Center determined that certain cost contributing to the advertising income were omitted from previously issued financial statements. As a result, the financial statements were restated and the net income of the Center was further decreased by $648,331 in 2007.

The above prior period adjustments have decreased the previously reported Receivable from the Stations by the same amount as the total decrease in net income in 2006 and 2007.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the combined financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of combined financial statements.

(a) Cash

Cash consists of cash at bank. There are no cash equivalents at September 30, 2008 and December 31, 2007.

(b) Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates are based on management's best knowledge of current events and actions that the Centers may take in the future. Actual results could differ from these estimates.

(c) Concentrations of Credit Risk

Financial instruments of the Centers that potentially expose to concentrations of credit risk consist principally of accounts and others receivables.

(d) Receivables

Accounts receivable
Accounts receivable is stated net of trade discounts and allowance for doubtful accounts. The Centers provide an allowance for doubtful accounts based upon prior experience and management's assessment of the collectibility of specific accounts. As of September 30, 2008 and December 31, 2007 the Centers considered all accounts receivable collectable and therefore did not record an allowance for doubtful accounts.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (……/CONT'D)

(d) Receivables (……/Cont'd)

Receivable from Television Stations
The Centers are an integral business unit of the Stations. This amount represents the expenses paid by the Stations net of advertising income received by the Stations on behalf of the Centers.

(e) Other receivable
Other receivables consist cash advances to employees.

(f) Income Tax

During the periods presented, the Centers were an integral part of a state owned enterprise in the Peoples Republic of China (PRC); as such they were exempt from all income taxes. If the Centers are treated as a stand-alone entity and subject to income taxes in all periods, a provision for income tax of $1,439,694 and $2,689,042 would have been recorded for the nine months ended September 30, 2008 and 2007 respectively.

No deferred taxation has been provided as there are no estimated future tax implications from temporary differences between the tax basis of assets and liabilities and the amounts reported in the balance sheets.

PRC entities are subject to the PRC Enterprise Income Tax at the applicable tax rates on the taxable income. Effective from January 1, 2008, the Enterprise Income Tax rate of 33% was reduced to 25%.

(g) Revenue Recognition

The Centers typically sign standard advertising contracts with advertising clients, which require the Centers to run the advertiser's advertisements on the Stations' network for a specified period. The Centers' advertising customers typically pay a deposit before the relevant advertisements are broadcast, and the balance is paid after broadcast. Customer deposits received prior to the broadcast of advertisements are initially deferred and recorded as revenue upon the broadcast of advertisements.

Advertising service revenues are recognized when all four of the following criteria are met: (i) persuasive evidence of agreement exists; (ii) delivery of service has occurred; (iii) the price is both fixed and determinable; and (iv) collection of the resulting receivable is reasonably assured. Revenues are recognized when advertisements are broadcast. Provision for discounts and estimated returns and allowances are provided for in the same period the related revenue is recorded.

No discount has been provided for the periods ended September 30, 2008 and 2007.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (……/CONT'D)

(h) Cost of Revenue

Cost of revenue is primarily comprised of purchased TV program costs, rental fees for equipment used in generating advertising revenue and commissions paid to advertising agents.

(i) Selling, General and Administrative Expenses

Selling, general and administrative expense is primarily comprised of selling expenses, administrative expenses and other indirect overhead costs. Historical allocation of all the expenses related to the business unit being carved-out are based on the actual expenses attributable to the Centers by the Stations.

(j) Foreign Currency Translation

The Centers' functional currency is Renminbi ("RMB"); however, the reporting currency is the United States dollar ("USD"). Reported assets and liabilities of the Centers have been translated using the exchange rate at the balance sheet date. The average exchange rate for the period has been used to translate revenues and expenses. Foreign currency translation differences are included as a component of Accumulated Other Comprehensive Income.

(k) Sales Tax

Revenues from services provided by the centers are subject to the PRC business tax of 5%, cultural levies of 3% and some surcharges. Business tax, cultural levies and surcharges are paid on gross revenues generated from advertising services. In addition, under the PRC regulations, the Centers are required to pay the city construction tax (7%), education surcharges (3%), price governing fund (2%) and river management fee (1%) based on the calculated business tax payments. The Centers had complied with EITF 06-3 and reports their revenues net of PRC's business tax and surcharges for all the periods presented in the statements of operations.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (……/CONT'D)

(l) Recent Accounting Pronouncements

During September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, Fair Value Measurements (“SFAS 157”), which is effective for fiscal years beginning after November 15, 2007 with earlier adoption encouraged. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157 which delayed the effective date of SFAS 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. The Center adopted SFAS 157 on January 1, 2008 for all financial assets and liabilities, but the implementation did not have a significant impact on the Center's financial position or results of operations. The Center has not yet determined the impact the implementation of SFAS 157 will have on the Center’s non-financial assets and liabilities which are not recognized or disclosed on a recurring basis. However, the Center does not anticipate that the full adoption of SFAS 157 will significantly impact its combined financial statements.

During February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115 (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Center adopted SFAS 159 on January 1, 2008 and has elected not to measure any additional financial assets, liabilities or other items at fair value.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (“SFAS 161”), which is effective January 1, 2009. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity’s financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosures of the fair values of derivative instruments and associated gains and losses in a tabular formant. SFAS 161 is not currently applicable to the Center since the Center does not have derivative instruments or hedging activity.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (……/CONT'D)

(l) Recent Accounting Pronouncements (……/Cont'd)

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles (“FAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Center Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. This Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. This FSP is not currently applicable to the Center.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Center does not currently have any share-based awards that would qualify as participating securities. Therefore, application of this FSP is not expected to have an effect on the Center's financial reporting.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP 14-1"). FSP 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. The FSP includes guidance that convertible debt instruments that may be settled in cash upon conversion should be separated between the liability and equity components, with each component being accounted for in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP 14-1 is not currently applicable to the Center since the Center does not have convertible debt.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (……/CONT'D)

(m) Reclassification

Certain amount in the prior year financial statements have been reclassified to conform with current year presentation.

NOTE 5 - ACCRUED EXPENSES

Accrued expenses mainly consist of business tax payable totaled $583,146 and $410,376 as of September 30, 2008 and December 31, 2007, respectively.

NOTE 6 - PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Pursuant to the relevant laws and regulation in the PRC, the Centers participate in defined contribution retirement plans for their employees arranged by a governmental organization. The Centers makes contributions to the retirement scheme at the applicable rate based on the employees' salaries. The required contributions under the retirement plans are charged to the statements of operations on an accrual basis.

The Centers have no other obligation to make payments in respect of retirement benefits of its employees.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Centers are an integral business unit of the Stations and all expenses are paid by the Stations. These statements reflect allocated expenses from the Stations including purchased TV program costs, payroll and overhead costs. Allocations are based on the actual expenses attributable to the Centers by the Stations.

All net income earned by the Centers are treated as funding to the Centers and have been accounted for as capital contributions from the Stations. All cash remittances from the Centers to the Stations have been accounted for as distributions to the Stations. Accordingly, no retained earnings are reflected in these financial statements. For all periods presented, the Centers had significant net positive cash flow, which have been accounted for as distributions to the Stations.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 8 - SEGMENT REPORTING

Management considers the Centers to have one business segment, consisting of the advertising services. The information presented in the carve-out statement of operations reflects the revenues and costs associated with this business segment that management uses to make operating decisions and assess performance.

NOTE 9 - CUSTOMER CONCENTRATION

During the nine months ended September 30, 2008, sales to two customers totaled $5,460,189, or approximately 39% of total combined revenue. This concentration makes the Centers vulnerable to a near term severe impact, should the relationships be terminated. At September 30, 2008, accounts receivables from these customers totaled $136,278. In addition, there were $789,489 deposits received from customers.

During the nine months ended September 30, 2007, sales to two customers totaled $4,523,615, or approximately 29.5% of total combined revenue. At September 30, 2007, accounts receivables from these customers totaled $367,019. In addition, there were $726,608 deposits received from customers.

NOTE 10 - OTHER

Establishment of Joint Ventures between Advertising Networks Ltd. (“ANT”) and the PRC TV Stations

Establishment of Joint Ventures

China Networks Media Limited is a company registered in British Virgin Island. It acquiries broadcast television advertising rights in the People's Republic of China. In 2008, China Networks established certain equity joint ventures with the state owned PRC TV Stations through its Hong Kong wholly-owned subsidiary, ANT. ANT established the equity joint venture under the name of Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. (“Taiyuan JV”) with China Yellow River TV Station in Shanxin Province in June 2008; and established an equity joint venture under the name Kunming Taishi Information Cartoon Co., Ltd. (“Kunming JV”) with Kunming TV Station in Yunnan Province in July 2008 (Taiyuan JV and Kunming JV are collectively referred to as the “JV Tech Cos”). ANT holds 50% equity interest in the Kunming JV and Taiyuan JV, respectively, and Kunming TV Station and China Yellow River TV Station own the remaining 50% of the respective JV Tech Cos.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 10 - OTHER (……CONT'D)

Exclusive Cooperation Agreement.

Pursuant to the Exclusive Cooperation Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations have exclusively and irrevocably granted to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising business. The JV Tech Cos share their resources with the PRC TV Stations, including, but not limited to, all client information (e.g. databases). Under the terms of this agreement, the PRC TV Stations will not engage any other party in any similar agreements. As such, the JV Tech Cos have the exclusive right to carry out advertising business on PRC TV Stations' channels.

Kunming JV and Kunming TV Station entered into such Exclusive Cooperation Agreement on August 6, 2008, while Taiyuan JV and China Yellow River TV Station entered into such Exclusive Cooperation agreement on July 17, 2008.

Establishment of Trustee Company

In August 2008, Beijing Guangwang Hetong Advertising & Media Co., Ltd. ("Hetong"), the trustee company, established two domestic advertising companies with Kunming TV Station and China Yellow River TV Station, under the respective name of Kunming Kaishi Advertising Co., Ltd. ("Kunming Ad Co.") and Taiyuan Guangwang Hetong Advertising Co., Ltd. ("Taiyuan Ad Co.") (Kunming Ad Co. and Taiyuan Ad Co. are collectively referred to as the "JV Ad Cos"). Hetong is 100% owned by two PRC nationals, who are the trustees).

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks' operations are conducted through direct ownership of ANT and through contractual arrangements with Hetong. China Networks does not have an equity interest in Hetong, but instead derives indirect economic benefits from Hetong through a series of contractual arrangements. Through these arrangements, ANT controls Hetong, which in turn owns 50% of Kunming Ad Cos, and 50% of Taiyuan Ad Co. established with PRC TV Stations. The JV Tech Cos collect the television advertising revenue earned by the JV Ad Cos pursuant to an Exclusive Services Agreement, using assets transferred from PRC TV Stations to the JV Tech Cos pursuant to an Asset Transfer Agreement.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 10 - OTHER (……/CONT'D)

Asset Transfer Agreements.

Kunming TV Station and Kunming JV entered into such Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer its assets to Kunming JV, valued at RMB150 million, and Kunming JV will pay the same to Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. ("Taiyuan JV") also entered into such Asset Transfer Agreement on July 17, 2008, under which China Yellow River TV Station will transfer its assets, valued at RMB45 million, to Taiyuan JV, and the same consideration will be paid by Taiyuan JV. All governmental, statutory and other approvals required for the transfer of these assets were obtained as of the date of the first transfer in August 2008.

Exclusive Services Agreement.

Pursuant to the Exclusive Services Agreement between the JV Tech Cos and the JV Ad Cos, the JV Tech Cos will be the sole and exclusive provider of services to JV Ad Cos relating to technical support for the production of advertising and advertising consulting. In addition, the JV Ad Cos will be the sole and exclusive advertising agent to the JV Tech Cos and will grant to the JV Ad Cos agency rights for all advertising under the exclusive right to carry out advertising operations, granted by the corresponding PRC TV Stations to the JV Tech Cos in accordance with the Exclusive Cooperation Agreement. Under the terms of the Exclusive Services Agreement, the JV Ad Cos will pay the service fee to the JV Tech Cos as accrued, in accordance with the JV Tech Cos' regular invoices. As such, all of the JV Ad Cos' pre-tax revenue (less the relevant business tax) generated during the term of this agreement and relating to the marketing of advertising and other operations will be transferred to the JV Tech Cos as the service fee.

Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 6, 2008, while Taiyuan JV and Taiyuan Ad Co. entered into an Exclusive Services Agreement on July 17, 2008.

CHINA NETWORKS MEDIA, LTD.

SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

CHINA NETWORKS MEDIA, LTD.
SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management of
CHINA NETWORKS MEDIA LTD.

We have audited the accompanying combined balance sheets of Kunming Television Station - Advertising Center (a business unit of Kunming Television Station) and Yellow River Television Station - Advertising Center (a business unit of Yellow River Television Station) (the "Centers") as of December 31, 2007, 2006 and 2005 and the related combined statements of operations, combined statements of equity and cash flows for the years then ended. These financial statements are the responsibility of the Centers' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material mistatement. The Centers are not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centers' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 3 to the combined financial statements, the Centers are a business unit of Kunming Television Station and Yellow River Television Station respectively and are not a stand-alone entity. The accompanying combined financial statements were prepared for the interest of prospective investors only and have been carved-out from the Kunming Television Station and Yellow River Television Station financial statements to present the historical financial position, results of operations and cash flows attributable to the Centers. These combined financial statements include cost allocations deemed reasonable by management to present the historical financial position and results of operations of the Centers on a stand-alone basis. However, these costs may not be reflective of the actual level of costs which would have been incurred had the Centers operated as a separate entity apart from Kunming Television Station and Yellow River Television Station.

In our opinion, such combined financial statements present fairly, in all material aspects, the financial position of the Centers as of December 31, 2007, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

UHY Vocation HK CPA
Limited
Certified Public Accountants

Hong Kong, 22 JAN 2009
THE PEOPLE'S REPUBLIC
OF CHINA

CHINA NETWORKS MEDIA, LTD.
COMBINED BALANCE SHEETS
AS AT DECEMBER 31, 2007, 2006 AND 2005

	December 31, 2007	December 31, 2006	December 31, 2005
	USD	USD	USD
	(Restated)	(Restated)	
ASSETS			
Current Assets: -			
Cash	$ 116,055	$ 450,501	$ 493,544
Accounts Receivable, net	1,677,703	1,978,314	1,788,481
Receivable from Television Stations	1,858,956	-	-
Other Receivables	17,684	-	-
Total Current Assets	3,670,398	2,428,815	2,282,025
TOTAL ASSETS	$ 3,670,398	$ 2,428,815	$ 2,282,025
LIABILITIES AND EQUITY			
Current Liabilities: -			
Accounts Payable	$ -	$ 24,257	$ 23,691
Accrued Expenses	410,376	54,147	60,524
Due to Television Stations	-	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	675,081	251,539	140,075
TOTAL LIABILITIES AND EQUITY	$ 3,670,398	$ 2,428,815	$ 2,282,025

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
COMBINED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Year ended December 31, 2007 USD (Restated)	Year ended December 31, 2006 USD (Restated)	Year ended December 31, 2005 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	(4,844,541)	(3,757,422)	(1,925,034)
Gross Profit	14,142,608	11,394,084	12,481,217
Other Income	28,802	102,261	10,337
Selling, General and Administrative Expenses	(1,712,931)	(1,607,264)	(1,376,299)
Income before Income Taxes	12,458,479	9,889,081	11,115,255
Income Taxes	-	-	-
Net Income	$ 12,458,479	$ 9,889,081	$ 11,115,255

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
COMBINED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Unit equity excluding accumulated other comprehensive income USD	Accumulated other comprehensive income USD	Total equity USD
Balance, December 31, 2004	-	-	-
Net income	11,115,255	-	11,115,255
Distribution to Television Stations	(11,115,255)	-	(11,115,255)
Foreign Currency Translation Adjustment	-	140,075	140,075
Balance, December 31, 2005	-	140,075	140,075
Net income	9,889,081	-	9,889,081
Distribution to Television Stations	(9,889,081)		(9,889,081)
Foreign Currency Translation Adjustment	-	111,464	111,464
Balance, December 31, 2006 (Restated)	-	251,539	251,539
Net income	12,458,479	-	12,458,479
Distribution to Television Stations	(12,458,479)		(12,458,479)
Foreign Currency Translation Adjustment	-	423,542	423,542
Balance, December 31, 2007 (Restated)	-	675,081	675,081

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Year ended December 31, 2007 USD	Year ended December 31, 2006 USD	Year ended December 31, 2005 USD
Cash flows from operating activities:			
Net income	$ 12,458,479	$ 9,889,081	$ 11,115,255
Changes in assets and liabilities:			
Accounts receivable, net	300,611	(189,833)	(1,743,722)
Receivable from Television Station	(1,858,956)	-	-
Other Receivables	(17,684)	-	-
Accounts payable	(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 provided by operating activities	11,700,491	9,734,574	11,416,211
Cash flows from financing activities:			
Distribution to Television Stations	(12,458,479)	(9,889,081)	(11,115,255)
Net cash used in financing activities	(12,458,479)	(9,889,081)	(11,115,255)
Effect of foreign exchange rate changes	423,542	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
Supplemental disclosures of cash flow and non-cash information:			
Interest paid	$ -	$ -	$ -
Income tax paid	$ -	$ -	$ -

See accompanying notes to combined financial statements

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 1 - NATURE OF BUSINESS

These special purpose financial statements for China Network Media Ltd represent the combined carved out historical operations of Kunming TV Station - Advertising Center and Yellow River TV Station - Advertising Center for the years ended December 31,2007, 2006 and 2005. China Networks Media Ltd intends to consolidate the operations of the Centers into its consolidated financial statements commencing on October 1, 2008.

Kunming TV Station - Advertising Center (a business unit of Kunming Television Station) and Yellow River TV Station - Advertising Center (a business unit of Yellow River TV Station) (collectively the "Centers") consist of advertising revenue of the Kunming Television Station and Yellow River Television Station along with direct costs necessary to generate that revenue. Direct costs include purchased TV program costs and rental fees for equipment used in generating advertising revenue. The Centers earn substantially all of their revenues from advertising income, which includes sale of advertising time-slots and sale of program-related advertising.

Sale of advertising time-slots
The Centers currently derives a substantial majority of their revenue from selling advertising time slots to advertising agencies and advertisers.

Sale of program-related advertising services
A small portion of revenues are generated from advertising opportunities relating to programs produced by the TV station themselves – these include program sponsorship ‘ sting ’ slots, in-program product placements and other ‘soft’ advertising opportunities as well as revenue from value-added services such as SMS messages relating to program content.

The Centers do not currently have assets or liabilities and do not have any operations. Kunming Television Station and Yellow River Television Station (the "Stations") intends to separate the Centers from their operations. At that time, the advertising business will be transferred from Kunming Television Station and Yellow River Television Station to the Centers. These financial statements were prepared in contemplation of the separation and transfer of the advertising business to the Centers.

NOTE 2 - PRIOR PERIOD ADJUSTMENT

These financial statements have been restated from our previously issued report dated April 15, 2008. During 2008, management of the Centers determined that certain commissions paid to advertising agents during the years ended December 31, 2007 and 2006. These commissions paid were omitted from the previously issued financial statements. As a result, the financial statements were restated and the net income of the Centers decreased by $289,607 and $900,229 in 2006 and 2007, respectively.

In addition, management of the Centers determined that there are suspended braodcasting time during the years ended December 31, 2007 and 2006. These suspended broadcasting time have not been recorded in the previously issued financial statements. As a result, the financial statements were restated and the net income of the Centers decreased by $730,882 and $395,398 in 2006 and 2007, respectively.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 2 - PRIOR PERIOD ADJUSTMENT (....../CONT'D)

Furthermore, management of the Centers determined that certain sales tax have not been accrued in the previously issued financial statements for the year ended December 31, 2007. As a result, the financial statements were restated and the net income of the Centers was further decreased by $339,884 in 2007.

Further, management of the Center determined that certain cost contributing to the advertising income were omitted from previously issued financial statements. As a result, the financial statements were restated and the net income of the Center was further decreased by $648,331 in 2007.

The above prior period adjustments have decreased the previously reported Receivable from the Stations by the same amount as the decrease in net income in 2006 and 2007.

All significant intercompany accounts and transactions have been eliminated in combination.

NOTE 3 – BASIS OF PREPARATION

The accompanying combined financial statements have been prepared for the Centers and consist of historical financial information of the business unit to be transferred to the Centers by the Stations as if the transfer occurred prior to the periods presented. The Stations have not historically accounted for the Centers as a stand-alone company. The Centers' historical financial information has been "carved-out" from the Stations' financial statements and reflects assumptions and allocations made by the management. These statements include all adjustments (consisting only of their normal recurring adjustments) which management believes necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting policies described in Note 4.

These combined financial statements are prepared for the interest of prospective investor only. The Centers are an integral business unit of the Kunming Television Station and Yellow River Television Station that operate in a single business segment and are not a stand-alone entity. The financial statements of the Centers reflects the assets, liabilities, revenues and expenses directly attributable to the Centers, as well as allocations deemed reasonable by management, to present the financial position and results of operations on a stand-alone basis.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the combined financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of combined financial statements.

(a) Cash

Cash consist of cash at bank. There are no cash equivalents at December 31, 2007, 2006 and 2005.

(b) Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates are based on management's best knowledge of current events and actions that the Centers may take in the future. Actual results could differ from these estimates.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (....../CONT'D)

(c) Concentrations of Credit Risk

Financial instruments of the Centers that potentially expose to concentrations of credit risk consist principally of accounts and others receivables.

(d) Receivables

Accounts receivable
Accounts receivable is stated net of trade discounts and allowance for doubtful accounts. The Centers provide an allowance for doubtful accounts based upon prior experience and management's assessment of the collectibility of specific accounts. As of December 31, 2007, 2006 and 2005 the Centers considered all accounts receivable collectable and therefore did not record an allowance for doubtful accounts.

Receivable from Television Stations
The Centers are an integral business unit of the Stations. This amount represents the expenses paid by the Stations net of advertising income received by the Stations on behalf of the Centers.

(e) Income Tax

During the periods presented, the Centers were an integral part of a state owned enterprise in the Peoples Republic of China (PRC); as such they were exempt from all income taxes. If the Centers are treated as a stand-alone entity and subject to income taxes in all periods, a provision for income tax of $4,402,957, $3,263,397 and $3,668,034 would have been recorded for the years ended December 31, 2007, 2006 and 2005.

No deferred taxation has been provided as there are no estimated future tax implications from temporary differences between the tax basis of assets and liabilities and the amounts reported in the balance sheets.

PRC entities are subject to the PRC Enterprise Income Tax at the applicable tax rates on the taxable income. Effective from January 1, 2008, the Enterprise Income Tax rate of 33% was reduced to 25%.

(f) Revenue Recognition

The Centers typically signs standard advertising contracts with advertising clients, which require the Centers to run the advertiser’s advertisements on the Stations' network for a specified period. The Centers' advertising customers typically pay a deposit before the relevant advertisements are broadcast, and the balance is paid after broadcast. Customer deposits received prior to the broadcast of advertisements are initially deferred and recorded as revenue upon the broadcast of advertisements.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (....../CONT'D)

(f) Revenue Recognition (....../Cont'd)

Advertising service revenues are recognized when all four of the following criteria are met: (i) persuasive evidence of agreement exists; (ii) delivery of service has occurred; (iii) the price is both fixed and determinable; and (iv) collection of the resulting receivable is reasonably assured. Revenues are recognized when advertisements are broadcasted. Provision for discounts to customers and estimated returns and allowances are provided for in the same period the related revenue is recorded.

No discount has been provided for the years ended December 31, 2007, 2006, 2005.

(g) Cost of Revenue

Cost of revenue is primarily comprised of purchased TV program costs, rental fees for equipment used in generating advertising revenue and commissions paid to advertising agents.

(h) Selling, General and Administrative Expenses

Selling, general and administrative expense is primarily comprised of selling expenses, administrative expenses and other indirect overhead costs. Historical allocation of all the expenses related to the business unit being carved-out are based on the actual expenses attributable to the Centers by the Stations.

(i) Foreign Currency Translation

The Centers' functional currency is Renminbi ("RMB"); however, the reporting currency is the United States dollar ("USD"). Reported assets and liabilities of the Centers have been translated using the exchange rate at the balance sheet date. The average exchange rate for the period has been used to translate revenues and expenses. Foreign currency translation differences are included as a component of Accumulated Other Comprehensive Income.

(j) Sales Tax

Revenues from services provided by the centers are subject to the PRC business tax of 5%, cultural levies of 3% and some surcharges. Business tax, cultural levies and surcharges are paid on gross revenues generated from advertising services. In addition, under the PRC regulations, the Centers are required to pay the city construction tax (7%), education surcharges (3%), price governing fund (2%) and river management fee (1%) based on the calculated business tax payments. The Centers had complied with EITF 06-3 and reports their revenues net of PRC's business tax and surcharges for all the periods presented in the statements of operations.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (....../CONT'D)

(k) Recent Accounting Pronouncements

During September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, Fair Value Measurements (“SFAS 157”), which is effective for fiscal years beginning after November 15, 2007 with earlier adoption encouraged. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157 which delayed the effective date of SFAS 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. The Center adopted SFAS 157 on January 1, 2008 for all financial assets and liabilities, but the implementation did not have a significant impact on the Center's financial position or results of operations. The Center has not yet determined the impact the implementation of SFAS 157 will have on the Center's non-financial assets and liabilities which are not recognized or disclosed on a recurring basis. However, the Center does not anticipate that the full adoption of SFAS 157 will significantly impact its combined financial statements.

During February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115 (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Center adopted SFAS 159 on January 1, 2008 and has elected not to measure any additional financial assets, liabilities or other items at fair value.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (“SFAS 161”), which is effective January 1, 2009. SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity’s financial position, financial performance, and cash flows. Among other things, SFAS 161 requires disclosures of the fair values of derivative instruments and associated gains and losses in a tabular formant. SFAS 161 is not currently applicable to the Center since the Center does not have derivative instruments or hedging activity.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (....../CONT'D)

(k) Recent Accounting Pronouncements (....../Cont'd)

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles ("FAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Center Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. This Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. This FSP is not currently applicable to the Center.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Center does not currently have any share-based awards that would qualify as participating securities. Therefore, application of this FSP is not expected to have an effect on the Center's financial reporting.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP 14-1"). FSP 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. The FSP includes guidance that convertible debt instruments that may be settled in cash upon conversion should be separated between the liability and equity components, with each component being accounted for in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP 14-1 is not currently applicable to the Center since the Center does not have convertible debt.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (....../CONT'D)

(l) Reclassification

Certain amount in the prior year financial statements have been reclassified to conform with current year presentation.

NOTE 5 - ACCRUED EXPENSES

Accrued expenses mainly consist of business tax payable totaled $410,376, $54,147 and $54,328 as of December 31, 2007, 2006 and 2005, respectively.

NOTE 6 - PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Pursuant to the relevant laws and regulation in the PRC, the Centers participate in defined contribution retirement plans for their employees arranged by a governmental organization. The Centers makes contributions to the retirement scheme at the applicable rate based on the employees' salaries. The required contributions under the retirement plans are charged to the statements of operations on an accrual basis.

The Centers have no other obligation to make payments in respect of retirement benefits of its employees.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Centers are an integral business unit of the Stations and all expenses are paid by the Stations. These statements reflect allocated expenses from the Stations including purchased TV program costs, payroll and overhead costs. Allocations are based on the actual expenses attributable to the Centers by the Stations.

All net income earned by the Centers are treated as funding to the Centers and have been accounted for as capital contributions from the Stations. All cash remittances from the Centers to the Stations have been accounted for as distributions to the Stations. Accordingly, no retained earnings are reflected in these financial statements. For all periods presented, the Centers had significant net positive cash flow, which have been accounted for as distributions to the Stations.

NOTE 8 - SEGMENT REPORTING

Management considers the Centers to have one business segment, consisting of the advertising services. The information presented in the carve-out statement of operations reflects the revenues and costs associated with this business segment that management uses to make operating decisions and assess performance.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 9 - CUSTOMER CONCENTRATION

During the year ended December 31, 2007, sales to two customers totaled $4,268,687, or approximately 21% of total revenue. At December 31, 2007, accounts receivable from these customers totaled $319,332.

NOTE 10 - SUBSEQUENT EVENTS

Establishment of Joint Ventures between Advertising Networks Ltd. ("ANT") and the PRC TV Stations

Establishment of Joint Ventures

In 2008, China Networks established certain equity joint ventures with the state owned PRC TV Stations through its Hong Kong wholly-owned subsidiary, ANT. ANT established the equity joint venture under the name of Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. ("Taiyuan JV") with China Yellow River TV Station in Shanxin Province in June 2008; and established an equity joint venture under the name Kunming Taishi Information Cartoon Co., Ltd. ("Kunming JV") with Kunming TV Station in Yunnan Province in July 2008 (Taiyuan JV and Kunming JV are collectively referred to as the "JV Tech Cos"). ANT holds 50% equity interest in the Kunming JV and Taiyuan JV by the contribution of cash, respectively, and Kunming TV Station and China Yellow River TV Station own the remaining 50% of the respective JV Tech Cos by the contribution of the Centers (a business unit of each stations).

Exclusive Cooperation Agreement.

Pursuant to the Exclusive Cooperation Agreement between the JV Tech Cos and the PRC TV Stations, the PRC TV Stations have exclusively and irrevocably granted to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising business. The JV Tech Cos share their resources with the PRC TV Stations, including, but not limited to, all client information (e.g. databases). Under the terms of this agreement, the PRC TV Stations will not engage any other party in any similar agreements. As such, the JV Tech Cos have the exclusive right to carry out advertising business on PRC TV Stations' channels.

Kunming JV and Kunming TV Station entered into such Exclusive Cooperation Agreement on August 6, 2008, while Taiyuan JV and China Yellow River TV Station entered into such Exclusive Cooperation agreement on July 17, 2008.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 10 - SUBSEQUENT EVENTS (....../CONT'D)

Establishment of Trustee Company

In August 2008, Beijing Guangwang Hetong Advertising & Media Co., Ltd. ("Hetong"), the trustee company, established two domestic advertising companies with Kunming TV Station and China Yellow River TV Station, under the respective name of Kunming Kaishi Advertising Co., Ltd. (“Kunming Ad Co.”) and Taiyuan Guangwang Hetong Advertising Co., Ltd. (“Taiyuan Ad Co.”) (Kunming Ad Co. and Taiyuan Ad Co. are collectively referred to as the “JV Ad Cos”). Hetong is 100% owned by two PRC nationals, who are the trustees).

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks’ operations are conducted through direct ownership of ANT and through contractual arrangements with Hetong. China Networks does not have an equity interest in Hetong, but instead derives indirect economic benefits from Hetong through a series of contractual arrangements. Through these arrangements, ANT controls Hetong, which in turn owns 50% of Kunming Ad Cos, and 50% of Taiyuan Ad Co. established with PRC TV Stations. The JV Tech Cos collect the television advertising revenue earned by the JV Ad Cos pursuant to an Exclusive Services Agreement, using assets transferred from PRC TV Stations to the JV Tech Cos pursuant to an Asset Transfer Agreement.

Asset Transfer Agreements.

Kunming TV Station and Kunming JV entered into such Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer its assets to Kunming JV, valued at RMB150 million, and Kunming JV will pay the same to Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd. (“Taiyuan JV”) also entered into such Asset Transfer Agreement on July 17, 2008, under which China Yellow River TV Station will transfer its assets, valued at RMB45 million, to Taiyuan JV, and the same consideration will be paid by Taiyuan JV. All governmental, statutory and other approvals required for the transfer of these assets were obtained as of the date of the first transfer in August 2008.

Pursuant to the Exclusive Services Agreement between the JV Tech Cos and the JV Ad Cos, the JV Tech Cos will be the sole and exclusive provider of services to JV Ad Cos relating to technical support for the production of advertising and advertising consulting. In addition, the JV Ad Cos will be the sole and exclusive advertising agent to the JV Tech Cos and will grant to the JV Ad Cos agency rights for all advertising under the exclusive right to carry out advertising operations, granted by the corresponding PRC TV Stations to the JV Tech Cos in accordance with the Exclusive Cooperation Agreement. Under the terms of the Exclusive Services Agreement, the JV Ad Cos will pay the service fee to the JV Tech Cos as accrued, in accordance with the JV Tech Cos’ regular invoices. As such, all of the JV Ad Cos’ pre-tax revenue (less the relevant business tax) generated during the term of this agreement and relating to the marketing of advertising and other operations will be transferred to the JV Tech Cos as the service fee.

CHINA NETWORKS MEDIA, LTD.
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

NOTE 10 - SUBSEQUENT EVENTS (....../CONT'D)

Exclusive Services Agreement.

Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 6, 2008, while Taiyuan JV and Taiyuan Ad Co. entered into an Exclusive Services Agreement on July 17, 2008.

Annex A

AGREEMENT AND PLAN OF MERGER

by and among

ALYST ACQUISITION CORP.,

CHINA NETWORKS MEDIA LIMITED,

MEDIAINV LTD.,

KERRY PROPPER

AND THE OTHER PERSONS SIGNATORY HERETO

Dated as of August 13, 2008

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of August 13, 2008, by and among Alyst Acquisition Corp., a Delaware corporation (including its successors and assigns, the "Parent"), China Networks Media Limited, a British Virgin Islands corporation (including its successors and assigns, the "Company"), MediaInv Ltd., a British Virgin Islands corporation and Kerry Propper (each a "Principal Shareholder," and together with their successors and assigns from the date hereof until the Business Combination Effective time (as defined below), collectively the "Principal Shareholders") and each of the other persons signatories hereto.

RECITALS

WHEREAS, Parent has formed a wholly-owned subsidiary in the British Virgin Islands ("Merger Sub I"), solely for the purpose of a merger of Parent with and into Merger Sub I, in which Merger Sub I will be the surviving corporation (the "Redomestication Merger"). The name of Merger Sub I is or is in the process of being changed to China Networks International Holdings, Ltd.;

WHEREAS, immediately after the formation of Merger Sub I, Merger Sub I formed a wholly-owned subsidiary in the British Virgin Islands ("Merger Sub II"), solely for the purpose of a merger of Merger Sub II with and into the Company in which the Company will be the surviving corporation (the "Business Combination"). The name of Merger Sub II is China Network Merger Co., Ltd.;

WHEREAS, pursuant to and in connection with the Business Combination, and as part of the same integrated transaction (such that neither the Business Combination nor the Redomestication Merger shall occur without the other), Parent and Merger Sub I shall consummate the Redomestication Merger, pursuant to which, among other things, (i) the outstanding shares of common stock of the Parent, U.S. $0.0001 par value (the "Parent Common Stock") shall be converted into shares in Merger Sub I, U.S. $0.0001 par value (the "Surviving Corporation Shares") and (ii) all warrants and other rights to purchase Parent Common Stock then outstanding (the "Parent Stock Rights") shall be exchanged for substantially equivalent securities of Merger Sub I at the rate set forth herein ("Surviving Corporation Stock Rights"); and

WHEREAS, as part of the same integrated transaction (such that neither the Business Combination nor the Redomestication Merger shall occur without the other) Merger Sub II and the Company shall consummate the Business Combination, pursuant to which, among other things, (i) the outstanding common shares of the Company, U.S. $.0005 par value ("Company Shares"), shall be converted into Surviving Corporation Shares and the right to receive the other consideration referred to herein and (ii) the Class A Preferred Shares of the Company, U.S. $.0005 par value issued in the Financing referred to herein ("Preferred Shares", and together with the Company Shares, the "Company Securities") shall be converted into Surviving Corporation Shares, in each case at the rate set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

THE REDOMESTICATION MERGER

1.1 The Redomestication Merger. At the Effective Time (as defined below) and subject to and upon the terms and conditions of this Agreement and the Redomestication Plan of Merger and Articles and Plan of Merger to be prepared by the Parent, and in accordance with the applicable provisions of the Delaware General Corporation Law ("Delaware Law") and the BVI Business Companies Act, 2004 ("BVI Law"), respectively, Parent shall be merged with and into Merger Sub I, the separate corporate existence of Parent shall cease and Merger Sub I shall continue as the surviving corporation. Merger Sub I as the surviving corporation after the Redomestication Merger is hereinafter sometimes referred to as the "China Networks Surviving Corporation."

1.2 Effective Time. The parties hereto shall cause the Redomestication Merger to be consummated by filing the Certificate of Merger with the Secretary of State of the State of Delaware, in accordance with the relevant provisions of Delaware Law, and the Articles and Plan of Merger with the British Virgin Islands Registrar of Corporate Affairs, in accordance with the relevant provisions of BVI Law (the time of such filings, or such later time as specified in the Certificate of Merger and the Articles and Plan of Merger, being the "Effective Time").

1.3 Effect of the Redomestication Merger. At the Effective Time, the effect of the Redomestication Merger shall be as provided in this Agreement, the Certificate of Merger, the Articles and Plan of Merger and the applicable provisions of Delaware Law and BVI Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, agreements, powers and franchises, debts, liabilities, duties and obligations of the Parent and Merger Sub I shall become the property, rights, privileges, agreements, powers and franchises, debts, liabilities, duties and obligations of the China Networks Surviving Corporation, which shall include the assumption by China Networks Surviving Corporation of any and all agreements, covenants, duties and obligations of the Parent set forth in this Agreement to be performed after the Closing, and all Surviving Corporation Shares issued and outstanding as a result of the conversion under Section 1.6(a) hereof shall be listed on the American Stock Exchange ("ASE"), or such other public trading market on which the Surviving Corporation Shares may be trading at such time.

1.4 Memorandum and Articles of Association. At the Effective Time, the Certificate of Incorporation and By-Laws of the Parent, as in effect immediately prior to the Effective Time, shall cease and the Memorandum and Articles of Association ("MOA") of Merger Sub I, as in effect immediately prior to the Effective Time, shall be the MOA of the China Networks Surviving Corporation.

1.5 Directors and Officers of the China Networks Surviving Corporation. Immediately after the Effective Time, the board of directors of the China Networks Surviving Corporation, shall, unless otherwise mutually agreed by the Parent and the Company, consist of three designees of the Parent (the "Parent Designees") and four designees of the Company (the "Company Designees") and the officers of the China Networks Surviving Corporation shall be Li Shuangqing as Chief Executive Officer and Co-Chairman, Sean Hinton as Co-Chairman and Zhou Chuansheng as Vice President of Sales and Marketing.

1.6 Effect on Capital Stock. By virtue of the Redomestication Merger and without any action on the part of Merger Sub I, the Parent or the holders of any of the following securities:

(a) Conversion of Parent Common Stock. At the Effective Time, each share of the Parent Common Stock issued and outstanding immediately prior to the Effective Time (other than those described in Section 1.6(c) below) shall be converted automatically into one Surviving Corporation Share (the "Conversion Ratio"), subject to any adjustments made pursuant to Section 1.6(d). At the Effective Time, all shares of Parent Common Stock shall cease to be outstanding and shall automatically be canceled and retired and shall cease to exist. The holders of certificates previously evidencing shares of Parent Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Parent Common Stock, except as provided herein or by law. Each certificate previously evidencing Parent Common Stock shall be exchanged for a certificate representing such number of Surviving Corporation Shares calculated by multiplying the Conversion Ratio then in effect by the number of shares of Parent Common Stock previously evidenced by the canceled certificates upon the surrender of such certificate in accordance with Section 1.7.

(b) Parent Stock Rights. At the Effective Time, each Parent Stock Right shall be converted into one substantially equivalent option, warrant or other Surviving Corporation Stock Right. At the Effective Time, the Parent Stock Rights shall cease to be outstanding and shall automatically be canceled and retired and shall cease to exist. Each of the Surviving Corporation Stock Rights shall have, and be subject to, the same terms and conditions set forth in the applicable agreements governing the Parent Stock Rights (the "Parent Stock Rights Agreements") which are outstanding immediately prior to the Effective Time, except that in the event of an adjustment made pursuant to Section 1.6(d), (i) each of the Surviving Corporation Stock Rights will be exercisable for that number of whole Surviving Corporation Shares equal to the product of the number of shares of Parent Common Stock that were issuable upon exercise of such option or warrant immediately prior to the Effective Time multiplied by the Conversion Ratio then in effect and rounded down to the nearest whole number of Surviving Corporation Shares, and (ii) the per share exercise price for the Surviving Corporation Shares issuable upon exercise of such Surviving Corporation Stock Rights will be equal to the quotient determined by dividing the exercise price per share of Parent Common Stock at which each such option or warrant was exercisable immediately prior to the Effective Time by the Conversion Ratio then in effect, rounded down to the nearest whole cent. At or prior to the Effective Time, Merger Sub I shall take all corporate action necessary to reserve for future issuance, and shall maintain such reservation for so long as any of the Surviving Corporation Stock Rights remain outstanding, a sufficient number of Surviving Corporation Shares for delivery upon the exercise of such Surviving Corporation Stock Rights.

(c) Cancellation of Parent Common Stock Owned by Parent. At the Effective Time, if there are any shares of Parent Common Stock that are owned by the Parent as treasury stock or any shares of Parent Common Stock owned by any direct or indirect wholly owned subsidiary of the Parent immediately prior to the Effective Time, such shares shall be canceled and extinguished without any conversion thereof or payment therefor.

(d) Adjustments to Conversion Ratio. The Conversion Ratio shall be adjusted to reflect fully the effect of any share sub-division or combination, stock dividend (including any dividend or distribution of securities convertible into Merger Sub I Common Stock or Parent Common Stock), reorganization, recapitalization or other like change with respect to Merger Sub I Common Stock or Parent Common Stock occurring after the date hereof and prior to the Effective Time, so as to provide holders of Parent Common Stock and Merger Sub I Common Stock the same economic effect as contemplated by this Agreement prior to such share sub-division or combination, stock dividend, reorganization, recapitalization or like change.

(e) Transfers of Ownership. If any certificate for Surviving Corporation Shares is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it will be a condition of the issuance thereof that the certificate so surrendered will be properly endorsed and accompanied by a duly executed instrument of transfer and otherwise in proper form for transfer and that the person requesting such exchange will have paid to China Networks Surviving Corporation or any agent designated by it any transfer or other taxes required by reason of the issuance of a certificate for Surviving Corporation Shares in any name other than that of the registered holder of the certificate surrendered, or established to the satisfaction of China Networks Surviving Corporation or any agent designated by it that such tax has been paid or is not payable.

(f) No Liability. Notwithstanding anything to the contrary in this Section 1.6, none of the China Networks Surviving Corporation, or any party hereto shall be liable to any person for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

1.7 Surrender of Certificates. All Surviving Corporation Shares issued upon the surrender of shares of Parent Common Stock in accordance with the terms hereof, and all Surviving Corporation Stock Rights issued upon surrender of Parent Stock Rights in accordance with the terms hereof, shall be deemed to have been issued in full satisfaction of all rights pertaining to such securities, provided that any restrictions on the sale and transfer of Parent Common Stock shall also apply to the Surviving Corporation Shares so issued in exchange.

1.8 Lost, Stolen or Destroyed Certificates. In the event any certificates or Parent Stock Rights Agreements shall have been lost, stolen or destroyed, China Networks Surviving Corporation shall issue in exchange for such lost, stolen or destroyed certificates or Parent Stock Rights Agreements, as the case may be, upon the making of an affidavit of that fact by the holder thereof, such Surviving Corporation Shares or Surviving Corporation Stock Rights, as may be required pursuant to Section 1.7; provided, however, that China Networks Surviving Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificates or Parent Stock Rights Agreement to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against China Networks Surviving Corporation with respect to the certificates or Parent Stock Rights Agreements alleged to have been lost, stolen or destroyed.

1.9 Status of Redomestication Merger for Tax Purposes. For U.S. federal income tax purposes, the Redomestication Merger is intended to constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and the parties thereto do hereby (i) adopt this Agreement as a "plan of reorganization" within the meaning of Section 1.368-2(g) of the United States Treasury Regulations and (ii) agree to take all such actions incident thereto as shall be necessary or appropriate. Notwithstanding the foregoing or anything else to the contrary contained in this Agreement, the parties acknowledge and agree that no party is making any representation or warranty as to the qualification of the Redomestication Merger as a reorganization under Section 368 of the Code, as to the effect, if any, that any transaction consummated on, after or prior to the Effective Time has or may have on any such reorganization status or the Tax (as defined below) implications of qualification of the Redomestication Merger as a reorganization. Each of the parties acknowledge and agree that each (i) has had the opportunity to obtain independent legal and tax advice with respect to the transactions contemplated by this Agreement, and (ii) is responsible for paying its own Taxes.

1.10 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the China Networks Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Parent and Merger Sub I, the officers and directors of Parent and Merger Sub I are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action, so long as such action is not inconsistent with this Agreement.

ARTICLE II

THE BUSINESS COMBINATION

2.1 Business Combination. Immediately after the consummation of the Redomestication Merger, and subject to the terms of this Agreement and the Business Combination Plan of Merger and Articles and Plan of Merger to be prepared by the Company (the "Business Combination Articles and Plan of Merger"), and in accordance with BVI Law, Merger Sub II shall be merged with and into the Company, the separate corporate existence of Merger Sub II shall cease and the Company shall continue as the surviving corporation. The Company as the surviving corporation after the Business Combination is hereinafter sometimes referred to as the "China Networks II Surviving Corporation."

2.2 Closing; Effective Time. The closing of the Business Combination (the "Closing") shall take place immediately after the consummation of the Redomestication Merger, which shall take place as soon as practicable after the satisfaction or waiver of each of the conditions set forth in Article VIII hereof or at such other time as the parties hereto agree (the "Closing Date"). The Closing shall take place at the offices of Loeb & Loeb LLP, 345 Park Avenue, New York, New York 10154, or at such other location as the parties hereto agree. On the Closing Date:

(a) Merger Sub I and Parent shall cause the Redomestication Merger to be immediately consummated by filing the Certificate of Merger with the Secretary of State of the State of Delaware, in accordance with the relevant provisions of Delaware Law, and the Articles and Plan of Merger with the British Virgin Islands Registrar of Corporate Affairs, in accordance with the relevant provisions of BVI Law; and

(b) Upon the completion of the Redomestication Merger, Merger Sub II and the Company shall cause the Business Combination to be immediately consummated by filing the Business Combination Articles and Plan of Merger with the British Virgin Islands Registrar of Corporate Affairs, in accordance with the relevant provisions of BVI Law (the "Business Combination Effective Time").

2.3 Effect of the Business Combination. At the Business Combination Effective Time, the effect of the Business Combination shall be as provided in this Agreement, the Business Combination Articles and Plan of Merger and the applicable provisions of BVI Law. Without limiting the generality of the foregoing, and subject thereto, at the Business Combination Effective Time, all the property, rights, privileges, agreements, powers and franchises of the Company and Merger Sub II shall vest in the China Networks II Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub II shall become the debts, liabilities and duties of the China Networks II Surviving Corporation, and all Surviving Corporation Shares issued in exchange for Company Securities upon conversion in accordance with Section 2.7(a) shall, subject to the restrictions contained in Section 2.14 and applicable securities laws, be eligible for quotation on the ASE, or such other public trading market on which the Surviving Corporation Shares may be trading at such time.

2.4 [Intentionally Omitted]

2.5 Memorandum and Articles of Association. At the Business Combination Effective Time, the MOA of Merger Sub II, as in effect immediately prior to the Closing Date, shall cease and the MOA of the Company, as in effect immediately prior to the Business Combination Effective Time, shall be the MOA of China Networks II Surviving Corporation.

2.6 Directors of China Networks II Surviving Corporation. Immediately after the Business Combination Effective Time, the board of directors of China Networks II Surviving Corporation, shall consist of the same individuals designated as directors of China Networks Surviving Corporation pursuant to Section 1.5 hereof.

2.7 Effect on Capital Stock. By virtue of the Business Combination and without any action on the part of Merger Sub II, the Company or the holders of any of the following securities:

(a) Conversion of Company Securities. At the Business Combination Effective Time, (i) each Company Share issued and outstanding immediately prior to the Business Combination Effective Time (other than those described in Section 2.123 below) shall be converted automatically into (A) a number of Surviving Corporation Shares determined as follows: (x) 1,900,000 divided by (y) the total number of Company Shares issued and outstanding immediately prior to the Business Combination Effective Time, plus (B) the right to receive a cash amount determined as follows: (x) U.S. $10,000,000 divided by (y) the total number of Company Shares issued and outstanding immediately prior to the Business Combination Effective Time, plus (C) the additional consideration described in Sections 2.7(f), (g) and (h), (the "CS Per Share Amount"), and (ii) each Preferred Share issued and outstanding immediately prior to the Business Combination Effective Time shall be converted automatically into (A) a number of Surviving Corporation Shares determined as follows: (x) the number of Preferred Shares issued in the Financing to the bridge investors divided by (y) the total number of Preferred Shares issued and outstanding immediately prior to the Business Combination Effective Time (collectively, the "Business Combination Conversion Ratio"), subject to any adjustments made pursuant to Section 2.7(c), plus (B) the right to receive a cash amount equal to $7.143, plus (C) the additional consideration described in Section 2.7(f) and (h), (the "PS Per Share Amount"). At the Business Combination Effective Time, all Company Securities shall cease to be outstanding and shall automatically be canceled and retired and shall cease to exist. The holders of certificates previously evidencing the Company Securities outstanding immediately prior to the Business Combination Effective Time shall cease to have any rights with respect to such Company Securities, except as provided herein or by law. Each certificate previously evidencing Company Securities shall be exchanged for such number of Surviving Corporation Shares calculated by multiplying the applicable Business Combination Conversion Ratio by the number of Company Securities previously evidenced by the canceled certificates and cash in an amount equal to the CS Per Share Amount or the PS Per Share Amount, as the case may be, upon the surrender of such certificate in accordance with the terms hereof.

(b) Cancellation of Merger Sub II Common Stock Owned by Merger Sub II. At the Business Combination Effective Time, if any shares of Merger Sub II Common Stock are held by Merger Sub II as treasury shares or any shares of Merger Sub II Common Stock are owned by any direct or indirect wholly owned subsidiary of Merger Sub II immediately prior to the Business Combination Effective Time, such shares shall be canceled and extinguished without any conversion thereof or payment therefor.

(c) Adjustments to Business Combination Conversion Ratio. Each Business Combination Conversion Ratio shall be adjusted to reflect fully the effect of any share sub-division or combination, stock dividend (including any dividend or distribution of securities convertible into Surviving Corporation Shares or Company Securities), reorganization, recapitalization or other like change with respect to Surviving Corporation Shares and Company Securities occurring after the date hereof and prior to the Business Combination Effective Time, so as to provide holders of Company Securities the same economic effect as contemplated by this Agreement prior to such share sub-division or combination, stock dividend, reorganization, recapitalization or like change.

(d) Transfers of Ownership. If any certificate for Surviving Corporation Shares is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it will be a condition of the issuance thereof that the certificate so surrendered will be properly endorsed and accompanied by a duly executed instrument of transfer and otherwise in proper form for transfer and that the person requesting such exchange will have paid to China Networks II Surviving Corporation or any agent designated by it any transfer or other taxes required by reason of the issuance of a certificate for Surviving Corporation Shares in any name other than that of the registered holder of the Certificate surrendered, or established to the satisfaction of China Networks II Surviving Corporation or any agent designated by it that such tax has been paid or is not payable.

(e) No Liability. Notwithstanding anything to the contrary in this Section 2.7, none of China Networks II Surviving Corporation or any party hereto shall be liable to any person for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

(f) Deferred Cash Payments.

(i) In accordance with Section 2.7(a), each holder of Company Shares as of the Business Combination Effective Time (each, a "Closing Holder") shall be entitled to receive from China Networks Surviving Corporation deferred cash payments contingent upon the achievement by China Networks Surviving Corporation of the amounts of Net Income (as defined below) set forth below in this Section 2.7(f) (the "Deferred Cash Payments").

(ii) China Networks Surviving Corporation hereby agrees that the Closing Holders shall be entitled to receive from China Networks Surviving Corporation cash payments on or prior to December 31, 2009 equal to an aggregate amount of U.S. $3,000,000, solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $15,000,000 during the four fiscal quarters immediately preceding such payment, to be allocated among such holders based on their percentage ownership of the Company Shares immediately prior to the Business Combination Effective Time (the "Percentage Allocations").

(iii) China Networks Surviving Corporation hereby agrees that Closing Holders shall be entitled to receive from China Networks Surviving Corporation additional cash payments on or prior to December 31, 2010 equal to an aggregate amount of U.S. $3,000,000, solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $25,000,000 during the four fiscal quarters immediately preceding such payments, to be allocated among the holders of Company Shares in accordance with their respective Percentage Allocations.

(iv) As used herein, "Net Income" means the net income of 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; provided that, with respect to any acquisitions of businesses or persons after the Business Combination Effective Time, in order for the net income generated by such acquired businesses or persons to be included in the foregoing definition of Net Income, such acquisitions must be accretive on a Net Income per share basis. In calculating Net Income per share, China Networks Surviving Corporation shall use China Networks Surviving Corporation's audited or reviewed financial statements for the fiscal period in question. For the acquisition to be accretive, the pro forma Net Income per share on a post-acquisition basis must be greater than the pro forma Net Income per share immediately prior to the acquisition.

(v) Any Deferred Cash Payments due and payable pursuant to the foregoing shall be paid to Closing Holders on the later of (i) the date 30 days after preparation and completion of China Networks Surviving Corporation's audited or reviewed financial statements for the fiscal period in question and (ii) the tenth business day after the determination of Net Income for purposes of this Agreement with respect to the fiscal period in question.

(g) Deferred Stock Payment.

(i) In accordance with Section 2.7(a), each Closing Holder shall be entitled to receive deferred stock payments contingent upon the achievement by China Networks Surviving Corporation of the amounts of Net Income set forth below in this Section 2.7(g) (the "Deferred Stock Payments").

(ii) China Networks Surviving Corporation hereby agrees that the Closing Holders shall be entitled to receive from China Networks Surviving Corporation an additional 2,850,000 newly issued Surviving Corporation Shares solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $20,000,000 during the fiscal year ending December 31, 2009, to be allocated among the Closing Holders in accordance with their respective Percentage Allocations.

(iii) China Networks Surviving Corporation hereby agrees that the Closing Holders shall be entitled to receive from China Networks Surviving Corporation an additional 3,075,000 newly issued Surviving Corporation Shares solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $30,000,000 during the fiscal year ending December 31, 2010, to be allocated among the Closing Holders in accordance with their respective Percentage Allocations.

(iv) China Networks Surviving Corporation hereby agrees that the Closing Holders shall be entitled to receive from China Networks Surviving Corporation an additional 3,075,000 newly issued Surviving Corporation Shares solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $40,000,000 during the fiscal year ending December 31, 2011, to be allocated among the Closing Holders in accordance with their respective Percentage Allocations.

(v) Any Deferred Stock Payments due and payable pursuant to the foregoing shall be issued to the Closing Holders on the later of the (i) 30 days after preparation and completion of China Networks Surviving Corporation's audited year-end financial statements for the fiscal period in question and (ii) tenth business day after the determination of Net Income for purposes of this Agreement with respect to the fiscal period in question.

(vi) In the event that the Net Income target for any fiscal year is achieved during a fiscal year that is prior to the year corresponding to such Net Income target, the Closing Holders shall be entitled to receive, in addition to the Deferred Stock Payment for the then current fiscal year, the Deferred Stock Payment for any additional future fiscal year with respect to which the Net Income target has also been achieved.

(vii) All Surviving Corporation Shares issued hereunder shall be duly authorized, fully paid and nonassessable and issued in compliance with all applicable foreign, federal and state securities laws.

(viii) All Surviving Corporation Shares issued hereunder shall be subject to any lock-up, voting or similar agreement, including the Lock-Up Agreement, including the restrictions on transfer therein set forth, that each Closing Holder may be a party to at the time of its receipt of any Surviving Corporation Shares hereunder.

(ix) The number of Surviving Corporation Shares set forth in this Section 2.7(g) shall be adjusted for any stock split, reverse stock split, stock dividend, reclassification, recapitalization, merger or consolidation or like capital adjustment affecting the Surviving Corporation Shares

(h) Warrant Exercise Proceeds. In accordance with Section 2.7(a), China Networks Surviving Corporation hereby agrees that the Closing Holders and holders of Preferred Shares as of the Closing ("Preferred Share Closing Holders") shall be entitled to receive from the Company, cash payments (the "Warrant Payments") equal to a maximum aggregate amount of U.S. $22,110,000 plus 10% of the aggregate gross proceeds received in the Financing from the bridge investors, solely and exclusively upon China Networks Surviving Corporation's receipt of cash proceeds from the exercise of the Parent Warrants and the Insider Warrants (collectively, the "Warrants"), payable in accordance with this Section 2.7(h). The Warrant Payments shall be allocated among such holders of Closing Holders and Preferred Share Closing Holders based on their percentage ownership of the sum of (a) the Company Shares, and (b) the Preferred Shares immediately prior to the Business Combination Effective Time (the "WEP Percentage Allocations"). Upon exercise of any Warrants, as soon as practicable after receipt of the actual cash proceeds received therefrom by China Networks Surviving Corporation (but in any event within 10 days) (the "Cash Proceeds"), China Networks Surviving Corporation shall make a cash payment to each Closing Holder and Preferred Share Closing Holder equal to 66% of the Cash Proceeds then available for distribution pursuant to the foregoing sentence multiplied by the WEP Percentage Allocation of such holder. The Company shall retain and apply to its general corporate purposes 34% of the Cash Proceeds. In no event shall the maximum aggregate amount payable pursuant to this Section 2.7(h) to any such holder exceed (x) U.S. $22,110,000 plus 10% of the aggregate gross proceeds received in the Financing from the bridge investors multiplied by (y) the WEP Percentage Allocation of such holder.

(i) Stock Option Plan. Subject to the approval of the Incentive Plan Proposal (as defined below), Parent shall implement an incentive stock option plan (the "Incentive Stock Option Plan") pursuant to which directors, officers and employees of China Networks Surviving Corporation or its subsidiaries may be granted options to purchase up to 2,500,000 Surviving Corporation Shares.

2.8 Surrender of Certificates. All Surviving Corporation Shares issued upon the surrender of shares of Company Securities in accordance with the terms hereof, shall be deemed to have been issued in full satisfaction of all rights pertaining to such securities, other than any additional rights pursuant to this Agreement, provided that any restrictions on the sale and transfer of Company Securities shall also apply to the Surviving Corporation Shares so issued in exchange.

2.9 Lost, Stolen or Destroyed Certificates. In the event any certificates shall have been lost, stolen or destroyed, China Networks II Surviving Corporation shall cause to be issued in exchange for such lost, stolen or destroyed certificates upon the making of an affidavit of that fact by the holder thereof, such Surviving Corporation Shares as may be required pursuant to Section 2.7(a); provided, however, that China Networks II Surviving Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against China Networks II Surviving Corporation with respect to the certificates alleged to have been lost, stolen or destroyed.

2.10 Status of Business Combination for Tax Purposes. For U.S. federal income tax purposes, the Business Combination is intended to constitute a taxable transaction and the parties to this Agreement shall act accordingly in respect of their Tax return filings and otherwise. Each of the parties acknowledge and agree that each (i) has had the opportunity to obtain independent legal and tax advice with respect to the transactions contemplated by this Agreement, and (ii) is responsible for paying its own Taxes.

2.11 Taking of Necessary Action; Further Action. If, at any time after the Business Combination Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest China Networks II Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Company and Merger Sub II, the officers and directors of Company and Merger Sub II are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action, so long as such action is not inconsistent with this Agreement.

2.12 Withholding Rights. China Networks Surviving Corporation shall be entitled to deduct and withhold from the cash and Surviving Corporation Shares otherwise deliverable under any and all provisions of this Agreement, such amounts as China Networks Surviving Corporation reasonably determines it is required to deduct and withhold with respect to such delivery and payment under the Code or any provision of state, local, provincial or foreign tax law. To the extent that any amounts are so withheld all appropriate evidence of such deduction and withholding, including any receipts or forms required in order for the person with respect to whom such deduction and withholding occurred to establish the deduction and withholding and payment to the appropriate authority as being for its account with the appropriate authorities shall be delivered to the person with respect to whom such deduction and withholding has occurred, and such withheld amounts shall be treated for all purposes as having been delivered and paid to the person otherwise entitled to the cash and/or Surviving Corporation Shares in respect of which such deduction and withholding was made by China Networks Surviving Corporation.

2.13 Shares Subject to Appraisal Rights.

(a) Notwithstanding Section 2.7(a), BVI Dissenting Shares (as defined below) shall not be converted into a right to receive Surviving Corporation Shares and the holders thereof shall be entitled only to such rights as are granted by BVI Law. Each holder of BVI Dissenting Shares who becomes entitled to payment for such shares pursuant to BVI Law shall receive payment therefor from China Networks II Surviving Corporation in accordance with the BVI Law, provided, however, that, subject to BVI Law, (i) if any shareholder who asserts appraisal rights in connection with the Business Combination (a "BVI Dissenter") has failed to establish his entitlement to such rights as provided in BVI Law, or (ii) if any such BVI Dissenter has effectively withdrawn his demand for payment for such shares or waived or lost his right to payment for his shares under the appraisal rights process under BVI Law the shares of Company Securities held by such BVI Dissenter shall be treated as if they had been converted, as of the Business Combination Effective Time, into a right to receive Surviving Corporation Shares and as provided in Section 2.7. The Company shall give Parent and Chardan Capital Markets LLC prompt notice of any demands for payment received by the Company from a person asserting appraisal rights, and Parent shall have the right to participate in all negotiations and proceedings with respect to such demands. The Company shall not, except with the prior written consent of Parent, make any payment with respect to, or settlement or offer to settle, any such demands.

(b) As used herein, “BVI Dissenting Shares” means any shares of Company Securities held by shareholders who are entitled to appraisal rights under BVI Law, and who have properly exercised, perfected and not subsequently withdrawn or lost or waived their rights to demand payment with respect to their shares in accordance with BVI Law.

2.14 Restriction on Disposal of Shares. As a condition to the closing of the transactions contemplated by this Agreement, each Principal Shareholder shall execute a lock-up agreement (the “Lock-Up Agreement”), in a form reasonably agreed to by the Parent and the Principal Shareholders, whereby each shall agree that until the six month anniversary of the Business Combination Effective Time (the “Trade Commencement Date”), each Principal Shareholder shall not directly or indirectly offer, sell, contract to sell, gift, exchange, assign, pledge or otherwise encumber or dispose of any Surviving Corporation Shares received by such Principal Shareholder in connection with this Agreement on the Closing Date (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition, (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Principal Shareholders or any affiliate of Principal Shareholders, or any person in privity with Principal Shareholders or any affiliate of Principal Shareholders, directly or indirectly, including the establishment or increase in a put equivalent position or liquidation or decrease in a call equivalent position within the meaning of Section 16 of the Exchange Act and the rules and regulations of the SEC promulgated thereunder (each of the foregoing referred to as a “Disposition”). Thereafter, until the six month anniversary of the Trade Commencement Date, each Principal Shareholder shall not engage in a Disposition of more than fifty percent (50%) of the Surviving Corporation Shares received by such Principal Shareholder in connection with this Agreement on the Closing Date. Thereafter, until the twelve month anniversary of the Trade Commencement Date, each Principal Shareholder shall not engage in a Disposition of more than twenty five percent (25%) of the Surviving Corporation Shares received by such Principal Shareholder in connection with this Agreement on the Closing Date. Additional terms and conditions relating to the Disposition of the Surviving Corporation Shares received by the Principal Shareholders pursuant to this Agreement are set forth in the Lock-Up Agreement. The foregoing restriction is intended to preclude the Principal Shareholders from engaging in any hedging transaction, which is designed to or is reasonably expected to lead to or result in such a Disposition during such periods even if the relevant Surviving Corporation Shares would be disposed of by someone other than the Principal Shareholders.

2.15 Payment Procedures.

(a) Merger Stock Consideration. Upon surrender of a certificate that, immediately prior to the Business Combination Effective Time, evidenced the outstanding Company Shares, for cancellation to China Networks Surviving Corporation, together with such other customary documents as may be required by China Networks Surviving Corporation, the holder of such certificate of Company Shares shall be entitled to receive in exchange therefor the Per Share Amount and a certificate evidencing their respective Surviving Corporation Shares, in accordance with Section 2.7 (the "Merger Stock Consideration"), and the certificate evidencing the Company Shares so surrendered shall forthwith be cancelled. Until surrendered as contemplated by this Section 2.15, each certificate of Company Shares shall be deemed at anytime after the Business Combination Effective Time to evidence only the right to receive upon such surrender the Merger Stock Consideration.

(b) Paying Agent. As of the Business Combination Effective Time, the Parent shall deposit, or shall cause to be deposited, with a bank theretofore designated by the Company and the Parent (the "Paying Agent"), for the benefit of the holders of shares of Company Securities, for payment in accordance with this Article II, through the Paying Agent, cash and Surviving Corporation Shares in amounts equal to the consideration payable to the holders of Company Securities pursuant to Section 2.7(a) (such cash being hereinafter referred to as the "Payment Fund"). The Paying Agent shall, pursuant to irrevocable instructions, deliver the cash and Surviving Corporation Shares contemplated to be paid and transferred to the holder of Company Securities pursuant to this Article II out of the Payment Fund. The Payment Fund shall not be used for any other purpose.

(c) Payment Procedures. Upon surrender of a certificate that, immediately prior to the Business Combination Effective Time, evidenced outstanding Company Securities (other than shares described in Section 2.7(b) and BVI Dissenting Shares) (a "Certificate") for cancellation to the Paying Agent, together with such other customary documents as may be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the applicable Business Combination Conversion Ratio multiplied by the number of Company Securities represented by such Certificate, and the Certificate so surrendered shall forthwith be canceled. Until surrendered as contemplated by this Section 2.8, each Certificate shall be deemed at any time after the Effective Time to evidence only the right to receive upon such surrender the consideration described in Section 2.7(a).

(d) Termination of Payment Fund. Any portion of the Payment Fund that remains undistributed to the holders of Company Securities for 30 days after the Effective Time shall be delivered to China Networks Surviving Corporation, upon demand, and any holders of Company Securities that have not theretofore complied with this Article II shall thereafter look only to China Networks Surviving Corporation for the consideration described in Section 2.7(a) to which they are entitled.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

In this Agreement, any reference to a "Material Adverse Effect" with respect to any person means any event, change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of such person and its subsidiaries, taken as a whole. Notwithstanding the foregoing, the definition of Material Adverse Effect shall not include events caused by general economic conditions (and solely with respect to this Article III, shall include economic conditions solely or principally applicable to the television and advertising industries, or to locations in which the Company and its Subsidiaries operate.)

In this Agreement, any reference to the Company's "knowledge" means the actual knowledge after reasonable inquiry of Li Shuangqing, the Company's Chief Executive Officer, (the "Knowledge Person") ..

Except as set forth in the disclosure schedule delivered by the Company to Parent concurrently with the execution of this Agreement (the "Company Disclosure Schedule"), which shall identify exceptions by specific section references, the Knowledge Person and the Company, hereby, jointly and severally, represent and warrant to the Parent, as follows:

3.1 Organization, Standing and Power; Framework Agreements.

(a) The Company and each of the entities listed on Schedule 3.1(a) (the "Subsidiaries"), is a corporation duly organized, validly existing and in good standing, and no certificates of dissolution have been filed under the laws of their respective jurisdictions of organization. Each of the Company and its Subsidiaries has all requisite authority and power (corporate and other), governmental licenses, authorizations, consents and approvals to carry on their respective businesses as presently conducted and to own, hold and operate their respective properties and assets as now owned, held and operated, except where the failure to be so organized, existing and in good standing or to have such authority and power, governmental licenses, authorizations, consents or approvals would not have a Material Adverse Effect. The Company has delivered or made available to Parent a true and correct copy of the MOA of the Company and the organizational documents of each of the Subsidiaries, each as amended to date. Neither the Company nor any of the Subsidiaries is in violation of any of the provisions of its respective MOA, bylaws or equivalent organizational documents.

(b) Attached hereto on Schedule 3.1 are true and correct copies of each of the framework agreements to which Advertising Network Limited, a subsidiary of the Company, is a party with each of Kunming Television Station, a People's Republic of China ("PRC") television station ("Kunming") and China Yellow River Television Station, a PRC television station ("Yellow River") setting forth the terms and conditions for the formation of two joint ventures (each a "Framework Agreement"). Each Framework Agreement is a legal, valid and binding agreement, enforceable against each of the parties thereto in accordance with its terms, and is in full force and effect. None of the parties to any Framework Agreement is in breach or default thereunder. To the Company's knowledge, no event has occurred or circumstance exists that (with or without notice or lapse of time), would (i) contravene, conflict with or result in a violation or breach of, or become a default or event of default under, any provision of any Framework Agreement or (ii) permit the Company, Advertising Network Ltd. or any other party to any Framework Agreement the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any Framework Agreement. Neither the Company nor Advertising Network Ltd. has received notice of the pending or threatened cancellation, revocation or termination of any Framework Agreement; and (d) there are no renegotiations of, or attempts to renegotiate, or outstanding rights to renegotiate any material terms of any Framework Agreement.

3.2 Subsidiaries. Except for the Subsidiaries, and those entities set forth on Schedule 3.2, the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity. The Company is the direct or indirect owner of all outstanding shares of capital stock of each of its subsidiaries and all such shares are duly authorized, validly issued, fully paid and nonassessable. All of the outstanding shares of capital stock of each such subsidiary are owned by the Company free and clear of all liens, charges, claims or encumbrances or rights of others. Except as set forth in Schedule 3.2, there are no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued capital stock or other securities of any such subsidiary, or otherwise obligating the Company or any such subsidiary to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities.

3.3 Capital Structure.

(a) The authorized capital stock of the Company consists of (i) 2,950,000 shares, $.0005 par value, of which there are issued and outstanding, 1,900,000 ordinary shares and an amount of Preferred Shares equal to (x) the aggregate gross proceeds received in the Financing from the bridge investors multiplied by ..035. Except as set forth on Schedule 3.3(a) of the Company Disclosure Schedule, there are no other outstanding shares or voting securities and no outstanding commitments to issue any shares or voting securities after the date hereof. All outstanding Company Securities are duly authorized, validly issued, fully paid and non-assessable and are free of any liens or encumbrances other than any liens or encumbrances created by or imposed upon the holders thereof, and are not subject to preemptive rights or rights of first refusal created by statute, the MOA of the Company or any agreement to which the Company is a party or by which it is bound. Except as set forth on Schedule 3.3(a) and in connection with the Financing (as defined below), there are no options, warrants, calls, rights, commitments or agreements of any character to which the Company is a party or by which it is bound obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the Company or obligating the Company to grant, extend, change the price of, or otherwise amend or enter into any such option, warrant, call, right, commitment or agreement. Except as set forth on Schedule 3.3(a) and in connection with the Financing, there are no contracts, commitments or agreements relating to voting, purchase or sale of the Company's shares (x) between or among the Company and any of its shareholders, and (y) to the best of the Company's knowledge, between or among any of the Company's shareholders.

(b) Set forth on Schedule 3.3(b) is the following: (i) the name and address of each person owning any capital stock or other equity interest in the Company; (ii) the certificate number of each certificate evidencing shares of capital stock or any other equity interest issued by the Company, (iii) the number of shares of capital stock or any other equity interest evidenced by each such certificate, (iv) the date of issuance thereof and, in the case of cancellation, the date of cancellation. Each Principal Shareholder represents and warrants that such person has good, valid and marketable title to, all the equity interests of the Company designated on Schedule 3.3(b) as owned by such Principal Shareholder.

3.4 Authority. (a) The Company has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject only to the adoption of this Agreement by the Company's shareholders holding a majority of the outstanding shares of Company Shares, as contemplated by Section 8.1(d). The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject only to the adoption of this Agreement by the Company's shareholders holding a majority of the outstanding shares of Company Shares, as contemplated by Section 8.1(d). This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy and other laws affecting the rights and remedies of creditors generally and general principles of equity.

(b) Each Principal Shareholder and Li Shuangqing has all legal capacity and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by each such person and constitutes the legal, valid and binding obligation of each such person, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy and other laws affecting the rights and remedies of creditors generally and general principles of equity.

3.5 No Conflict. The execution, delivery and performance of this Agreement by the Company does not, and the consummation of the transactions contemplated hereby do not and will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any benefit under (a) any provision of the MOA or bylaws of the Company or any of the organizational documents of its Subsidiaries, as amended, (b) any Law or Governmental Order applicable to the Company, its Subsidiaries or any Principal Shareholder or (c) any mortgage, indenture, lease, contract or other agreement or instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company, any of its Subsidiaries or any Principal Shareholder or any of their properties or assets, except where such conflict, violation, default, termination, cancellation or acceleration with respect to the foregoing provisions of (c) would not have had and would not reasonably be expected to have a Material Adverse Effect on the Company.

3.6 Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or instrumentality ("Governmental Entity") is required by or with respect to any Principal Shareholder, the Company or any of its Subsidiaries in connection with the execution and delivery of this Agreement, or the consummation of the transactions contemplated hereby and thereby, except for (a) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable state securities laws and the securities laws of any country other than the United States set forth on Schedule 3.6; and (c) such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, would not have a Material Adverse Effect on the Company and would not prevent, or materially alter or delay any of the transactions contemplated by this Agreement.

3.7 Financial Statements. Attached hereto at Schedule 3.7 are the copies of the financial statements received by the Company from each of Kunming and Yellow River in connection with the Framework Agreements.

3.8 Absence of Certain Changes. Except for the Framework Agreements, and the transactions and arrangements contemplated thereby, since December 31, 2007 (the “Company Balance Sheet Date”), the Company and each of its Subsidiaries, has conducted its business in the ordinary course consistent with past practice and there has not occurred: (i) any change, event or condition (whether or not covered by insurance) that has resulted in, or is reasonably likely to result in, a Material Adverse Effect to the Company; (ii) any acquisition, sale or transfer of any material asset of the Company or any of its Subsidiaries other than in the ordinary course of business and consistent with past practice; (iii) any change in accounting methods or practices (including any change in depreciation or amortization policies or rates) by the Company or any revaluation by the Company of any of its or any of its Subsidiaries’ assets; (iv) any declaration, setting aside, or payment of a dividend or other distribution with respect to the shares of the Company, or any direct or indirect redemption, purchase or other acquisition by the Company of any of its shares of capital stock; (v) any material contract entered into by the Company or any of its Subsidiaries, other than in the ordinary course of business and as provided or made available to Parent, or any amendment or termination of, or default under, any material contract to which the Company or any of its Subsidiaries is a party or by which it is bound; (vi) any amendment or change to the MOA or bylaws of the Company or any Subsidiary; or (vii) any increase in or modification of the compensation or benefits payable, or to become payable, by the Company or its Subsidiaries to any of its directors or employees, other than pursuant to scheduled annual performance reviews, provided that any resulting modifications are in the ordinary course of business and consistent with the Company’s and its Subsidiaries past practices. Neither the Company nor its Subsidiaries has agreed since December 31, 2007 to take any of the actions described in the preceding clauses (i) through (vii) and are not currently involved in any negotiations to do any of the things described in the preceding clauses (i) through (vii) (other than the Framework Agreements, the Financing and negotiations with Parent and its representatives regarding the transactions contemplated by this Agreement).

3.9 Absence of Undisclosed Liabilities. The Company and the Subsidiaries have no material obligations or liabilities of any nature (matured or unmatured, known or unknown, fixed or contingent) other than (i) obligations or liabilities not in excess of $250,000 in the aggregate; (ii) those incurred pursuant to the terms of this Agreement, (iii) those incurred in connection with the Financing, and (iv) those incurred pursuant to the terms of any Framework Agreement.

3.10 Litigation. There is no private or governmental action, suit, proceeding, claim, arbitration, audit or investigation (“Proceeding”) pending before any agency, court, arbitrator or tribunal, foreign or domestic by or against the Company or any of its Subsidiaries, or any of their respective properties or any of their respective shareholders, officers or directors (in their capacities as such) nor, to the knowledge of the Company, is any such Proceeding threatened against any Principal Shareholder, the Company or its Subsidiaries.

3.11 Restrictions on Business Activities. There is no agreement, judgment, injunction, order or decree binding upon the Company or any of its Subsidiaries which has or reasonably would be expected to have the effect of prohibiting or materially impairing any business practices of the Company or any of its Subsidiaries, any acquisition of property by the Company or any of its Subsidiaries or the conduct of business by the Company or any of its Subsidiaries.

3.12 Governmental Authorization. The Company and each of its Subsidiaries have obtained as of the date hereof each governmental consent, license, permit, grant, or other authorization of a Governmental Entity (i) pursuant to which Company or any of its Subsidiaries currently operates or holds any interest in any of its properties or (ii) that is required for the operation of Company's or any of its Subsidiaries' business or the holding of any such interest, ((i) and (ii) herein collectively called "Company Authorizations"), and all of such Company Authorizations are in full force and effect, except where the failure to obtain or have any of such Company Authorizations or where failure of such Company Authorizations to be in full force and effect would not reasonably be expected to have a Material Adverse Effect on the Company.

3.13 Title to Property. The Company and its Subsidiaries have good and valid title to all of their respective properties, interests in properties and assets, real and personal, reflected in the Company Balance Sheet or acquired after the Company Balance Sheet Date (except properties, interests in properties and assets sold or otherwise disposed of since the Company Balance Sheet Date in the ordinary course of business), or in the case of leased properties and assets, valid leasehold interests in, free and clear of all mortgages, liens, pledges, charges or encumbrances of any kind or character, except (i) the lien of current taxes not yet due and payable, (ii) such imperfections of title, liens and easements as do not and will not materially detract from or interfere with the use of the properties subject thereto or affected thereby, or otherwise materially impair business operations involving such properties, (iii) liens securing debt which is reflected on the Company Balance Sheet, and (iv) liens that in the aggregate would not have a Material Adverse Effect on the Company. The property and equipment of Company and its Subsidiaries that are used in the operations of their businesses are in good operating condition and repair, except where the failure to be in good operating condition or repair would not have a Material Adverse Effect. All properties used in the operations of Company and its Subsidiaries are reflected in the Company Balance Sheet to the extent generally accepted accounting principles require the same to be reflected. Schedule 3.13 of the Company Disclosure Schedule identifies each parcel of real property owned or leased by Company or any of its Subsidiaries.

3.14 Intellectual Property. Except as set forth on Schedule 3.14 of the Company Disclosure Schedule, the Company and its Subsidiaries own, or have a license to use or otherwise possess legally enforceable and unencumbered rights to use, any patents, trademarks, trade names, service marks, domain names, copyrights, and any applications therefor, trade secrets, computer software programs, and tangible or intangible proprietary information or material that are used in the business of the Company and its Subsidiaries ("Company Intellectual Property").

3.15 Taxes.

(a) For purposes of this Agreement, the following terms have the following meanings: “Tax” (and, with correlative meaning, “Taxes” and “Taxable”) means (i) any levy, impost, net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Entity (a “Tax authority”) responsible for the imposition of any such tax (domestic or foreign); (ii) any liability for the payment of any amounts of the type described in (i) as a result of being a member of an affiliated, consolidated, combined or unitary group for any Taxable period; and (iii) any liability for the payment of any amounts of the type described in (i) or (ii) as a result of being a transferee of or successor to any person, as a result of any express or implied obligation to indemnify any other person, including pursuant to any Tax sharing or Tax allocation agreement, as a result of being a responsible person, or otherwise. “Tax Return” means any return, declaration, election, statement, report or form (including, without limitation, claims for refunds or credits, estimated Tax returns and reports, withholding Tax returns and reports and information reports and returns) filed or required to be filed with respect to Taxes.

(b) (i) All Tax Returns required to be filed by or on behalf of the Company or its Subsidiaries have been timely filed and all Tax Returns filed by or on behalf of the Company or its Subsidiaries were (at the time they were filed) and are true, correct and complete in all material respects; (ii) all Taxes of Company and its Subsidiaries (whether or not reflected on any Tax Return) have been fully and timely paid, (iii) no waivers or extensions of statutes of limitation have been given or requested with respect to Company or its Subsidiaries in connection with any Tax Returns or with respect to any Taxes payable by it; (iv) no Governmental Entity in a jurisdiction where Company or its Subsidiaries do not file Tax Returns has made a claim, assertion or threat to Company or its Subsidiaries that it is or may be subject to taxation by such jurisdiction; (v) each of the Company and its Subsidiaries has duly and timely collected or withheld, and paid over and reported to the appropriate Governmental Entity all amounts required to be so collected or withheld and paid over for all periods under all applicable laws; (vi) there are no liens with respect to Taxes on the Company or its Subsidiaries or any of their property or assets; (vii) there are no Tax rulings, requests for rulings, or closing agreements relating to the Company or its Subsidiaries for any period (or portion of a period) that would affect any period after the date hereof; and (viii) any adjustment of Taxes of the Company or its Subsidiaries made by a Governmental Entity in any examination that the Company or its Subsidiaries is required to report to the appropriate Tax Authority has been reported, and any additional Taxes due with respect thereto have been paid.

(c) There is no pending Proceeding with respect to any Taxes of the Company or its Subsidiaries, nor, to the knowledge of the Company, is any such Proceeding threatened. The Company has made available to the Parent prior to the date of this Agreement, true, correct and complete copies of all Tax Returns, examination reports and statements of deficiencies assessed or asserted against or agreed to by the Company or its Subsidiaries since their inception and any and all correspondence with respect to the foregoing.

(d) Except as disclosed on Schedule 3.15(e), neither the Company nor its Subsidiaries is a party to any Tax allocation or sharing agreement.

(e) The Company is treated as a foreign corporation for U.S. federal income tax purposes.

3.16 Employee Benefit Plans. The Company does not maintain and has not maintained any employee compensation, incentive, fringe or benefit plans, programs, policies, commitments or other arrangements (whether or not set forth in a written document) covering any active or former employee, director or consultant of Company, or any trade or business (whether or not incorporated) which is under common control with Company, with respect to which the Company has or would reasonably be expected to have liability. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will result in any payment (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any shareholder, director or employee of the Company.

3.17 Labor Matters. Except as set forth in Schedule 3.17, (a) neither the Company nor any Subsidiary is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company or any Subsidiary; (b) the Company and each Subsidiary are currently in compliance in all material respects will all applicable Laws relating to the employment of labor, including those related to wages, hours, collective bargaining and the payment and withholding of Taxes and other sums as required by the appropriate governmental authority; (c) there is no claim with respect to payment of wages, salary or overtime pay that has been asserted or is now pending or threatened before any Governmental Authority with respect to any Person currently or formerly employed by the Company or any Subsidiary; and (d) neither the Company nor any Subsidiary is a party to, or otherwise bound by, any consent decree with, or citation by, and Governmental Authority relating to employees or employment practices.

3.18 Interested Party Transactions. Except as disclosed in Schedule 3.18 of the Company Disclosure Schedule, none of the Company nor any of its Subsidiaries is indebted to any director or officer of the Company or any of its Subsidiaries (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses), and no such person is indebted to the Company or any of its Subsidiaries and there are no other transactions of the type required to be disclosed pursuant to Items 402 or 404 of Regulation S-K under the Securities Act and the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

3.19 Insurance. Neither the Company nor its Subsidiaries maintain any insurance policies on their respective properties or assets.

3.20 Material Company Contracts.

(a) The Company has made available to the Parent, prior to the date of this Agreement, true, correct and complete copies of each written agreement, contract, arrangement, lease, commitment or otherwise of the type set forth below (each, a “Material Company Contract”), including each amendment, supplement and modification relating thereto to which the Company or any Subsidiary is a party.

(i) each contract, agreement, invoice, and other arrangement, for the furnishing of services to, or the sale of property to, the Company or any Subsidiary under the terms of which the Company or any Subsidiary: (A) is likely to pay or otherwise give consideration of more than $750,000 in the aggregate during the calendar year ended December 31, 2008, (B) is likely to pay or otherwise give consideration of more than $750,000 in the aggregate over the remaining term of such contract, or (C) cannot be cancelled by the Company or any Subsidiary without penalty or further payment and without more than 30 days' notice;

(ii) each contract, agreement, invoice, and other arrangement for the furnishing of services by the Company or any Subsidiary that: (A) is likely to involve consideration of more than $750,000 in the aggregate during the calendar year ending December 31, 2008, (B) is likely to involve consideration of more than $750,000 in the aggregate over the remaining term of the contract, or (C) cannot be cancelled by the Company or any Subsidiary without penalty or further payment and without more than 30 days' notice;

(iii) all agreements or letters of intent relating to the acquisition of any business enterprise whether by acquisition of stock, acquisition of assets, joint venture or merger or other form of business combination;

(iv) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing, consulting and advertising contracts and agreements to which the Company or any Subsidiary is a party;

(v) all management contracts and contracts with independent contractors or consultants (or similar arrangements) to which the Company or any Subsidiary is a party and which cannot be cancelled by the Company or any Subsidiary without penalty or further payment and without more than 30 days' notice;

(vi) all contracts and agreements relating to indebtedness of the Company or any Subsidiary in an amount in excess of $150,000 individually or $500,000 in the aggregate;

(vii) all contracts and agreements with any Governmental Authority to which the Company or any Subsidiary is a party;

(viii) all contracts and agreements that limit or purport to limit the ability of any Principal Shareholder, the Company or any Subsidiary to compete in any line of business or with any Person or in any geographic area or during any period of time;

(ix) all contracts and agreements between or among the Company or any Subsidiary, on the one hand, and the Principal Shareholders or any affiliate thereof, on the other hand;

(x) any material lease pursuant to which the Company or any Subsidiary leases any material real property;

(xi) any shareholder agreement, registration rights agreement, voting agreement or other agreement governing the rights of the holders of any equity security issued by the Company or any Subsidiary; and

(xii) all other contracts and agreements, whether or not made in the ordinary course of business, which are material to the Company or any Subsidiary or the conduct of their business, or the absence of which would have a Material Adverse Effect.

(b) Each Material Company Contract is a legal, valid and binding agreement, and is in full force and effect, and (a) none of the Company nor its Subsidiaries is in breach or default of any Material Company Contract to which it is a party in any material respect; (b) no event has occurred or circumstance has existed that (with or without notice or lapse of time), would (i) contravene, conflict with or result in a violation or breach of, or become a default or event of default under, any provision of any Material Company Contract or (ii) permit the Company, any Subsidiary or any other person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Material Company Contract; (c) neither the Company nor its Subsidiaries have received notice of the pending or threatened cancellation, revocation or termination of any Material Company Contract to which it is a party; and (d) there are no renegotiations of, or attempts to renegotiate, or outstanding rights to renegotiate any material terms of any Material Company Contract.

3.21 Compliance With Laws.

(a) To the Company's knowledge, each of the Company and each of its Subsidiaries has complied in all respects with, is not in violation of, and has not received any notices of violation with respect to, any Law applicable thereto or to the conduct, ownership or operation of their respective businesses, except for such violations or failures to comply as would not be reasonably expected to have a Material Adverse Effect on the Company.

(b) The Framework Agreements and the other contractual agreements described in Section 3.20(a)(i) through (xii), were validly entered into by the parties and are in compliance with relevant PRC Laws and regulations and all necessary approvals in connection with such contractual arrangements have been obtained.

3.22 Foreign Corrupt Practices Act. Neither the Company, nor its Subsidiaries, nor any director, officer, key employee, or other person associated with or acting on behalf of the Company or its Subsidiaries, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any Governmental Entity from corporate funds; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment in connection with the operations of the Company or its Subsidiaries. Neither the Company nor its Subsidiaries, nor any director, officer, key employee, or other person associated with or acting on behalf of the Company or its Subsidiaries has committed any acts or omissions which would constitute a breach of relevant BVI or PRC criminal Laws, including but not limited to corruption Laws.

3.23 Money Laundering Laws. The operations of the Company and the Subsidiaries are and have been conducted at all times in compliance with money laundering statutes in all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "Money Laundering Laws") and no proceeding involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

3.24 Governmental Inquiry. Neither the Company nor its Subsidiaries has received any material written inspection report, questionnaire, inquiry, demand or request for information from a Governmental Entity.

3.25 Minute Books. The minute books of Company and its Subsidiaries made available to Parent contain in all material respects a complete and accurate summary of all meetings of directors and shareholders or actions by written consent of Company and its Subsidiaries through the date of this Agreement, and reflect all transactions referred to in such minutes accurately in all material respects.

3.26 Real Property. None of the Company nor any Subsidiary owns any real property.

3.27 Brokers' and Finders' Fees. The Company has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any transaction contemplated hereby, except in connection with the Financing.

3.28 Vote Required. The affirmative vote of the Company's shareholders holding a majority of the outstanding shares of Company Shares (subject to any provision in the Company's MOA requiring a higher voting threshold) is the only vote of the holders of any of Company's capital stock necessary to approve this Agreement and the transactions contemplated hereby.

3.29 Board Approval. The Board of Directors of the Company has (a) approved this Agreement and the Business Combination, (b) determined that this Agreement and the Business Combination are advisable and in the best interests of the stockholders of Company and are on terms that are fair to the shareholders and (c) recommends that the shareholders of Company approve this Agreement and consummation of the Business Combination.

3.30 Representations Complete. None of the representations or warranties made by Company herein or in any Company Disclosure Schedule, or certificate furnished by Company pursuant to this Agreement, when all such documents are read together in their entirety, contains or will contain at the Effective Time any untrue statement of a material fact, or omits or will omit at the Effective Time to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT, MERGER SUB I AND MERGER SUB II

In this Agreement, any reference to Parent's knowledge means the actual knowledge, after reasonable inquiry, of Michael E. Weksel. The defined term "Material Adverse Effect" shall have the same meaning as in Article III.

Except as set forth in the disclosure schedule delivered by Parent to the Company concurrently with the execution of this Agreement (the "Parent Disclosure Schedule"), which shall identify exceptions by specific section references, Parent, hereby represents and warrants to the Company, on behalf of itself, and on behalf of Merger Sub I and Merger Sub II as follows:

4.1 Organization, Standing and Power.

(a) Each of Parent, Merger Sub I and Merger Sub II is, a corporation duly organized, validly existing and in good standing, and no certificates of dissolutions have been filed under the laws of its jurisdiction of organization. Each of Parent, Merger Sub I and Merger Sub II has the corporate power to own its properties and to carry on its business as now being conducted and as proposed to be conducted and is duly qualified to do business and is in good standing in each jurisdiction in which the failure to be so qualified and in good standing would have a Material Adverse Effect on Parent, Merger Sub I or Merger Sub II, as the case may be. Merger Sub I was formed for the sole purpose of effecting the Redomestication Merger and the Business Combination. Accordingly prior to the Effective Time, Merger Sub I had no material business, operations, property or assets. Merger Sub II was formed for the sole purpose of effecting the Business Combination. Accordingly, prior to the Business Combination Effective Time, Merger Sub II will have had no business, operations, property or assets. Each of Parent, Merger Sub I, and Merger Sub II has made available to the Company, a true and correct copy of the Certificate of Incorporation and the By-Laws, or other organizational documents thereof, as applicable, each as amended to date. As of the date hereof and as of the Effective Time, none of Parent, Merger Sub I or Merger Sub II is in violation of any of the provisions of its Certificate of Incorporation or bylaws, or organizational documents, as applicable. Except for Merger Sub I and Merger Sub II, Parent does not directly or indirectly own any equity or similar interest in, or any interest convertible or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity.

(b) Parent is the owner of all outstanding shares of capital stock of Merger Sub I and all such shares are duly authorized, validly issued, fully paid and nonassessable. All of the outstanding shares of capital stock of Merger Sub I are owned by Parent free and clear of all liens, charges, claims or encumbrances or rights of others. At the Effective Time, there will be no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued shares or other securities of Merger Sub I, or otherwise obligating Parent or Merger Sub I to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities.

(c) Merger Sub I is the owner of all outstanding shares of capital stock of Merger Sub II and such shares are duly authorized, validly issued, fully paid and nonassessable. All of the outstanding shares of Merger Sub II are owned by Merger Sub I free and clear of all liens, charges, claims or encumbrances or rights of others. At the Business Combination Effective Time, there will be no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued capital stock or other securities of Merger Sub II, or otherwise obligating Merger Sub I or Merger Sub II to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities.

4.2 Capital Structure.

(a) The authorized capital stock of Parent consists of 30,000,000 shares of common stock, $.0001, par value, and 1,000,000 shares of preferred stock, $.0001 par value, of which, as of the date hereof, there were issued and outstanding, 9,794,400 shares of common stock and no shares of preferred stock. There are no other outstanding shares or voting securities of the Parent and no outstanding commitments to issue any shares of capital stock or voting securities of the Parent after the date hereof, other than (i) pursuant to this Agreement, (ii) 8,044,400 shares of Parent Common Stock issuable upon the exercise of the Parent's Redeemable Common Stock Purchase Warrants ("Parent Warrants") issued in Parent's initial public offering ("IPO"), (iii) 1,820,000 shares of Parent Common Stock issuable upon the exercise of warrants issued to initial stockholders of Parent (the "Insider Warrants") and (iv) 600,000 shares of Parent Common Stock issuable upon the exercise of the unit purchase option granted by Parent to certain underwriters of its initial public offering and the Parent Warrants issuable thereunder (the "Underwriter Option"). All outstanding shares of Parent Common Stock are duly authorized, validly issued, fully paid and non-assessable and are free of any liens or encumbrances other than any liens or encumbrances created by or imposed upon the holders thereof, and are not subject to preemptive rights or rights of first refusal created by statute, the Certificate of Incorporation or bylaws of Parent or any agreement to which Parent is a party or by which it is bound. Parent has reserved 10,464,400 shares of common stock for issuance upon exercise of Parent Warrants and the Insider Warrants. Except for (i) the rights created pursuant to this Agreement, (ii) the Parent Warrants, (iii) the Insider Warrants, and (iv) the Underwriter Option, there are no other options, warrants, calls, rights, commitments or agreements of any character to which Parent is a party or by which it is bound obligating Parent to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of capital stock of Parent or obligating Parent to grant, extend, accelerate the vesting and/or repurchase rights of, change the price of, or otherwise amend or enter into any such option, warrant, call, right, commitment or agreement. Except for the obligation of Parent's initial stockholders to vote in accordance with the majority of the Parent's stockholders with respect to the Business Combination, there are no contracts, commitments or agreements relating to voting, purchase or sale of Parent's capital stock (i) between or among Parent and any of its stockholders and (ii) to the best of Parent's knowledge, between or among any of Parent's stockholders.

(b) The authorized shares of Merger Sub I consist of 75,000,000 shares, U.S. $0.0001 par value, of which there are issued and outstanding 100 shares, owned by Parent. There are no other issued and outstanding shares or voting securities and no outstanding commitments to issue any shares or voting securities of Merger Sub I, other than pursuant to this Agreement. The shares of China Networks Surviving Corporation to be issued in connection with the Redomestication Merger and the Business Combination, when issued, will be duly authorized, validly issued, fully paid and non-assessable, free of any liens or encumbrances.

(c) The authorized shares of Merger Sub II consist of 50,000 shares, U.S. $0.0001 par value, of which there are issued and outstanding one share owned by Merger Sub I. There are no other issued and outstanding shares or voting securities and no outstanding commitments to issue any shares of or voting securities of Merger Sub II.

4.3 Authority.

(a) Parent has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject only to the adoption of this Agreement and approval of the Business Combination by Parent's stockholders, as contemplated by Section 8.1. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent, subject only to the adoption of this Agreement, approval of the Merger and the Business Combination by Parent's stockholders, as contemplated by Section 8.1. This Agreement has been duly executed and delivered by Parent and constitutes the legal, valid and binding obligation of Parent, subject only to the adoption of this Agreement, approval of the Merger and the Business Combination by Parent's stockholders, as contemplated by Section 8.1, enforceable against Parent in accordance with its terms, except as enforceability may be limited by bankruptcy and other laws affecting the rights and remedies of creditors generally and general principles of equity.

(b) Merger Sub I has the requisite corporate power and authority to enter into this Agreement and the other agreements necessary and required to consummate the Redomestication Merger and the Business Combination, and has been duly authorized by all necessary corporate power on the part of Merger Sub I to consummate the Redomestication Merger and the Business Combination. The execution and delivery of this Agreement and the consummation of the Redomestication Merger and the Business Combination transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Merger Sub I, subject only to the adoption of this Agreement, approval of the Merger and the Business Combination by Parent's stockholders, as contemplated by Section 8.1. This Agreement has been duly executed and delivered by Merger Sub I and constitutes the legal, valid and binding obligation of Merger Sub I and is enforceable against Merger Sub I in accordance with its terms, except as enforceability may be limited by bankruptcy and other laws affecting the rights and remedies of creditors generally and general principles of equity.

(c) Merger Sub II has the requisite corporate power and authority to enter into this Agreement and the other agreements necessary and required to consummate the Business Combination, and has been duly authorized by all necessary corporate power on the part of Merger Sub II to consummate the Business Combination. The execution and delivery of this Agreement and the consummation of the Business Combination transactions contemplated hereby has been duly authorized by all necessary corporate action on the part of Merger Sub II, subject only to the adoption of this Agreement, approval of the Merger and the Business Combination by Parent's stockholders, as contemplated by Section 8.1. This Agreement has been duly executed and delivered by Merger Sub II and constitutes the legal, valid and binding obligation of Merger Sub II and is enforceable against Merger Sub II in accordance with its terms, except as enforceability may be limited by bankruptcy and other laws affecting the rights and remedies of creditors generally and general principles of equity.

4.4 No Conflict. The execution and delivery of this Agreement by Parent does not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any benefit under (a) any provision of the Certificate of Incorporation or bylaws of Parent, or any of its subsidiaries, as amended, or the organizational documents of Merger Sub I or Merger Sub II (b) any Law or Governmental Order or (c) any material mortgage, indenture, lease, contract or other agreement or instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent, Merger Sub I or Merger Sub II, or any of its subsidiaries or their properties or assets, except where such conflict, violation, default, termination, cancellation or acceleration with respect to the foregoing provisions of (c) would not have had and would not reasonably be expected to have a Material Adverse Effect on Parent, Merger Sub I or Merger Sub II.

4.5 Consents and Approval. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to Parent, Merger Sub I or Merger Sub II, or any of their respective subsidiaries in connection with the execution and delivery of this Agreement by Parent, the consummation by Parent and Merger Sub I of the Redomestication Merger, or the consummation by Merger Sub I and Merger Sub II of the Business Combination, contemplated hereby, except for (i) the filing of the Certificate of Merger as provided in Section 1.2; (ii) the filing of the Articles and Plan of Merger as provided in Section 1.2, (iii) the filing of the Business Combination Articles and Plan of Merger as provided in Section 2, (iv) the filing with, and clearance by the SEC of a Registration Statement on Form S-4 containing a merger proxy/prospectus (the “Merger Proxy/Prospectus”) pursuant to which Parent’s stockholders must vote at a special meeting of stockholders to approve, among other things this Agreement, the Redomestication Merger and the Business Combination; (v) the filing of a Form 8-K with the SEC within four (4) business days after each of (A) the execution of this Agreement and (B) the Closing Date; (vi) any filings as may be required under applicable state securities laws and the securities laws of any foreign country; (vii) any filings required with the ASE with respect to the shares of (A) Surviving Corporation Shares issuable upon conversion of the Company Securities in the Business Combination and (B) Surviving Corporation Shares issuable upon conversion of the Parent Common Stock in the Redomestication Merger; and (viii) such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, would not have a Material Adverse Effect on Parent or China Networks Surviving Corporation and would not reasonably be expected to prevent or materially alter or delay any of the transactions contemplated by this Agreement.

4.6 SEC Documents; Financial Statements. A true and complete copy of each statement, report, registration statement (with the prospectus in the form filed pursuant to Rule 424(b) of the Securities Act), definitive proxy statement, and other filings of Parent filed with the SEC by Parent since its inception have been, and, prior to the Business Combination Effective Time will be available to Company on the SEC's website at www.sec.gov, and at the Parent's executive offices, further, complete copies of any additional documents filed with the SEC by Parent prior to the Business Combination Effective Time will be available at www.sec.gov and at Parent's executive offices (collectively, the "Parent SEC Documents"). Parent has timely filed all forms, statements and documents required to be filed by it with the SEC since its inception. In addition, Parent has made available to Company all exhibits to the Parent SEC Documents filed prior to the date hereof, and will promptly make available to Company all exhibits to any additional Parent SEC Documents filed prior to the Business Combination Effective Time. All documents required to be filed as exhibits to the Parent SEC Documents have been so filed, and all material contracts so filed as exhibits are in full force and effect, except those that have expired in accordance with their terms, and neither Parent nor any of its subsidiaries is in material default thereunder. As of their respective filing dates, the Parent SEC Documents complied in all material respects with the requirements of the Exchange Act and the Securities Act, and none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except to the extent corrected by a subsequently filed Parent SEC Document. None of Parent's subsidiaries is required to file any forms, reports or other documents with the SEC. The financial statements of Parent, including the notes thereto, included in the Parent SEC Documents (the "Parent Financial Statements") were complete and correct in all material respects as of their respective dates, complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto as of their respective dates, and have been prepared in accordance with GAAP applied on a basis consistent throughout the periods indicated and consistent with each other (except as may be indicated in the notes thereto or, in the case of unaudited statements included in Quarterly Reports on Form 10-QSB, as permitted by Form 10-QSB of the SEC). The Parent Financial Statements fairly present the consolidated financial condition and operating results of Parent and its subsidiaries at the dates and during the periods indicated therein (subject, in the case of unaudited statements, to normal, recurring year-end adjustments).

4.7 Sarbanes-Oxley Act of 2002. Parent is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") applicable to it as of the date hereof and the Business Combination Effective Time. There has been no change in Parent's accounting policies since its inception except as described in the notes to the Parent Financial Statements. Each required form, report and document containing financial statements that has been filed with or submitted to the SEC since inception, was accompanied by the certifications required to be filed or submitted by Parent's chief executive officer and chief financial officer pursuant to the Sarbanes-Oxley Act, and at the time of filing or submission of each such certification, such certification was true and accurate and materially complied with the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder. Neither Parent nor, to the knowledge of the Parent, any director, officer, employee, auditor, accountant or representative of Parent or any of its subsidiaries has received or otherwise had or obtained knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Parent or their respective internal accounting controls, including any complaint, allegation, assertion or claim that Parent has engaged in questionable accounting or auditing practices, except for (A) any complaint, allegation, assertion or claim as has been resolved without any resulting change to Parent's accounting or auditing practices, procedures methodologies or methods of Parent or its internal accounting controls and (b) questions regarding such matters raised and resolved in the ordinary course in connection with the preparation and review of Parent's financial statements and periodic reports. To the knowledge of Parent, no attorney representing Parent, whether or not employed by Parent, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by Parent or any of its officers, directors, employees or agents to the Board of Directors of Parent ("Parent Board") or any committee thereof or to any director or officer of Parent. To the knowledge of Parent, no employee of Parent has provided or is providing information to any law enforcement agency regarding the commission or possible commission of any crime or the violation or possible violation of any applicable law.

4.8 Absence of Certain Changes. Since December 31, 2007 (the "Parent Balance Sheet Date"), Parent has conducted its business in the ordinary course consistent with past practice and there has not occurred: (i) any change, event or condition (whether or not covered by insurance) that has resulted in, or is reasonably likely to result in, or to the best of Parent's knowledge any event beyond Parent's control that is reasonably likely to result in, a Material Adverse Effect to Parent; (ii) any acquisition, sale or transfer of any material asset of Parent or any of its subsidiaries other than in the ordinary course of business and consistent with past practice; (iii) any change in accounting methods or practices (including any change in depreciation or amortization policies or rates) by Parent or any revaluation by Parent of any of its or any of its subsidiaries' assets; (iv) any declaration, setting aside, or payment of a dividend or other distribution with respect to the shares of Parent, or any direct or indirect redemption, purchase or other acquisition by Parent of any of its shares of capital stock; (v) other than this Agreement, any material contract entered into by Parent or any of its subsidiaries, other than in the ordinary course of business and as provided to Company, or any amendment or termination of, or default under, any material contract to which Parent or any of its subsidiaries is a party or by which it is bound; (vi) any amendment or change to Parent's Certificate of Incorporation or bylaws; or (vii) any increase in or modification of the compensation or benefits payable, or to become payable, by Parent to any of its directors or employees, other than pursuant to scheduled annual performance reviews, provided that any resulting modifications are in the ordinary course of business and consistent with Parent's past practices. Parent has not agreed since December 31, 2007 to do any of the things described in the preceding clauses (i) through (vii) and is not currently involved in any negotiations to take any of the actions described in the preceding clauses (i) through (vii) (other than negotiations with the Company and its representatives regarding the transactions contemplated by this Agreement).

4.9 Absence of Undisclosed Liabilities. Parent has no material obligations or liabilities of any nature (matured or unmatured, known or unknown, fixed or contingent) other than (i) those set forth or adequately provided for in the Balance Sheet included in Parent's Quarterly Report on Form 10-QSB for the period ended December 31, 2007 (the "Parent Balance Sheet"), (ii) those incurred in the ordinary course of business and not required to be set forth in the Parent Balance Sheet under GAAP, (iii) those incurred in the ordinary course of business since the Parent Balance Sheet date and not reasonably likely to have a Material Adverse Effect on Parent and (iv) those incurred in connection with this Agreement.

4.10 Litigation. There is no private or governmental action, suit, proceeding, claim, arbitration, audit or investigation pending before any agency, court or tribunal, foreign or domestic, or, to the knowledge of Parent or any of its subsidiaries, threatened against Parent or any of its subsidiaries or any of their respective properties or any of their respective officers or directors (in their capacities as such). There is no injunction, judgment, decree, order or regulatory restriction imposed upon Parent or any of its subsidiaries or any of their respective assets or business, or, to the knowledge of Parent and its subsidiaries, any of their respective directors or officers (in their capacities as such).

4.11 Restrictions on Business Activities. Except as may be contemplated by this Agreement, there is no agreement, judgment, injunction, order or decree binding upon Parent or any of its subsidiaries which has or reasonably would be expected to have the effect of prohibiting or materially impairing any business practice of Parent, or its subsidiaries, any acquisition of property by Parent, or its subsidiaries, or the conduct of business by Parent, its subsidiaries.

4.12 No Interest in Property. Except as set forth on Schedule 4.12, Parent, Merger Sub I and Merger Sub II do not have any interest in any real property, tangible personal property and/or intellectual property as an owner, licensee, lessee or tenant (as applicable).

4.13 Employee Benefit Plans. Parent does not maintain and has not maintained any employee compensation, incentive, fringe or benefit plans, programs, policies, commitments or other arrangements (whether or not set forth in a written document) covering any active or former employee, director or consultant of Parent, or any trade or business (whether or not incorporated) which is under common control with Parent, with respect to which the Parent has or would reasonably be expected to have liability. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will result in any payment (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any stockholder, director or employee of Parent.

4.14 Labor Matters. Parent is not a party to any collective bargaining agreement or other labor union contract applicable to persons employed by Parent nor does Parent know of any activities or proceedings of any labor union to organize any such employees.

4.15 Interested Party Transactions. Except as disclosed in the Parent SEC Documents, Parent is not indebted to any director or officer of Parent (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses), and no such person is indebted to Parent, and there are no other transactions of the type required to be disclosed pursuant to Items 402 or 404 of Regulation S-K under the Securities Act and the Exchange Act.

4.16 Insurance. Parent maintains no insurance of any kind, other than directors and officers liability coverage in the amount of $5,000,000.

4.17 Compliance With Laws. Parent, Merger Sub I and Merger Sub II have complied with, are not in violation of, and have not received any notices of violation with respect to, any Law applicable thereto or to the conduct, ownership or operation of their respective businesses, except for such violations or failures to comply as would not be reasonably expected to have a Material Adverse Effect on the Parent.

4.18 Brokers' and Finders' Fees. Parent has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any transaction contemplated hereby other than fees payable to Chardan Capital Markets, LLC ("Chardan") and SMH Capital Inc., except as disclosed by the Parent to the Company or its representatives or to any of the Principal Shareholders with respect to such liability or charges prior to the date hereof and as approved by the Company or any Principal Shareholder following the date hereof.

4.19 Minute Books. The minute books of Parent made available to Company contain in all material respects a complete and accurate summary of all meetings of directors and stockholders or actions by written consent of Parent since inception and through the date of this Agreement, and reflect all transactions referred to in such minutes accurately in all material respects.

4.20 Vote Required. The approval of Parent's and Merger Sub I's Board of Directors, the affirmative vote of the sole stockholder of Merger Sub II and the approval of Parent's stockholders in accordance with Section 8.1 hereof, are the only approvals or votes necessary to approve this Agreement, the Redomestication Merger and the Business Combination and the transactions contemplated hereby.

4.21 Board Approval. The Parent Board has approved this Agreement, the Redomestication Merger and the Business Combination and determined that this Agreement, the Redomestication Merger and the Business Combination are in the best interests of the Parent, Merger Sub I and Merger Sub II. The Parent Board has determined that the fair market value of the Company is equal to at least 80% of the Parent's assets. The Board of Directors of Merger Sub I has approved this Agreement, the Redomestication Merger and the Business Combination and shall have recommended to the sole stockholder of Merger Sub I to approve this Agreement, the Redomestication Merger and the Business Combination. The Board of Directors of Merger Sub II has approved this Agreement and the Business Combination and shall have recommended to Merger Sub I to approve this Agreement and the Business Combination.

4.22 ASE Quotation. Parent Common Stock is listed on the ASE. There is no action or proceeding pending or, to Parent's knowledge, threatened against Parent by ASE to prohibit or terminate the listing of Parent Common Stock on the ASE. The Parent Common Stock is registered pursuant to Section 12(b) of the Exchange Act and Parent has taken no action designed to, or which is likely to have the effect of, terminating the registration of the Parent Common Stock under the Exchange Act nor has Parent received any notification that the SEC is contemplating terminating such registration.

4.23 Trust Account Funds. As of December 31, 2007, there was $63,154,286, including interest thereon, held in the trust account established in connection with Parent's IPO (the "Trust Account") for use by the Parent in connection with a business combination as set forth in Parent's Certificate of Incorporation. Amounts in the Trust Account are invested in U.S. Government securities or in money market funds meeting the conditions of Rule 2a-7 of the Investment Company Act of 1940, as amended.

4.24 Representations Complete. None of the representations or warranties made by Parent herein or in any Parent Disclosure Schedule, or certificate furnished by Parent pursuant to this Agreement, or the Parent SEC Documents, when all such documents are read together in their entirety, contains or will contain at the Business Combination Effective Time any untrue statement of a material fact, or omits or will omit at the Business Combination Effective Time to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which made, not misleading.

ARTICLE V

CONDUCT PRIOR TO THE BUSINESS COMBINATION EFFECTIVE TIME

5.1 Conduct of Business. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Business Combination Effective Time, each of Parent and the Company agree (except to the extent expressly contemplated by this Agreement or as consented to in writing by the other party), to carry on its and its subsidiaries' business, in the ordinary course in substantially the same manner as heretofore conducted, to pay and to cause its subsidiaries to pay debts and Taxes when due subject to good faith disputes over such debts or taxes, to pay or perform other obligations when due, and to use all reasonable efforts consistent with past practice and policies to preserve intact its and its subsidiaries' present business organizations, use its reasonable best efforts consistent with past practice to keep available the services of its, and in the case of the Company, its subsidiaries' present officers and key employees and use its reasonable best efforts consistent with past practice to preserve its and its Subsidiaries' relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with it, and its Subsidiaries, to the end that its and its subsidiaries' goodwill and ongoing businesses shall be unimpaired at the Business Combination Effective Time. Each of Parent and the Company agrees to promptly notify the other of any material event or occurrence not in the ordinary course of its business and the business of its subsidiaries, and of any event that would have a Material Adverse Effect on Parent or the Company.

5.2 Restrictions on Conduct of Business. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Business Combination Effective Time, except as expressly contemplated by this Agreement, none of Parent or the Company shall do, cause or permit any of the following, or allow, cause or permit any of its subsidiaries, to do, cause or permit any of the following, without the prior written consent of the other:

(a) Charter Documents. Cause or permit any amendments to its Certificate of Incorporation, bylaws, MOA or other equivalent organizational documents, other than pursuant to the Continuation (as defined below);

(b) Dividends; Changes in Capital Stock. Declare or pay any dividends on or make any other distributions (whether in cash, stock or property) in respect of any of its capital stock, or split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or repurchase or otherwise acquire, directly or indirectly, any shares of its capital stock;

(c) Material Contracts. Enter into any new material contract, or violate, amend or otherwise modify or waive any of the terms of any existing material contract, other than upon prior consultation with, and prior written consent (which shall not be unreasonably withheld) of the other parties to this Agreement, or specifically in the event of future acquisitions of businesses by the Company, upon prior written consent of the Parent;

(d) Issuance of Securities. Except pursuant to the Financing or the Continuation, issue, deliver or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any such shares or other convertible securities;

(e) Intellectual Property. Transfer or license to any person or entity any rights to any Intellectual Property other than the license of non-exclusive rights to Intellectual Property for use by the Company or any subsidiary in its business in the ordinary course of business consistent with past practice;

(f) Dispositions. Sell, lease, license or otherwise dispose of or encumber any of its properties or assets which are material, individually or in the aggregate, to its and its Subsidiaries' business, taken as a whole, except in the ordinary course of business consistent with past practice;

(g) Indebtedness. Except in its ordinary course of business, and pursuant to the Financing, incur any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or guarantee any debt securities of others in excess of $100,000 in the aggregate;

(h) Payment of Obligations. Pay, discharge or satisfy in an amount in excess of $100,000 in any one case, any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise) arising other than (i) in the ordinary course of business, and (ii) with respect to the Parent, the payment, discharge or satisfaction of liabilities reflected or reserved against in the Parent Financial Statements;

(i) Capital Expenditures. Make any capital expenditures, capital additions or capital improvements except in the ordinary course of business and consistent with past practice that do not exceed $100,000 individually or in the aggregate;

(j) Acquisitions. Acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire any assets which are material, individually or in the aggregate, to its and its Subsidiaries' business, taken as a whole, or acquire any equity securities of any corporation, partnership, association or business organization, other than future acquisitions of a television station or advertising operating business by the Company in China, upon prior written consent of the Parent, not to be unreasonably withheld or delayed;

(k) Taxes. In the case of the Company or its Subsidiaries, change any election in respect of Taxes, change any accounting method in respect of Taxes, file any amendment to a Tax Return, enter into any closing agreement, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes;

(l) Accounting Policies and Procedures. Make any change to its financial accounting methods, principles, policies, procedures or practices, except as may be required by GAAP, Regulation S-X promulgated by the SEC or applicable statutory accounting principles;

(m) Other. Take or agree in writing or otherwise to take, any of the actions described in Sections 5.2(a) through (l) above, or any action which would make any of its representations or warranties contained in this Agreement untrue or incorrect or prevent it from performing or cause it not to perform its covenants hereunder;

provided however , that from the date hereof until July 15, 2008, none of the foregoing Sections 5.2(a) through (l) shall in any way limit or restrict any action taken by the Company or any Subsidiary to enter into any framework agreements or joint venture agreements with television stations or advertising operating businesses located in the PRC (the “Initial Acquisitions”).

5.3 Joint Ventures and Framework Agreements.

(a) From and after the date hereof until the Closing Date, the Company shall use its commercially reasonable efforts to consummate the joint ventures contemplated by each Framework Agreement on substantially the terms and conditions set forth therein.

(b) From and after the date hereof until the Closing Date, the Company shall use its commercially reasonable efforts to enter into additional framework agreements and joint ventures with television stations located in the PRC on terms and conditions comparable to those set forth in the Framework Agreements, in each case subject to the prior written approval of Parent, not to be unreasonably withheld or delayed.

ARTICLE VI

COVENANTS

6.1 Merger Proxy/Prospectus; Special Meeting.

(a) As soon as is reasonably practicable after receipt by Parent from the Company of all financial and other information required in a Registration Statement on Form S-4, containing the Merger Proxy/ Prospectus, Parent shall prepare and file with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), and with all other applicable regulatory bodies, the Registration Statement for the purpose of soliciting proxies from holders of Parent Common Stock to vote at a special meeting of the stockholders of Parent (the "Special Meeting") in favor of (i) the adoption of this Agreement and the approval of the Business Combination, whereby the Company will become a wholly-owned subsidiary of the China Networks Surviving Corporation (the "Business Combination Proposal"), (ii) the approval of the Redomestication Merger for the purpose of redomesticating the Parent to the British Virgin Islands, and in connection with such merger changing the Parent's name to China Networks International Holdings, Ltd. (the "Redomestication Proposal"), and (iii) to adopt an equity incentive plan in the form of the Incentive Stock Option Plan (the "Incentive Plan Proposal"). The effectiveness of the Business Combination shall be conditioned upon the approval of the Redomestication Proposal, and the effectiveness of the Redomestication Merger shall be conditioned upon the approval of the Business Combination Proposal. The approval of the Incentive Plan Proposal shall not be a condition to the consummation of the Redomestication Merger or the Business Combination. Such materials shall be in the form of the Merger Proxy/Prospectus to be used for the purpose of soliciting such proxies from holders of Parent Common Stock and registering the Surviving Corporation Shares to be issued, upon consummation of the Redomestication Merger, in exchange for the Parent Common Stock outstanding immediately prior to the Redomestication Merger. The Merger Proxy/Prospectus shall include the registration of the shares underlying the Surviving Corporation Stock Rights to be issued in connection with the Business Combination. The Company shall furnish to Parent all information concerning the Company and its Subsidiaries and their business required to be set forth in the Merger Proxy/Prospectus. The Company and its counsel shall be given an opportunity to review and comment on the Merger Proxy/Prospectus prior to its filing with the SEC. Parent, with the assistance of the Company, shall promptly respond to any SEC comments on the Merger Proxy/Prospectus and shall otherwise use commercially reasonable efforts to complete the SEC review process as promptly as practicable. Parent shall retain a reputable proxy solicitation firm.

(b) As soon as practicable following the completion of the SEC review process, Parent shall distribute the Merger Proxy/Prospectus to the holders of Parent Common Stock and, pursuant thereto, shall call the Special Meeting in accordance with Delaware Law and, subject to the other provisions of this Agreement, solicit proxies from such holders to vote in favor of the adoption of this Agreement and the approval of the Merger and the other matters presented to the stockholders of Parent for approval or adoption at the Special Meeting.

(c) Parent shall comply in all material respects with the applicable provisions of and rules under the Securities Act, Exchange Act and the applicable provisions of the Delaware Law in the preparation, filing and distribution of the Merger Proxy/Prospectus, the solicitation of proxies thereunder, and the calling and holding of the Special Meeting (provided that Parent shall not be responsible for the accuracy or completeness of any information relating to the Company or its Subsidiaries and their business or any other information specifically furnished by the Company in writing for inclusion in the Merger Proxy/Prospectus). Without limiting the foregoing, Parent shall ensure that the Merger Proxy/Prospectus does not, as of the date on which it is first distributed to stockholders of Parent, and as of the date of the Special Meeting, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading (provided that Parent shall not be responsible for the accuracy or completeness of any information relating to the Company or its Subsidiaries and their business or any other information specifically furnished by the Company in writing for inclusion in the Merger Proxy/Prospectus). The Company represents and warrants that the information relating to the Company and its Subsidiaries and their business specifically supplied in writing by the Company for inclusion in the Merger Proxy/Prospectus will not as of the date on which the Merger Proxy/Prospectus (or any amendment or supplement thereto) is first distributed to stockholders of Parent or at the time of the Special Meeting contain any statement which, at such time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omits to state any material fact required to be stated therein or necessary in order to make the statement therein not false or misleading. The Company shall in good faith provide Parent with a letter, dated the date of the Merger Proxy/Prospectus and in form and substance reasonably acceptable to Parent, attaching the Merger Proxy/Prospectus and confirming that all the information included in the Merger Proxy/Prospectus has been specifically furnished by the Company in writing for inclusion therein. Any subsequent changes to such sections of the Merger Proxy/Prospectus without the consent of the Company shall be the responsibility of Parent.

6.2 Form 8-K. At least five (5) days prior to Closing, Parent shall prepare a draft Form 8-K announcing the Closing, together with, or incorporating by reference, the financial statements prepared by the Company and its accountant, and such other information that may be required to be disclosed with respect to the Merger in any report or form to be filed with the SEC ("Merger Form 8-K"), which shall be in a form reasonably acceptable to the Company. Prior to Closing, Parent and the Company will prepare the press release announcing the consummation of the Merger hereunder ("Press Release"). Simultaneously with the Closing, Parent shall file and distribute the Press Release. Within four (4) business days of the Closing, Parent shall file the Merger Form 8-K with the SEC.

6.3 Action of Company's Shareholders.

(a) The Company shall within five Business Days after the date hereof, take all action necessary in accordance with BVI Law and its MOA and by-laws and shall use its reasonable best efforts to secure the vote or consent of shareholders required to effect the Business Combination from and after the execution of this Agreement.

(b) Until the termination of this Agreement pursuant to Section 11 below, at every meeting of the shareholders of the Company called with respect to any of the following, and at every adjournment thereof, and on every action or approval by written consent of the shareholders of the Company with respect to any of the following, each Principal Shareholder shall cause the Company Securities held by such Principal Shareholder to be voted (i) in favor of adoption and approval of this Agreement and approval of the Business Combination and (ii) against approval of (A) any proposal made in opposition to or in competition with consummation of the Business Combination, (B) any merger, consolidation, sale of assets, reorganization or recapitalization with any party other than Parent or its affiliates, (C) any liquidation or winding up of the Company and (D) any other proposal having the intent of hindering or delaying the consummation of the Business Combination. Until the termination of this Agreement pursuant to Section 11.1 below, each Principal Shareholder agrees not to transfer any Company Securities, unless each transferee to which any of such Company Securities, or any interest in any of such Company Securities, is or may be transferred shall have executed an agreement in form and substance reasonably satisfactory to Parent requiring such transferee to abide by the covenants contained in this Section 6.3 on the same basis as each Principal Shareholder.

6.4 Employment Agreements. Parent and Li Shuangqing shall use reasonable efforts to agree upon definitive terms with respect to the employment agreement to be executed, by each of them, as a condition to the Closing.

6.5 Registration Rights Agreement. The Parent and the Principal Shareholders shall use reasonable efforts to agree upon definitive terms with respect to the Registration Rights Agreement to be executed as a condition to the Closing and generally reflecting the matters referred to in Section 9.1 hereof.

6.6 Fiscal Year. Prior to the Business Combination Effective Time, or as soon as practicable thereafter, the Parent shall change its fiscal year end to December 31.

ARTICLE VII

ADDITIONAL AGREEMENTS

7.1 No Claim Against Trust Account. The Company and each Principal Shareholder hereby waives all rights against Parent to collect from the Trust Account any moneys that may be owed to the Company or any Principal Shareholder by Parent for any reason whatsoever, including but not limited to a breach of this Agreement by Parent or any negotiations, agreements or understandings with Parent (other than as a result of the consummation of the Business Combination, pursuant to which the Company would have the right to collect certain of the monies in the Trust Account), and will not seek recourse against the Trust Account for any reason whatsoever.

7.2 Access to Information.

(a) Except as prohibited by applicable law, each of Parent and Company shall afford the other and its accountants, counsel and other representatives (the “Representatives”), reasonable access during normal business hours during the period prior to the Business Combination Effective Time to (i) all of such party’s and its Subsidiaries’ properties, books, contracts, commitments and records, and (ii) all other information concerning the business, properties and personnel of such party and its Subsidiaries as the other party may reasonably request. Each of Parent and Company agrees to provide to the other and its accountants, counsel and other representatives copies of internal financial statements promptly upon request.

(b) Subject to compliance with applicable law, from the date hereof until the Effective Time, each of Parent and Company shall confer on a regular and frequent basis with one or more representatives of the other party to report operational matters of materiality and the general status of ongoing operations.

(c) No information or knowledge obtained in any investigation pursuant to this Section 7.2 or otherwise shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the parties to consummate the Merger.

(d) Each of Parent and Company shall provide the other, and the Company shall cause each of the Subsidiaries to provide Parent and its Representatives reasonable access, during normal business hours during the period prior to the Effective Time, to all of such party’s and its Subsidiaries’ Tax Returns and other records and workpapers relating to Taxes, and shall also provide the following information upon the request of the other party: (i) a schedule of the types of Tax Returns filed by Parent or Company, as applicable, and in the case of the Company, each of its Subsidiaries in each taxing jurisdiction, (ii) a schedule of the year of the commencement of the filing of each such type of Tax Return, (iii) a schedule of all closed years with respect to each such type of Tax Return filed in each jurisdiction, (iv) a schedule of all Tax elections filed in each jurisdiction by Parent or Company, as applicable, and each of the Subsidiaries, and (v) receipts or other appropriate evidence for any Taxes paid to foreign Tax authorities.

7.3 Confidential Information; Non-Solicitation or Negotiation.

(a) Confidential Information. Except in connection with any dispute between the parties and subject to any obligation to comply with (i) any applicable law, (ii) any rule or regulation of any Governmental Entity or securities exchange, or (iii) any subpoena or other legal process to make information available to the persons entitled thereto, whether or not the transactions contemplated herein shall be concluded, all information obtained by any party about any other, and all of the terms and conditions of this Agreement, shall be kept in confidence by each party, and each party shall cause its stockholders, directors, officers, managers, employees, agents and attorneys to hold such information confidential. Such confidentiality shall be maintained to the same degree as such party maintains its own confidential information and shall be maintained until such time, if any, as any such data or information either is, or becomes, published or a matter of public knowledge; provided, however, that the foregoing shall not apply to any information obtained by a party from a source not known by such party to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the other party, nor to any information obtained by a party which is generally known to others engaged in the trade or business of such party. In the event a party to this Agreement becomes legally compelled to disclose any such information, it shall promptly provide the others with written notice of such requirement so that the other parties to this Agreement may seek a protective order or other remedy. If this Agreement shall be terminated for any reason, the parties shall return or cause to be returned to the others all written data, information, files, records and copies of documents, worksheets and other materials obtained by such parties in connection with this Agreement.

(b) No Solicitation or Negotiation by Parent. Unless and until this Agreement is terminated, from and after July 15, 2008 Parent and Merger Sub I shall not suffer or permit their directors, officers, stockholders, employees, representatives, agents, investment bankers, advisors, accountants or attorneys of Parent or Merger Sub I, to initiate or solicit, directly or indirectly, any inquiries or the making of any offer or proposal that constitutes or would be reasonably expected to lead to a proposal or offer (other than by the Company) for a stock purchase, asset acquisition, merger, consolidation or other business combination involving Parent or Merger Sub I or any proposal to acquire in any manner a direct or indirect substantial equity interest in, or all or any substantial part of the assets of, Parent or Merger Sub I (an “Alternative Proposal”) from any person and/or entity, or engage in negotiations or discussions relating thereto or accept any Alternative Proposal, or make or authorize any statement, recommendation or solicitation in support of any Alternative Proposal. Parent shall notify the Company orally and in writing of the receipt of any such inquiries, offers or proposals (including the terms and conditions of any such offer or proposal, the identity of the person and/or entity making it and a copy of any written Alternative Proposal), as promptly as practicable and in any event within 48 hours after the receipt thereof, and shall keep the Company informed of the status and details of any such inquiry, offer or proposal. Parent and Merger Sub I shall immediately terminate any existing solicitation, activity, discussion or negotiation with any person and/or entity hereafter conducted by them or by any officer, employee, director, stockholder or other representative thereof with respect to the foregoing. Notwithstanding the foregoing, if the Parent Board determines, in its good faith judgment and based upon written advice from its legal counsel (who may be Parent's regularly engaged legal counsel), that it is required to make a change in its recommendation regarding the Business Combination or the Redomestication Merger to comply with its fiduciary obligations to the Parent and its stockholders under applicable Law, the Parent Board may make a change in its recommendation, including recommending that stockholders vote against the Business Combination and the Redomestication Merger. No disclosure that Parent Board may determine in good faith (upon written advice from its legal counsel, who may be Parent's regularly engaged counsel) that it or Parent is required to make under applicable Law will constitute a violation of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, the obligation of Parent to call, give notice of, convene and hold the Special Meeting shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission to it of any Alternative Proposal, or by any change in the Parent Board recommendation regarding the Business Combination or the Redomestication Merger.

Notwithstanding the preceding paragraph, prior to the satisfaction of the condition set forth in Section 8.1(l)(i), the Parent or its representatives may furnish information with respect to the Parent and its business and operations, and negotiate or otherwise engage in discussions with, any person that has made, after the date hereof, an unsolicited and bona fide written Alternative Proposal, if and only to the extent that (i) such Alternative Proposal did not result from or arise from the breach of the obligations of the Parent set forth in the first sentence of the preceding paragraph, and (ii) the Parent Board determines in good faith, based upon written advice received from counsel (who may be Parent's regularly engaged counsel), that (x) such Alternative Proposal is, or is reasonably likely to lead to, a Superior Proposal (as defined below) and (y) the failure to do so would be inconsistent with its fiduciary duties under applicable Law. For purposes of the foregoing, "Superior Proposal" means any bona fide written Alternative Proposal that did not result from a breach of this Section 7.3(b) by the Parent and on terms that the Parent Board determines in good faith (based upon written advice from its financial advisor), to be more favorable to the stockholders of the Parent from a financial point of view than the Business Combination, taking into account all the terms and conditions of such proposal and this Agreement (including any changes to the terms of this Agreement proposed by the Company in good faith to the Parent in response to such proposal or otherwise).

(c) No Solicitation or Negotiation by Company or the Principal Shareholders. Unless and until this Agreement is terminated, the Company and the Principal Shareholders (which solely and exclusively for purposes of this Section 7.3 shall be deemed to include Li Shuangqing) shall not and shall not suffer or permit their directors, officers, stockholders, employees, representatives, agents, investment bankers, advisors, accountants or attorneys of the Company, to initiate or solicit, directly or indirectly, any inquiries or the making of any offer or proposal that constitutes or would be reasonably expected to lead to a proposal or offer (other than by the Parent) for an stock purchase, asset acquisition, merger, consolidation or other business combination involving the Company or any proposal to acquire in any manner a direct or indirect substantial equity interest in, or all or any substantial part of the assets of, the Company (a "Company Alternative Proposal") from any person and/or entity, or engage in negotiations or discussions relating thereto or accept any Company Alternative Proposal, or make or authorize any statement, recommendation or solicitation in support of any Company Alternative Proposal. The Company and the Principal Shareholders shall notify the Parent of the receipt of any such inquiries, offers or proposals (including the terms and conditions of any such offer or proposal, the identity of the person and/or entity making it and a copy of any written Company Alternative Proposal), as promptly as practicable, and shall keep the Parent informed of the status and details of any such inquiry, offer or proposal. The Company and the Principal Shareholders shall immediately terminate any existing solicitation, activity, discussion or negotiation with any person and/or entity hereafter conducted by them or by any officer, employee, director, stockholder or other representative thereof with respect to the foregoing.

7.4 Public Disclosure. Unless otherwise permitted by this Agreement, Parent and Company shall consult with each other before issuing any press release or otherwise making any public statement or making any other public (or non-confidential) disclosure (whether or not in response to an inquiry) regarding the terms of this Agreement and the transactions contemplated hereby, and neither shall issue any such press release or make any such statement or disclosure without the prior approval of the other (which approval shall not be unreasonably withheld), except as may be required by law, in which case the party proposing to issue such press release or make such public statement or disclosure shall use its commercially reasonable efforts to consult with the other party before issuing such press release or making such public statement or disclosure.

7.5 Consents; Cooperation.

(a) Each of Parent and Merger Sub I shall promptly apply for or otherwise seek, and use its reasonable best efforts to obtain, all consents and approvals required to be obtained by it for the consummation of the Redomestication Merger.

(b) Each of Parent, Merger Sub II and Company shall promptly apply for or otherwise seek, and use its reasonable best efforts to obtain, all consents and approvals required to be obtained by it for the consummation of the Business Combination. Company shall use its reasonable best efforts to obtain all necessary consents, waivers and approvals under any of its Material Company Contracts in connection with the Business Combination for the assignment thereof or otherwise.

(c) Notwithstanding anything to the contrary in Section 7.5(a), (i) neither Parent nor any of it subsidiaries shall be required to divest any of their respective businesses, product lines or assets, or to take or agree to take any other action or agree to any limitation on its operations that would reasonably be expected to have a Material Adverse Effect on Parent or of Parent combined with the China Networks II Surviving Corporation after the Business Combination Effective Time and (ii) neither Company nor its subsidiaries shall be required to divest any of their respective businesses, product lines or assets, or to take or agree to take any other action or agree to any limitation that would reasonably be expected to have a Material Adverse Effect on Company.

7.6 Legal Requirements. Each of Parent, Merger Sub I, Merger Sub II and the Company will, and will cause their respective subsidiaries to, take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on them with respect to the consummation of the transactions contemplated by this Agreement and will promptly cooperate with and furnish information to any party hereto necessary in connection with any such requirements imposed upon such other party in connection with the consummation of the transactions contemplated by this Agreement and will take all reasonable actions necessary to obtain (and will cooperate with the other parties hereto in obtaining) any consent, approval, order or authorization of, or any registration, declaration or filing with, any Governmental Entity or other person, required to be obtained or made in connection with the taking of any action contemplated by this Agreement.

7.7 Blue Sky Laws. Parent shall use its reasonable best efforts to comply with the securities and blue sky laws of all jurisdictions which are applicable to the issuance of the Parent Common Stock and other securities of Parent in connection with the Redomestication Merger and the Business Combination. The Company shall use its reasonable best efforts to assist Parent as may be necessary to comply with the securities and blue sky laws of all jurisdictions which are applicable in connection with the issuance of Parent Common Stock and other securities of Parent in connection with the Redomestication Merger and the Business Combination.

7.8 Indemnification.

(a) After the Business Combination Effective Time, China Networks Surviving Corporation will fulfill and honor in all respects the obligations of the Company pursuant to the indemnification provisions of the Company’s MOA, in each case as in effect on the date hereof; provided that such indemnification shall be subject to any limitation imposed from time to time under applicable law. Without limitation of the foregoing, in the event any person so indemnified (a “Company Indemnified Party”) is or becomes involved in any capacity in any action, proceeding or investigation in connection with any matter relating to this Agreement or the transactions contemplated hereby occurring on or prior to the Business Combination Effective Time, China Networks Surviving Corporation shall, or shall cause the China Networks II Surviving Corporation to, pay as incurred such Company Indemnified Party’s reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith to the fullest extent permitted by BVI Law. Any Company Indemnified Party wishing to claim indemnification under this Section 7.8, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify Parent and the China Networks II Surviving Corporation.

(b) To the extent there is any claim, action, suit, proceeding or investigation (whether arising before or after the Business Combination Effective Time) against a Company Indemnified Party that arises out of or pertains to any action or omission in his or her capacity as director, officer, employee, fiduciary or agent of the Company occurring prior to the Business Combination Effective Time, or arises out of or pertains to the transactions contemplated by this Agreement for a period lasting until the expiration of five years after the Business Combination Effective Time (whether arising before or after the Business Combination Effective Time), in each case for which such Company Indemnified Party is indemnified under this Section 7.8, such Company Indemnified Party shall be entitled to be represented by counsel, which counsel shall be counsel of Parent (provided that if use of counsel of China Networks Surviving Corporation would be expected under applicable standards of professional conduct to give rise to a conflict between the position of the Company Indemnified Person and of China Networks Surviving Corporation, the Company Indemnified Party shall be entitled instead to be represented by counsel selected by the Company Indemnified Party and reasonably acceptable to China Networks Surviving Corporation) and, following the Business Combination Effective Time, China Networks II Surviving Corporation and China Networks Surviving Corporation shall pay the reasonable fees and expenses of such counsel, promptly after statements therefor are received and China Networks II Surviving Corporation and China Networks Surviving Corporation will cooperate in the defense of any such matter; provided, however, that neither the China Networks II Surviving Corporation nor China Networks Surviving Corporation shall be liable for any settlement effected without its written consent; and provided, further, that, in the event that any claim or claims for indemnification are asserted or made prior to the expiration of such five year period, all rights to indemnification in respect to any such claim or claims shall continue until the disposition of any and all such claims. The Company Indemnified Parties as a group may retain only one law firm (in addition to local counsel) to represent them with respect to any single action unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the position of any two or more Company Indemnified Parties.

(c) The provisions of this Section 7.8 are intended to be for the benefit of, and shall be enforceable by, each Company Indemnified Party, his or her heirs and representatives.

7.9 Best Efforts and Further Assurances. Each of the parties to this Agreement shall use its commercially reasonable best efforts to effectuate the transactions contemplated hereby and to fulfill and cause to be fulfilled the conditions to closing under this Agreement. Each party hereto, at the reasonable request of another party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of this Agreement and the transactions contemplated hereby.

ARTICLE VIII

CONDITIONS TO THE BUSINESS COMBINATION

8.1 Conditions Precedent to the Obligation of the Parent to Consummate the Business Combination

The obligations of Parent to consummate and effect this Agreement and the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Business Combination Effective Time of each of the following conditions, (any of which may be waived, in writing, by Parent, with the exception of the conditions set forth in Sections 8.1(a), (b), (c)and (d) :

(a) Business Combination Proposal. The Business Combination Proposal shall have been duly approved and adopted by the stockholders of Parent by the requisite vote under the Parent's Certificate of Incorporation.

(b) Parent Common Stock. Holders of less than thirty percent (30%) of the shares of Parent Common Stock issued in Parent's IPO outstanding immediately before the Closing shall have exercised their rights to convert their shares into a pro rata share of the Trust Account in accordance with the Parent's Certificate of Incorporation.

(c) Redomestication Proposal. The Redomestication Proposal shall have been duly approved and adopted by the requisite vote of the holders of Parent Common Stock under Delaware Law and the Redomestication Merger shall have been consummated.

(d) Company Shareholder Approval. This Agreement and the Business Combination shall have been approved and adopted by the Company board and the Company shareholders holding a majority of the Company Securities in excess of 50%, voting together as one class.

(e) Documents. The following documents to be delivered to the appropriate parties, in a form acceptable to Parent:

(i) the Lock-Up Agreement executed by the Principal Shareholders;

(ii) the Incentive Stock Option Plan for China Networks Surviving Corporation;

(iii) the registration rights agreement, by and between China Networks Surviving Corporation, the Principal Shareholders and certain stockholders of the Parent (the “Registration Rights Agreement”) executed by the Principal Stockholders;

(iv) executed Plan of Merger, by and between the Parent and Merger Sub I;

(v) Certificate of Merger with respect to the Redomestication Merger to be filed in accordance with Delaware law as of the Effective Time;

(vi) executed Articles and Plan of Merger to be filed in accordance with BVI Law as of the Effective Time;

(vii) executed Plan of Merger, by and between the Merger Sub II and the Company;

(viii) executed Business Combination Articles and Plan of Merger to be filed in accordance with BVI Law at the Business Combination Effective Time;

(ix) a certificate of good standing or equivalent under BVI Law of the Company;

(x) each of the documents to which the Company or its Subsidiaries is a party, duly executed;

(xi) an employment agreement between Parent and Li Shuangqing in form and substance reasonably satisfactory to Parent, executed by Li Shuangqing;

(xii) a copy of the (i) audited consolidated financial statements (including any related notes thereto) for the fiscal years ended December 31, 2007, 2006 and 2005, (collectively, the “Audited Financial Statements”) and (ii) unaudited consolidated financial statements for the three month period ended March 31, 2008 (or if the Closing occurs more than 30 days after the completion of a fiscal period, for that period of time from December 31, 2007 to such fiscal period) with respect to the businesses conducted by the Company as of the Business Combination Effective Time (collectively, the “Interim Financial Statements, and together with the Audited Financial Statements, the “Company Financial Statements”); and such other financial statements of the Company or entities controlled by the Company as shall be necessary to allow Parent to complete the Merger Proxy/Prospectus, which (A) with respect to the Audited Financial Statements, shall be prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (B) with respect to the Company Financial Statements, shall fairly present in all material respects the financial position of the Company and of its Subsidiaries at the respective dates thereof and the results of their respective operations and cash flows for the periods indicated; and (C) with respect to the Interim Financial Statements, shall show aggregate obligations or liabilities of the Company or its Subsidiaries of less than $250,000 (other than obligations or liabilities incurred pursuant to the terms of this Agreement, and those incurred pursuant to the terms of any framework agreement, other joint venture or acquisition or the Financing); and

(xiii) such other documents as the Parent may reasonably request for the purpose of (i) evidencing the accuracy of any representation or warranty of the Principal Shareholders, the Company or its Subsidiaries pursuant to Section 8.1(f), (ii) evidencing the performance by the Company or its Subsidiaries of, or the compliance by the Company or its Subsidiaries with, any covenant or obligation required to be performed or complied with by the Company or its Subsidiaries, (iii) evidencing the satisfaction of any condition referred to in this Section 8.1, or (iv) otherwise facilitating the consummation of any of the transactions contemplated by this Agreement.

(f) Representations, Warranties and Covenants. (i) The representations and warranties of the Principal Shareholders and the Company in this Agreement shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true and correct in all respects) both when made and on and as of the Business Combination Effective Time as though such representations and warranties were made on and as of such time (provided that those representations and warranties which address matters only as of a particular date shall be true and correct as of such date) and (ii) the Company and the Principal Shareholders shall have performed and complied in all material respects with all covenants, obligations and conditions of this Agreement required to be performed and complied with by it as of the Business Combination Effective Time.

(g) Certificate of Officer. Parent shall have been provided with a certificate executed on behalf of Company by its Executive Chairman and Chief Executive Officer certifying that the conditions set forth in Section 8.1(f) shall have been fulfilled.

(h) Injunctions or Restraints on Conduct of Business. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint provision limiting or restricting Company's or its Subsidiaries' conduct or operation of the business of Company and its Subsidiaries following the Redomestication Merger shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other Governmental Entity, domestic or foreign, seeking the foregoing be pending.

(i) No Proceedings. Since the date of this Agreement, there must not have been commenced or threatened against the Parent, the Merger Sub I, Merger Sub II, the Company, Company's Subsidiaries, the Principal Shareholders, or any affiliate thereof, any Proceeding (which Proceeding remains unresolved as of the Effective Time) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the transactions contemplated hereby.

(j) No Material Adverse Changes. There shall not have occurred any Material Adverse Effect on Company, or any change that has a Material Adverse Effect on Company.

(k) Financing. The Company shall have entered into definitive documentation for a bridge loan in an amount of not less than U.S.$20,000,000 and not more than U.S. $40,000,000 on terms and conditions reasonably satisfactory to Parent (the "Financing"), including, a covenant requiring the Company to use its best efforts to consummate the Business Combination and an event of default triggered upon the failure of the Company to consummate the Business Combination prior to June 29, 2009.

(l) Joint Ventures; Capital Structure. (i) The Company shall have entered into joint ventures pursuant to the definitive agreements (each a "Joint Venture Agreement") contemplated by the Framework Agreements or such other framework agreements as may be entered into between the date hereof and Closing, in any case containing terms and conditions that are reasonably satisfactory to Parent and with at least two joint venture partners satisfactory to Parent. In the event Parent does not exercise its right to terminate this Agreement pursuant to Section 11.3 upon the Initial Acquisitions, then such Initial Acquisitions and the terms and conditions thereof shall be deemed to be reasonably satisfactory to Parent.

(ii) The capital structure and corporate structure of the Company and its Subsidiaries, and the structure of the Company's direct and indirect interest in each Joint Venture Agreement, shall be reasonably satisfactory to Parent.

(iii) China Networks Surviving Corporation shall not be obligated to issue more than an aggregate amount of 2,950,000 Surviving Corporation Shares at the Business Combination Effective Time pursuant to this Agreement (and each of the documents delivered hereunder) and the Financing (and each of the documents delivered thereunder).

(m) Governmental Approvals. Company and its Subsidiaries shall have timely obtained from each Governmental Entity all approvals, waivers and consents, if any, necessary for consummation of or in connection with this Agreement, the Business Combination and the Joint Venture Agreements, including such approvals, waivers and consents as may be required under BVI Law and PRC Law.

8.2 Conditions Precedent to the Obligation of the Company to Consummate the Business Combination. The obligations of Company to consummate and effect this Agreement and the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Business Combination Effective Time of each of the following conditions, any of which may be waived, in writing, by Company, with the exception of the conditions set forth in Sections 8.2(a)-(d):

(a) Business Combination Proposal. The Business Combination Proposal shall have been duly approved and adopted by the stockholders of Parent by the requisite vote under the Parent's Certificate of Incorporation.

(b) Parent Common Stock. Holders of less than thirty percent (30%) of the shares of Parent Common Stock issued in Parent's IPO outstanding immediately before the Closing shall have exercised their rights to convert their shares into a pro rata share of the Trust Account in accordance with the Parent's Certificate of Incorporation.

(c) Company Shareholder Approval. This Agreement and the Business Combination shall have been approved and adopted by the Company board and the Company shareholders holding a majority of the Company Securities in excess of 50%, voting together as one class.

(d) Redomestication Proposal. The Redomestication Proposal shall have been duly approved and adopted by the requisite vote of the holders of Parent Common Stock under the Delaware Law and the Redomestication Merger has been consummated.

(e) Adoption of Performance Share Proposal. The Performance Share Proposal shall have been duly approved and adopted by the requisite vote of the holders of Parent Common Stock under Delaware Law.

(f) Representations, Warranties and Covenants. (i) The representations and warranties of Parent, Merger Sub I and Merger Sub II in this Agreement shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by a reference to materiality which representations and warranties as so qualified shall be true and correct in all respects) both when made and on and as of the Effective Time or the Business Combination Effective Time, as applicable, as though such representations and warranties were made on and as of such time (provided that those representations and warranties which address matters only as of a particular date shall be true and correct as of such date) and (ii) Parent, Merger Sub I and Merger Sub II shall have performed and complied in all material respects with all covenants, obligations and conditions of this Agreement required to be performed and complied with by them as of the Effective Time or the Business Combination Effective Time, as applicable.

(g) Certificate of Officer. The Company shall have been provided with a certificate executed on behalf of Parent by its Chief Executive Officer and Chief Financial Officer certifying that the conditions set forth in Section 8.2(f) shall have been fulfilled.

(h) Secretary's Certificate. The Company shall have been provided with a Secretary's Certificate, dated the Closing Date, certifying attached copies of (A) the Certificate of Incorporation and bylaws of the Parent, Merger Sub I and Merger Sub II, (B) the resolutions of the Board of Directors of the Parent approving this Agreement and the transactions contemplated hereby; and (C) the incumbency of each authorized officer of Parent, Merger Sub I and Merger Sub II signing this Agreement and/or any other agreement or instrument contemplated hereby to which Parent, Merger Sub I or Merger Sub II is a party.

(i) Documents. The following documents to be delivered to the appropriate parties, in a form acceptable to the parties:

(i) the Lock-Up Agreement executed by Parent;

(ii) the incentive stock option plan for China Networks Surviving Corporation;

(iii) an employment agreement, by and between the Parent and Li Shuangqing, in form and substance reasonably satisfactory to Li Shuangqing, executed by Parent;

(iv) the Registration Rights Agreement executed by Parent;

(v) share certificates evidencing the Surviving Corporation Shares to be issued to the holders of the Company Securities in the Business Combination;

(vi) executed Plan of Merger, by and between the Parent and Merger Sub I;

(vii) Certificate of Merger with respect to the Redomestication Merger to be filed in accordance with Delaware law as of the Effective Time;

(viii) executed Articles and Plan of Merger to be filed in accordance with BVI Law as of the Effective Time;

(ix) executed Plan of Merger, by and between Merger Sub II and the Company;

(x) executed Business Combination Articles and Plan of Merger to be filed in accordance with BVI Law as of the Business Combination Effective Time;

(xi) a certificate of good standing of the Parent in the State of Delaware;

(xii) a certificate of good standing of Merger Sub I in the British Virgin Islands;

(xiii) a certificate of good standing of Merger Sub II in the British Virgin Islands; and

(xiv) such other documents as the Company may reasonably request for the purpose of (i) evidencing the accuracy of any representation or warranty of the Parent, Merger Sub I and Merger Sub II pursuant to Section 8.1(e), (ii) evidencing the performance by the Parent, Merger Sub I and Merger Sub II of, or the compliance by the Parent, Merger Sub I and Merger Sub II with, any covenant or obligation required to be performed or complied with by the Parent, Merger Sub I and Merger Sub II, (iii) evidencing the satisfaction of any condition referred to in this Section 8.2, or (iv) otherwise facilitating the consummation of any of the transactions contemplated by this Agreement.

(j) Injunctions or Restraints on Conduct of Business. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint provision limiting or restricting Parent's conduct or operation of the business of Parent and its Subsidiaries, following the Merger shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other Governmental Entity, domestic or foreign, seeking the foregoing be pending.

(k) No Material Adverse Changes. There shall not have occurred any Material Adverse Effect on Parent, or any change that has a Material Adverse Effect on Parent and there shall have been no decrease in the amount of funds in trust from that reflected in Section 4.23.

(l) No Proceedings. Since the date of this Agreement, there must not have been commenced or threatened against the Parent, Merger Sub I and Merger Sub II, the Company, the Company's Subsidiaries, any Principal Shareholder, or against any affiliate thereof, any Proceeding (which Proceeding remains unresolved as of the Effective Time) (a) involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated hereby, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the transactions contemplated hereby.

(m) Stock Quotation. The Parent Common Stock at Closing shall be listed on the ASE, and there will be no action or proceeding pending or threatened against Parent by the ASE to prohibit or terminate the listing of Parent Common Stock on the ASE.

(n) SEC Compliance. Immediately prior to the Closing, Parent shall be in compliance with the reporting requirements under the Exchange Act, and shall have timely filed all Exchange Act reports for the twelve month period preceding the Closing.

(o) Accounting for Deferred Expenses of Parent. At the time of the Closing, the aggregate deferred business and operating expenses of Parent that will be assumed by China Networks Surviving Corporation and paid from the proceeds of the Trust Account disbursed to the China Networks Surviving Corporation, shall not exceed $1,000,000 excluding legal fees payable to McDermott Will & Emery LLP, unless Parent shall have received approval from the Company (such approval not to be unreasonably withheld) prior to incurring expenses that would cause such aggregate amount to exceed $1,000,000.

(p) Disbursement of Trust Account. Parent shall have made all necessary arrangements, including notice to Continental Stock Transfer & Trust, the trustee of the Trust Account, prior to the Business Combination Effective Time, for the disbursement of the proceeds of the Trust Account to be made at the Business Combination Effective Time, subject to any amounts to be held for the redemption of any shares of Parent Common Stock.

(q) Governmental Approvals. Parent, Merger Sub I and Merger Sub II shall have timely obtained from each Governmental Entity all approvals, waivers and consents, if any, necessary for consummation of or in connection with this Agreement, the Redomestication Merger and the Business Combination, including such approvals, waivers and consents as may be required under the BVI Law.

ARTICLE IX

POST-CLOSING COVENANTS

9.1 Mandatory Registration of Closing Shares. Without limitation on the restrictions on transfer set forth in Section 2.14 and the Lock-Up Agreements, the Parent hereby agrees that no later than 30 days following the consummation of the Business Combination (the "Filing Date"), it shall prepare and file with the SEC a "resale" registration statement (the "Registration Statement"), providing for the resale of all of the Surviving Corporation Shares issued pursuant to Section 2.7 upon Closing (but not including any Returned Shares (as defined below) returned) (the "Closing Shares") for an offering to be made on a continuous basis pursuant to Rule 415, subject to the terms and conditions of the Registration Rights Agreement. Such Registration Statement shall be on Form S-3 (except if the Parent is not then eligible to register for resale the Closing Shares on Form S-3 in which case such registration shall be on another appropriate form in accordance herewith and the Securities Act and the rules promulgated thereunder). The Parent shall use its best efforts to cause such Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event prior to the earlier of (A) the ninetieth (90th) day following the Filing Date or (B) in the event the Registration Statement receives a "full review" by the SEC, the one hundred twentieth (120th) day following the Filing Date, or in either case any additional filing dates (as applicable) or (C) the date which is within three (3) Business Days after the date on which the SEC informs the Parent that (i) the SEC will not review the Registration Statement, or (ii) Parent may request the acceleration of the effectiveness of the Registration Statement and the Parent makes such request; provided, that, if such date falls on a Saturday, Sunday or any other day which shall be a legal holiday or a day on which the SEC is authorized or required by law or other government actions to close, the effectiveness date shall be the following business day.

9.2 Registration of Shares. After the consummation of the Business Combination, China Networks Surviving Corporation shall prepare and file with the SEC a registration statement on Form S-8, registering the shares to be issued under Section 2.7(g) and the Incentive Stock Option Plan.

9.3 D&O Insurance. China Networks Surviving Corporation will take all necessary steps required to have all of the officers and directors of the Surviving Corporation included on Parent's directors and officers liability coverage after the Business Combination Effective Time.

ARTICLE X

INDEMNIFICATION; REMEDIES

10.1 Survival. All representations, warranties, covenants, and obligations in this Agreement shall survive the Closing and expire on the first anniversary of the Closing Date (the "Survival Period"). The right to indemnification, payment of damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of damages, or other remedy based on such representations, warranties, covenants, and obligations.

10.2 Indemnification by the Principal Shareholders.

(a) From and after the Effective Time until the expiration of the Survival Period, the Principal Shareholders shall, severally and not jointly, subject to the terms hereof, indemnify and hold harmless the China Networks Surviving Corporation and its subsidiaries, affiliates, officers, directors, employees, agents, successors and assigns (each an "Indemnified Party") from and against any liabilities, losses, claims, damages, fines, penalties, expenses (including costs of investigation and defense and reasonable attorneys' fees incurred in connection with such matters and any action hereunder to enforce the provisions of this Article X) or diminution of value, including Taxes (collectively, "Damages") arising, directly or indirectly, from or in connection with:

(i) any breach of any representation or warranty made by the Company or any Principal Shareholder in this Agreement or in any certificate delivered by the Company pursuant to this Agreement;

(ii) any breach by the Company, or the Principal Shareholders, of its covenants or obligations in this Agreement; or

(iii) the operation of the business of the Company and its Subsidiaries, prior to the Effective Time.

(b) For a period of six months from the Business Combination Effective Time (the "First Return Shares Indemnification Period"), the amount of any and all Damages suffered by the China Networks Surviving Corporation shall be recoverable solely by the return to the China Networks Surviving Corporation of any Surviving Corporation Shares received by such Principal Shareholder in connection with this Agreement on the Closing Date (the "First Returned Shares").

(c) For a period of six months commencing from the end of the First Return Shares Indemnification Period (the "Second Return Shares Indemnification Period"), the amount of any and all Damages suffered by the China Networks Surviving Corporation shall be recovered solely by the return to the China Networks Surviving Corporation of up to fifty percent (50%) of the Surviving Corporation Shares received by such Principal Shareholder in connection with this Agreement on the Closing Date (the "Second Returned Shares");

(d) For a period of six months commencing from the end of the Second Return Shares Indemnification Period, the amount of any and all Damages suffered by the China Networks Surviving Corporation shall be recovered solely by the return to the China Networks Surviving Corporation of twenty five percent (25%) of the Surviving Corporation Shares received by such Principal Shareholder in connection with this Agreement on the Closing Date (the "Third Returned Shares", and collectively with the First Returned Shares and Second Returned Shares, the "Returned Shares").

(e) The number of Returned Shares to be returned by the Principal Shareholders to the Indemnified Parties pursuant to this Section 10.2 shall be equal to the aggregate amount of the Damages suffered by the Indemnified Parties, divided by the market value of the Surviving Corporation Shares to be calculated using the average of the closing bid price as quoted on the ASE (or such other public trading market on which the Surviving Corporation Shares may be trading at such time) for the thirty (30) trading days immediately prior to the date that such amount of Damages is determined by a court of competent jurisdiction or pursuant to a binding settlement agreement among the Indemnified Parties and the Principal Shareholders.

(f) All claims of the China Networks Surviving Corporation pursuant to this Section 10.2 shall be brought by Michael E. Weksel or his designee on behalf of the China Networks Surviving Corporation (or if he is no longer living, then the other Parent Designees) and those persons who were stockholders of the Parent immediately prior to the Closing.

10.3 Limitations on Amount. The Indemnified Parties shall not be entitled to indemnification pursuant to Section 10.2, unless and until the aggregate amount of Damages to the Indemnified Parties with respect to such matters under Section 10.2 exceeds $500,000, at which time, subject to the Cap (as defined below), the China Networks Surviving Corporation and the other Indemnified Parties shall be entitled to indemnification for the amount of such excess. The liability of all Principal Shareholders for Damages arising pursuant to Section 10.2(a) shall not exceed 250,000 Returned Shares in the aggregate (the "Cap").

10.4 Determining Damages. Solely for the purposes of this Article X, materiality qualifications to any representations and warranties shall not be taken into account. To the extent Damages are recoverable by insurance, Parent shall take commercially reasonable efforts to obtain maximum recovery from such insurance.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

11.1 Termination. At any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Business Combination by the stockholders of Company, this Agreement may be terminated:

(a) by mutual written consent of Parent and Company;

(b) by either Parent or Company, if, at the Special Meeting (including any adjournments thereof), this Agreement and the Business Combination Proposal shall fail to be approved and adopted by the affirmative vote of the holders of Parent Common Stock required under Parent's Certificate of Incorporation, or the holders of 30% or more of the number of shares of Parent Common Stock issued in Parent's IPO and outstanding as of the date of the record date of the Special Meeting exercise their rights to convert the shares of Parent Common Stock held by them into cash from the Trust Account, in accordance with Parent's Certificate of Incorporation;

(c) by either Parent or Company, if, at the Special Meeting (including any adjournments thereof), the Redomestication Proposal shall fail to be approved and adopted by the affirmative vote of the holders of Parent Common Stock required to vote on such proposal under Delaware Law;

(d) by either Parent or Company, if, without fault of the terminating party, the Closing shall not have occurred on or before June 29, 2009, or such later date as may be agreed upon in writing by the parties hereto;

(e) by Parent, if Company does not: (a) consummate the transactions contemplated by the Framework Agreements with respect to Kunming and Yellow River; or (b) consummate a joint venture of the type contemplated by the Framework Agreements with at least one television station operating in the PRC and generating positive net income (as determined in accordance with GAAP) for the most recently completed 12 months, in each case on or prior to August 15, 2008;

(f) by Parent, if Company breaches any of its representations, warranties or obligations hereunder to an extent that would cause the condition set forth in Section 8.1(g) not to be satisfied and such breach shall not have been cured within ten (10) business days of receipt by Company of written notice of such breach (and Parent has not willfully breached any of its covenants hereunder, which breach is not cured);

(g) by Company, if Parent breaches any of its representations, warranties or obligations hereunder to an extent that would cause the condition set forth in Section 8.2(f) not to be satisfied and such breach shall not have been cured within ten (10) business days of receipt by Parent of written notice of such breach (and Company has not willfully breached any of its covenants hereunder, which breach is not cured); or

(h) by either Parent or Company if (i) any permanent injunction or other order of a court or other competent authority preventing the consummation of the Redomestication Merger or Business Combination shall have become final and nonappealable or (ii) the required approval of the stockholders of Company shall not have been obtained by reason of the failure to obtain the required vote upon a vote held at a duly held meeting of stockholders or at any adjournment thereof (provided that the right to terminate this Agreement under this subsection (ii) shall not be available to Parent or Company where the failure to obtain such stockholder approval shall have been caused by the action or failure to act of Parent or Company and such action or failure constitutes a breach by Parent or Company of this Agreement).

11.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 11.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Parent, Company, the Principal Shareholders, or their respective officers, directors, stockholders or affiliates, except to the extent that such termination results from the breach by a party hereto of any of its representations, warranties or covenants set forth in this Agreement; provided that, the provisions of Section 7.3 (Confidentiality), Section 11.3 (Expenses and Termination Fees) and this Section 11.2, and Article XII, shall remain in full force and effect and survive any termination of this Agreement. Nothing herein shall relieve any party from liability in connection with a breach by such party of the representations, warranties or covenants of such party to this Agreement.

11.3 Expenses and Termination Fees.

(a) Subject to subsections (b) and (c) of this Section 11.3, whether or not the Business Combination is consummated, all costs and expenses (including transfer and other similar Taxes) incurred in connection with this Agreement and the transactions contemplated hereby (including, without limitation, the fees and expenses of its advisers, accountants and legal counsel) shall be paid by the party incurring such expense.

(b) If Parent terminates this Agreement pursuant to Section 11.1(f) then Company shall promptly reimburse Parent for all of the out-of-pocket costs and expenses incurred by Parent in connection with this Agreement and the transactions contemplated hereby (including, without limitation, the fees and expenses of its advisors, accountants and legal counsel).

(c) If Company terminates this Agreement pursuant to Section 11.1(g) Parent shall promptly reimburse Company for all of the out-of-pocket costs and expenses incurred by Company in connection with this Agreement and the transactions contemplated hereby (including, without limitation, the fees and expenses of its advisors, accountants and legal counsel).

(d) In the event this Agreement is terminated by (i) the Parent pursuant to subsection (e) or (f) of Section 11.1(f) or by (ii) the Company pursuant to 11.1(g), in each case subsequent to August 15, 2008 and prior to June 29, 2009, then (A) in the event the Company is the terminating party and the Parent enters into a binding agreement to consummate, or consummates, an Alternative Proposal any time prior to June 29, 2009, the Parent shall pay to the Company a one-time termination fee of $1,000,000, and (B) in the event the Parent is the terminating party and the Company enters into a binding agreement to consummate, or consummates, a Company Alternative Proposal any time prior to June 29, 2009, the Company shall pay to the Parent a one-time termination fee of $3,000,000 (either such payment, a "Termination Fee"). (Any Termination Fee shall be deemed to include the reimbursement for all of the out-of-pocket costs and expenses incurred by the terminating party in connection with this Agreement and the transactions contemplated hereby, including, without limitation, the fees and expenses of its advisors, accountants and legal counsel.)

11.4 Amendment. The Boards of Directors of the Parent and the Company and the Principal Shareholders, may cause this Agreement to be amended at any time by execution of an instrument in writing signed on behalf of each of the parties hereto; provided that an amendment made subsequent to adoption of the Agreement by the stockholders of Parent or Company shall not (i) alter or change the amount or kind of consideration to be received on conversion of the Parent Common Stock (except with the consent of the holders of a majority of Parent Common Stock) or the Company Securities (except with the consent of the holders of majority of the Company Securities), (ii) alter or change any term of the MOA of the Merger Sub I to be effected by the Business Combination, or (iii) alter or change any of the terms and conditions of the Agreement if such alteration or change would materially adversely affect the holders of Company Securities.

11.5 Extension; Waiver. At any time prior to the Effective Time any party hereto may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

11.6 Knowledge of Parent. To the knowledge of Parent, Parent is not aware of any facts or circumstances that would serve as the basis for a claim by Parent against Company or any Principal Shareholder based upon a breach of any of the representations and warranties of the Company and the Principal Shareholders contained in this Agreement or breach of any of the Company's or any Principal Shareholders' covenants or agreements to be performed by any of them at or prior to Closing. Parent shall be deemed to have waived in full any breach of any of the Company's and Principal Shareholders' representations and warranties and any such covenants and agreements of which Parent has knowledge at the Closing. As usual herein, "knowledge of Parent" means the actual knowledge of the Chief Financial Officer of Parent.

ARTICLE XII

GENERAL PROVISIONS

12.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or sent via facsimile (with confirmation of receipt) to the parties at the following address (or at such other address for a party as shall be specified by like notice):

(a) if to Parent, to:

Alyst Acquisition Corp.
233 East 69th Street, #6J
New York, New York 10021
Attention: Michael Weksel
Facsimile No.: 212-918-1598
Telephone No.: 646-290-6104

with a copy (which shall not constitute notice to Parent) to:

McDermott Will & Emery
340 Madison Ave
New York, New York 10173
Attention: Todd Finger
Facsimile No.: 212-547-5444
Telephone No.: 212-547-5400

(b) if to the Company or the Principal Shareholders, to:

China Networks Media, Ltd.
Suite A-16E, Oriental Kenzo, No. 48, Dongzhimenwai Avenue,
Dongcheng District, Beijing, China
Attention: Li Shuangqing
Facsimile No.: (86)-010-84477246
Telephone No.: (86)-010-84549851

with a copy (which shall not constitute notice to the Company) to:

Chardan Capital Markets, LLC
17 State Street
New York, NY 10004
Attention: George Kaufman
Fax: +1 (646) 465-9039

and

Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attention: Mitchell S. Nussbaum, Esq.
Facsimile No.: (212) 407-4000
Telephone No.: (212) 407-4990

and

TransAsia Lawyers
Suite 2218 China World Tower 1
1 Jianguomenwai Avenue
Beijing 100004, China
Attention: Philip Qu
Facsimile No.: 86-10-6505-8189/98
Telephone No.: 86-10-6505-8188

12.2 Interpretation/Definitions. When a reference is made in this Agreement to Exhibits or Schedules, such reference shall be to an Exhibit or Schedule to this Agreement unless otherwise indicated. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

For the purposes of this Agreement, the following terms shall have the following definitions:

(a) "Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Entity.

(b) "Law" means any federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

12.3 Counterparts. This Agreement may be executed in one or more counterparts, including by facsimile or PDF, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

12.4 Entire Agreement; Nonassignability; Parties in Interest. This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including the Exhibits, the Company Disclosure Schedules and the Parent Disclosure Schedules (a) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except for the Non-Disclosure and Confidentiality Agreements, dated October 18, 2007 and November 12, 2007, by and between the Parent and Chardan (each on behalf of the Company), which shall continue in full force and effect, and shall survive any termination of this Agreement or the Closing, in accordance with its terms; (b) are not intended to confer upon any other person any rights or remedies hereunder, except as set forth in Section 2.13; and (c) shall not be assigned, except by operation of law as a result of the Redomestication Merger, pursuant to Section 1.3 and the Business Combination pursuant to Section 2.3 or as otherwise specifically provided. Notwithstanding the foregoing, Parent shall have the right, without the consent of any other party, to assign its rights to receive the Termination Fee hereunder to some or all of the persons that, as of the date hereof, are holders of the Insider Warrants. No representations, warranties, inducements, promises or agreements, oral or written, by or among the parties not contained herein shall be of any force of effect.

12.5 Severability. If any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

12.6 Remedies Cumulative; Specific Performance.

(a) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached.

(b) It is accordingly agreed that the parties hereto shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

12.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the laws that might otherwise govern under applicable principles of conflicts of law. Each of the parties hereto irrevocably consents to the exclusive jurisdiction of any court located within the State of Delaware in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Delaware for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

12.8 Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement and Plan of Merger to be executed and delivered by their respective officers, and individually, as applicable, thereunto duly authorized, all as of the date first written above.

ALYST ACQUISITION CORP.

By: /s/ Michael E. Weksel
Name: Michael E. Weksel
Title: Chief Operating Officer and
Chief Financial Officer

CHINA NETWORKS INTERNATIONAL HOLDINGS LTD.

By: /s/ Michael E. Weksel
Name: Michael E. Weksel
Title: Sole Director

CHINA NETWORKS MERGER CO. LTD.

By: /s/ Michael E. Weksel
Name: Michael E. Weksel
Title: Sole Director

CHINA NETWORKS MEDIA, LTD..

By:	/s/ Li Shuangqing Name: Li Shuangqing Title: CEO and Co-Chairman

MEDIAINV LTD.

By:	/s/C.C.N. Ng Name: C.C.N. Ng Title: Director

KERRY PROPPER

/s/ Kerry Propper
Name: Kerry Propper

LI SHUANGQING

/s/ Li Shuangqing
Name: Li Shuangqing

Annex B
AMENDMENT NO. 1 TO
MERGER AGREEMENT

This Amendment No. 1 (this “Amendment”), dated as of January 28_, 2009, to the Merger Agreement (as defined below) is made by and among Alyst Acquisition Corp., a Delaware corporation (including its successors and assigns, the “Parent”), China Networks Media Limited, a British Virgin Islands corporation (including its successors and assigns, the “Company”), MediaInv Ltd., a British Virgin Islands Business Company and Kerry Propper (each a “Principal Shareholder,” and together with their successors and assigns from the date hereof until the Business Combination Effective time (as defined below), collectively the “Principal Shareholders”) and each of the other signatories hereto. Any capitalized term not defined herein shall have the meaning for such term specified in the Merger Agreement.

WHEREAS, Parent, the Company, the Principal Shareholders and the other signatories hereto entered into an Agreement and Plan of Merger dated as of August 13, 2008, (the “Merger Agreement”); and

WHEREAS, Section 2.7 of the Merger Agreement sets forth the terms that govern Deferred Cash Payments, Deferred Stock Payment and the payment of Warrant Exercise Proceeds;

WHEREAS, Parent, the Company, the Principal Shareholders and each of the other signatories to the Merger Agreement desire to clarify the terms of the means by which the Deferred Cash Payments, Deferred Stock Payments and Warrant Exercise Proceeds shall be made to Closing Holders on the terms contained herein.

NOW THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Sections 2.7(f)(ii), (iii) and (iv) of the Merger Agreement are hereby amended by deleting the existing Section 2.7(f)(ii), (iii) and (iv) in their entirety and replacing such subparagraphs with the following:

(ii) China Networks Surviving Corporation hereby agrees that the Closing Holders shall be entitled to receive from China Networks Surviving Corporation cash payments on or prior to December 31, 2009 equal to an aggregate amount of U.S. $3,000,000, solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $20,000,000 during the four fiscal quarters immediately preceding such payment, to be allocated among such holders based on their percentage ownership of the Company Shares immediately prior to the Business Combination Effective Time (the “Percentage Allocations”).

(iii) China Networks Surviving Corporation hereby agrees that Closing Holders shall be entitled to receive from China Networks Surviving Corporation additional cash payments on or prior to December 31, 2010 equal to an aggregate amount of U.S. $3,000,000, solely and exclusively upon China Networks Surviving Corporation earning Net Income of at least U.S. $30,000,000 during the four fiscal quarters immediately preceding such payments, to be allocated among the holders of Company Shares in accordance with their respective Percentage Allocations.

(iv) As used herein, "Net Income" means the net income of China Networks Surviving Corporation and its subsidiaries as determined in accordance with U.S. generally accepted accounting principles ("GAAP") and on a pro forma basis, but excluding equity-based compensation charges, extraordinary one-time charges and charges related to the Business Combination or impairment of goodwill; provided that, with respect to any acquisitions of businesses or persons after the Business Combination Effective Time, in order for the net income generated by such acquired businesses or persons to be included in the foregoing definition of Net Income, such acquisitions must be accretive on a Net Income per share basis. In calculating Net Income per share, China Networks Surviving Corporation shall use China Networks Surviving Corporation's audited or reviewed financial statements for the fiscal period in question. For the acquisition to be accretive, the pro forma Net Income per share on a post-acquisition basis must be greater than the pro forma Net Income per share immediately prior to the acquisition. As used herein, "pro forma basis" means that the Net Income will be calculated as if all such non-dilutive acquisitions completed during the year had occurred on the first day of that year.

2. Section 2.7(h) of the Merger Agreement is hereby amended by deleting the existing Section 2.7(h) in its entirety and replacing it with the following:

(h) Warrant Exercise Proceeds. In accordance with Section 2.7(a), China Networks Surviving Corporation hereby agrees that the Closing Holders and holders of Preferred Shares as of the Closing ("Preferred Share Closing Holders") shall be entitled to receive from the Company, cash payments (the "Warrant Payments") equal to a maximum aggregate amount of U.S. $19,110,000 and 10% of the aggregate gross proceeds received in the Financing from the bridge investors, respectively, solely and exclusively upon China Networks Surviving Corporation's receipt of cash proceeds from the exercise of the Parent Warrants and the Insider Warrants (collectively, the "Warrants"), payable in accordance with this Section 2.7(h). The Warrant Payments shall be allocated among such holders of Closing Holders and Preferred Share Closing Holders based on their percentage ownership of the sum of (a) the Company Shares, or (b) the Preferred Shares immediately prior to the Business Combination Effective Time (the "WEP Percentage Allocations"), as the case may be, provided that the maximum aggregate amount receivable by the Closing Holders is $13,440,600, and all payments thereafter shall be allocated solely to the Preferred Share Closing Holders. Upon exercise of any Warrants, as soon as practicable after receipt of the actual cash proceeds received therefrom by China Networks Surviving Corporation (but in any event within 10 days) (the "Cash Proceeds"), China Networks Surviving Corporation shall make a cash payment to each Closing Holder and Preferred Share Closing Holder equal to 66% of the Cash Proceeds then available for distribution pursuant to the foregoing sentence multiplied by the WEP Percentage Allocation of such holder. The Company shall retain and apply to its general corporate purposes 34% of the Cash Proceeds. In no event shall the maximum aggregate amount payable pursuant to this Section 2.7(h) to (A) any Closing Holder exceed (x) U.S. $19,110,000 or 10% of the aggregate gross proceeds received in the Financing from the bridge investors, as the case may be, multiplied by (y) the WEP Percentage Allocation of such holder, or (B) any Preferred Share Closing Holder exceed (x) U.S. $22,110,000 or 10% of the aggregate gross proceeds received in the Financing from the bridge investors, as the case may be, multiplied by (y) the WEP Percentage Allocation of such holder.

3. All other provisions of the Merger Agreement shall remain unaffected by the terms hereof.

4. This Amendment may be signed in any number of counterparts, each of which shall be an original and all of which shall be deemed to be one and the same instrument, with the same effect as if the signatures thereto and hereto were upon the same instrument. A facsimile signature shall be deemed to be an original signature for purposes of this Amendment.

5. This Amendment is intended to be in full compliance with the requirements for an Amendment to the Merger Agreement as required by Section 11.4 of the Merger Agreement, and every defect in fulfilling such requirements for an effective amendment to the Merger Agreement is hereby ratified, intentionally waived and relinquished by all parties hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

ALYST ACQUISITION CORP.

By: /s/ William Weksel
Name: William Weksel
Title: Chief Executive Officer

CHINA NETWORKS HOLDINGS INTERNATIONAL LTD.

By: /s/ Michael E. Weksel
Name: Michael E. Weksel
Title: Sole Director

CHINA NETWORKS MERGER CO. LTD.

By: /s/ Michael E. Weksel
Name: Michael E. Weksel
Title: Sole Director

CHINA NETWORKS MEDIA, LTD..

By: /s/ Li Shuangqing
Name: Li Shuangqing
Title: CEO and
Co-Chairman

MEDIAINV LTD.

By: /s/ C.C.N. Ng
Name: C.C.N. Ng
Title: Director

KERRY PROPPER

/s/ Kerry Propper
Name: Kerry Propper

LI SHUANGQING

/s/ Li Shuangqing
Name: Li Shuangqing

Annex C

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE BVI BUSINESS COMPANIES ACT, 2004

AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

China Networks International Holdings Ltd.

1 Company Name

1.1 The name of the Company is China Networks International Holdings Ltd.

1.2 The directors or members may from time to time change the Company's name by Resolution of Directors or Resolution of Members. The directors shall give notice of such resolution to the registered agent of the Company, for the registered agent to file an application for change of name with the Registrar, and any such change will take effect from the date of the certificate of change of name issued by the Registrar.

1.3 A change of name of the Company shall constitute an amendment of the Memorandum and Articles and in the event of a resolution being passed to change the name of the Company, the provisions below in respect of amendments to the Memorandum and Articles must be complied with.

2 Company Limited by Shares, Liability of Members

2.1 The Company is a company limited by shares.

2.2 The liability of each member is limited to the amount from time to time unpaid on that member's shares.

3 Registered Office

3.1 The first registered office of the Company will be situated at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

3.2 The directors or members may from time to time change the Company's registered office by Resolution of Directors or Resolution of Members, provided that the Company's registered office shall at all times be the office of the registered agent. The directors shall give notice of such resolution to the registered agent of the Company, for the registered agent to file with the Registrar a notice of change of registered office, and any such change of registered office will take effect from the date of the registration by the Registrar of such notice.

4 Registered Agent

4.1 The first registered agent of the Company will be Maples Finance BVI Limited of Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

4.2 The directors or members may from time to time change the Company's registered agent by Resolution of Directors or Resolution of Members. The directors shall give notice of such resolution to the registered agent of the Company (meaning the existing registered agent), for the registered agent to file with the Registrar a notice of change of registered agent, and any such change of registered agent will take effect from the date of the registration by the Registrar of such notice.

4.3 If the existing registered agent does not file such notice on instruction by the directors, the directors shall procure that a notice of change of registered agent is filed with the Registrar by a legal practitioner in the British Virgin Islands acting on behalf of the Company, and any such change of registered agent will take effect from the date of the registration by the Registrar of such notice.

5 General Objects and Powers

5.1 Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Act or any other law of the British Virgin Islands.

5.2 The Company has no power to:

(a) carry on banking or trust business, unless it is licensed to do so under the Banks and Trust Companies Act, 1990;

(b) carry on business as an insurance or as a reinsurance company, insurance agent or insurance broker, unless it is licensed or authorised to do so under the Insurance Act, 1994;

(c) carry on the business of company management unless it is licensed to do so under the Companies Management Act, 1990;

(d) carry on the business of providing the registered office or the registered agent for companies incorporated in the British Virgin Islands unless it is licensed to do so under the Banks and Trust Companies Act, 1990; or

(e) carry on the business as a mutual fund, mutual fund manager or mutual fund administrator unless it is licensed to do so under the Mutual Funds Act, 1996.

5.3 Without limiting the foregoing, the powers of the Company include the power to do the following:

(a) grant options over unissued shares in the Company and treasury shares;

(b) issue securities that are convertible into shares;

(c) give financial assistance to any person in connection with the acquisition of the Company's own shares;

(d) issue debt obligations of every kind and grant options, warrants and rights to acquire debt obligations;

(e) guarantee a liability or obligation of any person and secure any of its obligations by mortgage, pledge or other charge, of any of its assets for that purpose; and

(f) protect the assets of the Company for the benefit of the Company, its creditors and its members and, at the discretion of the directors, for any person having a direct or indirect interest in the Company.

6 Maximum Number of Authorised Shares

6.1 The Company is authorised to issue a maximum of 75,000,000 shares of one class with a par value of US$0.0001 each divided into the following classes of shares:

(a) 74,000,000 ordinary shares of US$0.0001 par value each; and

(b) 1,000,000 preferred shares of US$0.0001 par value each.

6.2 The directors or members may from time to time by Resolution of Directors or Resolution of Members increase the maximum number of shares the Company is authorised to issue, by amendment to the Memorandum in accordance with the provisions below.

7 Rights Conferred by Shares

7.1 Each share in the Company confers on the holder:

(a) the right to one vote on any Resolution of Members;

(b) the right to an equal share in any dividend paid by the Company in accordance with the Act; and

(c) the right to an equal share in the distribution of the surplus assets of the Company.

7.2 If at any time the Company is authorised to issue shares of more than one class the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the issued shares of that class and the holders of not less than three-fourths of the issued shares of any other class of shares which may be affected by such variation.

7.3 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

7.4 The directors may, subject to the Act, by amending this Memorandum and/or the Articles, determine the designations, powers, preferences and relative, participation, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, dividend rights, conversion rights, redemption privileges, voting powers and liquidation preferences that any Preferred Share issued by the Company confers on the holder.

8 Registered Shares Only

Shares in the Company may only be issued as registered shares and the Company is not authorised to issue bearer shares. Registered shares may not be exchanged for bearer shares or converted to bearer shares.

9 Amendments to the Memorandum and Articles

9.1 Subject to the provisions of the Act, the directors or members may from time to time amend the Memorandum or Articles by Resolution of Directors or Resolution of Members. The directors shall give notice of such resolution to the registered agent of the Company, for the registered agent to file with the Registrar a notice of the amendment to the Memorandum or Articles, or a restated memorandum and articles of association incorporating the amendment(s) made, and any such amendment to the Memorandum or Articles will take effect from the date of the registration by the Registrar of the notice of amendment or restated memorandum and articles of association incorporating the amendment(s) made.

9.2 The directors shall not have the power to amend the Memorandum or Articles:

(a) to restrict the rights or powers of the members to amend the Memorandum or Articles;

(b) to change the percentage of members required to pass a resolution to amend the Memorandum or Articles; or

(c) in circumstances where the Memorandum or Articles cannot be amended by the members.

(d) A change of registered office or registered agent shall not constitute an amendment of the Memorandum or Articles.

(e) An amendment to the Memorandum or Articles which would have the effect of varying the rights of the holders of a class of shares may only be made in accordance with the provisions of the Memorandum and Articles relating to the variation of class rights.

10 Definitions and Interpretation

10.1 In this memorandum of association and the attached articles of association:

"Act" means the BVI Business Companies Act, 2004;

"Articles" means the Company's articles of association as attached to this Memorandum, and "Article" shall be construed accordingly;

"Memorandum" means this, the Company's memorandum of association;

"Registrar" means the Registrar of Corporate Affairs appointed under the Act;

"Resolution of Directors" means a resolution by the majority of the directors of the Company passed either at a meeting of directors, or by way of a Written Resolution, in either case in accordance with the provisions of the Articles;

"Resolution of Members" means a resolution by the members holding a majority of the voting rights in respect of such resolution passed either at a meeting of members, or by way of a Written Resolution, in either case in accordance with the provisions of the Articles; and

"Written Resolution" means a resolution of members or directors (as applicable) consented to in writing or by telex, telegram, cable or other written electronic communication, without the need for any notice. A Written Resolution may consist of several documents, including written electronic communications, in like form each signed or assented to by one or more members or directors (including directors' alternates) (as applicable). A Written Resolution shall be passed if so consented by a majority of those members or directors (including directors' alternates) (as applicable) entitled to vote on the resolution.

10.2 In the Memorandum and Articles:

(a) words and expressions defined in the Act shall have the same meaning and, unless otherwise required by the context, the singular shall include the plural and vice versa, the masculine shall include the feminine and the neuter and references to persons shall include corporations and all entities capable of having a legal existence;

(b) reference to a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;

(c) the headings are for convenience only and shall not affect the construction of the Memorandum or Articles;

(d) reference to a thing being "written" or "in writing" includes all forms of writing, including all electronic records which satisfy the requirements of the Electronic Transactions Act, 2001;

(e) reference to a thing being "signed" or to a person's "signature" shall include reference to an electronic signature which satisfies the requirements of the Electronic Transactions Act, 2001, and reference to the Company's "seal" shall include reference to an electronic seal which satisfies the requirements of the Electronic Transactions Act, 2001.

We, Maples Finance BVI Limited of Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands in our capacity as registered agent for the Company hereby apply to the Registrar for the incorporation of the Company this 17th day of April 2008.

Incorporator

(Sgd.)
Clinton
Hempel

Clinton Hempel
Authorised Signatory
Maples Finance BVI Limited

Annex D

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE BVI BUSINESS COMPANIES ACT, 2004

AMENDED AND RESTATED
ARTICLES OF ASSOCIATION

OF

China Networks International Holdings Ltd.

1 Share Certificates

1.1 Every person whose name is entered as a member in the share register, being the holder of registered shares, shall without payment be entitled to a share certificate in the following circumstances:

(a) on the issuance of such shares to such member;

(b) on the transfer of such shares to such member;

(c) on a re-designation or conversion of such shares with the effect that the certificate previously issued no longer properly describes such shares; and

(d) at the discretion of the directors (who may levy a reasonable charge), on notice to the Company of a change of name of the member.

1.2 Such certificate shall be signed by a director or under the common seal of the Company (which the registered agent of the Company is authorised to affix to such certificate) with or without the signature of any director or officer of the Company specifying the share or shares held and the par value thereof (if the Company is authorised at the relevant time to issue shares with a par value), provided that in respect of shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all

1.3 If a certificate is worn out or lost it may, subject to the prior written consent of any mortgagee or chargee whose interest has been noted on the register of members, be renewed on production of the worn out certificate, or on satisfactory proof of its loss together with such indemnity as the directors may reasonably require. Any member receiving a share certificate shall indemnify and hold the Company and its officers harmless from any loss or liability which it or they may incur by reason of wrongful or fraudulent use or representation made by any person by virtue of the possession of such a certificate.

2 Issue of Shares

2.1 Subject to the provisions of these Articles, the unissued shares of the Company (whether forming part of the original or any increased authorised shares) shall be at the disposal of the directors who may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration, being not less than the par value (if any) of the shares being disposed of, and upon such terms and conditions as the directors may determine. Such consideration may take any form acceptable to the directors, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services. Before issuing shares for a consideration other than money, the directors shall pass a Resolution of Directors stating:

(a) the amount to be credited for the issue of the shares;

(b) their determination of the reasonable present cash value of the non-money consideration for the issue; and

(c) that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares.

2.2 Subject to the provisions of the Act in this regard, shares may be issued on the terms that they are redeemable, or at the option of the Company be liable to be redeemed on such terms and in such manner as the directors before or at the time of the issue of such shares may determine. At any time after the consummation of a Business Combination (as defined in these Articles), the directors may issue options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the Company on such terms as it may from time to time determine. Notwithstanding the foregoing, the directors may issue options, warrants or convertible securities in connection with the Company’s initial public offering.

2.3 The Company may issue bonus shares, partly paid shares and nil paid shares.

2.4 The directors may redeem any share issued by the Company at a premium.

2.5 Except as otherwise expressly provided in the resolution or resolutions providing for the establishment of any class or series of preferred shares, no vote of the holders of preferred shares or of the holders of ordinary shares shall be a prerequisite to the issuance of any shares of any class or series of the preferred shares authorized by and complying with the conditions in the Memorandum or these Articles.

2.6 Except as required by the Act, and notwithstanding that a share certificate may refer to a member holding shares "as trustee" or similar expression, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except as provided by these Articles or by the Act) any other rights in respect of any share except any absolute right to the entirety thereof by the registered holder.

3 Forfeiture of Shares

3.1 The Company may, at any time after the due date for payment, serve on a member who has not paid in full for shares registered in the name of that member, a written notice of call ("Notice of Call") specifying a date for payment to be made. The Notice of Call shall name a further date not earlier than the expiration of 14 days from the date of service of the Notice of Call on or before which the payment required by the Notice of Call is to be made and shall contain a statement that in the event of non-payment at or before the time named in the Notice of Call the shares, or any of them, in respect of which payment is not made will be liable to be forfeited.

3.2 Where a written Notice of Call has been issued under the foregoing Article and the requirements of the Notice of Call have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the shares to which the Notice of Call relates. The Company is under no obligation to refund any moneys to the member whose shares have been cancelled pursuant to this Article and that member shall be discharged from any further obligation to the Company.

4 Transfer of Shares

4.1 Shares in the Company shall be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee. The instrument of transfer shall also be signed by the transferee if registration as a holder of the shares imposes a liability to the Company on the transferee. The instrument of transfer of a registered share shall be sent to the Company for registration.

4.2 Subject to the Memorandum of Association, these Articles and to Section 54(5) of the Act, the Company shall, on receipt of an instrument of transfer, enter the name of the transferee of the share in the register of members unless the directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in the resolution. Where the directors pass such a resolution, the Company shall send to the transferor and the transferee a notice of the refusal or delay. Notwithstanding anything contained in the Memorandum or Articles, the directors shall not decline to register any transfer of shares, nor may they suspend registration thereof where such transfer is:

(a) to any mortgagee or chargee whose interest has been noted on the register of members;

(b) by any such mortgagee or chargee, pursuant to the power of sale under its security; or

(c) by any such mortgagee or chargee in accordance with the terms of the relevant security document.

4.3 The transfer of a registered share is effective when the name of the transferee is entered in the register of members.

5 Mortgages of Shares and Charges over Shares

5.1 Members may mortgage or create a charge or other form of security over their shares.

5.2 The directors shall, at the written request of a member who has mortgaged or created a charge over his shares, enter in the register of members of the Company:

(a) a statement that such shares are mortgaged or charged;

(b) the name of the mortgagee or chargee (where such information has been stated by the member); and

(c) the date on which the statement and name are entered in the register of members.

6 Transmission of Shares

6.1 Subject to Sections 52(2) and 53 of the Act, the executor or administrator of a deceased member, the guardian of an incompetent member or the trustee of a bankrupt member shall be the only person recognised by the Company as having any title to his share, save that and only in the event of death, incompetence or bankruptcy of any member or members of the Company as a consequence of which the Company no longer has any directors or members, then upon the production of any documentation which is reasonable evidence of the applicant being entitled to:

(a) a grant of probate of the deceased's will, or grant of letters of administration of the deceased's estate, or confirmation of the appointment as executor or administrator (as the case may be, or analogous position in the relevant jurisdiction), of a deceased member's estate;

(b) the appointment of a guardian (or analogous position in the relevant jurisdiction) of an incompetent member;

(c) the appointment as trustee (or analogous position in the relevant jurisdiction) of a bankrupt member; or

(d) upon production of any other reasonable evidence of the applicant's beneficial ownership of, or entitlement to the shares,

to the Company's registered agent in the British Virgin Islands together with (if so requested by the registered agent) a notarised copy of the share certificate(s) of the deceased, incompetent or bankrupt member, an indemnity in favour of the registered agent and/or appropriate legal advice in respect of any document issued by a foreign court, then the administrator, executor, guardian or trustee in bankruptcy (as the case may be) notwithstanding that their name has not been entered in the share register of the Company, may by written resolution of the applicant, endorsed with written approval by the registered agent, be appointed a director of the Company and/or entered in the share register as the legal and/or beneficial owner of the shares.

6.2 Without limiting the foregoing, the production to the Company of any document which is reasonable evidence of:

(a) a grant of probate of the will, or grant of letters of administration of the estate, or confirmation of the appointment as executor (or analogous position in the relevant jurisdiction), of a deceased member;

(b) the appointment of a guardian (or analogous position in the relevant jurisdiction) of an incompetent member;

(c) the trustee (or analogous position in the relevant jurisdiction) of a bankrupt member; or

(d) the applicant's legal and/or beneficial ownership of the shares, shall be accepted by the Company even if the deceased, incompetent member or bankrupt member is resident and/or domiciled outside the British Virgin Islands if the document is issued by a foreign court which had competent jurisdiction in the matter. For the purposes of establishing whether or not a foreign court had competent jurisdiction in such a matter the directors may obtain appropriate legal advice. The directors may also require an indemnity to be given by the executor, administrator, guardian, trustee in bankruptcy or the applicant.

6.3 Any person becoming entitled by operation of law or otherwise to a share or shares in consequence of the death, incompetence or bankruptcy of any member may be registered as a member upon such evidence being produced as may reasonably be required by the directors. An application by any such person to be registered as a member shall for all purposes be deemed to be a transfer of shares of the deceased, incompetent or bankrupt member and the directors shall treat it as such.

6.4 Any person who has become entitled to a share or shares in consequence of the death, incompetence or bankruptcy of any member may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such share or shares and such request shall likewise be treated as if it were a transfer.

6.5 What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

7 Acquisition of Own Shares

7.1 Subject to Article 27 of these Articles, the directors may, on behalf of the Company, purchase, redeem or otherwise acquire any of the Company's own shares for such consideration as the directors consider fit, and either cancel or hold such shares as treasury shares. Shares may be purchased or otherwise acquired in exchange for newly issued shares in the Company.

7.2 The directors shall not, unless permitted pursuant to the Act, purchase, redeem or otherwise acquire any of the Company's own shares unless immediately after such purchase, redemption or other acquisition:

(a) the value of the Company's assets exceeds it liabilities; and

(b) the Company is able to pay its debts as they fall due.

7.3 Sections 60 and 61 of the Act shall not apply to the Company.

8 Treasury Shares

8.1 Shares may only be held as treasury shares by the Company to the extent that the number of treasury shares does not exceed 50% of the shares of that class previously issued by the Company, excluding shares that have been cancelled.

8.2 The directors may dispose of any shares held as treasury shares on such terms and conditions as they may from time to time determine.

9 Notice of Meetings of Members

9.1 The directors may convene meetings of the members of the Company at such times and in such manner and places (within or outside the British Virgin Islands) as the directors consider necessary or desirable, and they shall convene such a meeting upon the written request of members entitled to exercise at least thirty (30) percent of the voting rights in respect of the matter for which the meeting is requested. Meetings of members shall take place at least annually (the "Annual Meeting").

9.2 Not less than seven (7) days' notice specifying at least the place, the day and the hour of the meeting and general nature of the business to be conducted shall be given in the manner hereinafter mentioned to such persons whose names on the date the notice is given appear as members in the share register of the Company and are entitled to vote at the meeting. Notwithstanding the foregoing, a meeting of members held in contravention of the requirement to give notice is valid if members holding a ninety (90) percent majority of:

(a) the total voting rights on all the matters to be considered at the meeting; or

(b) the votes of each class or series of shares where members are entitled to vote thereon as a class or series together with an absolute majority of the remaining votes,

have waived notice of the meeting and, for this purpose, the presence of a member at the meeting shall be deemed to constitute waiver on his part (unless such member objects in writing before or at the meeting).

9.3 The inadvertent failure of the directors to give notice of a meeting to a member or the fact that a member has not received a notice that has been properly given, shall not invalidate the meeting.

10 Proceedings at Meetings of Members

10.1 No business shall be transacted at any meeting of members unless a quorum of members is present at the time when the meeting proceeds to business. A quorum shall consist of the holder or holders present in person or by proxy entitled to exercise at least fifty (50) percent of the voting rights of the shares of each class or series of shares entitled to vote as a class or series thereon and the same proportion of the votes of the remaining shares entitled to vote thereon.

10.2 A member of the Company shall be deemed to be present at a meeting of members if:

(a) he or his proxy participates by telephone or other electronic means; and

(b) all members and proxies participating in the meeting are able to hear each other.

10.3 If, within half an hour from the time appointed for the meeting, a quorum is not present, the meeting shall be dissolved.

10.4 A member may attend a meeting of members personally or be represented by a proxy who may speak and vote on behalf of the member.

10.5 The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. An instrument appointing a proxy shall be in such form as the Chairman of the meeting shall accept as properly evidencing the wishes of the member appointing the proxy, but must be in writing under the hand of the appointer unless the appointer is a corporation or other form of legal entity (other than one or more individuals holding as joint owner) in which case the instrument appointing a proxy shall be in writing under the hand of an individual duly authorised by such corporation or legal entity to execute the same.

10.6 At every meeting the members present shall choose someone of their number to be the chairman (the "Chairman"). If the members are unable to choose a Chairman for any reason, then the person representing the greatest number of voting shares present at the meeting shall preside as Chairman.

10.7 The Chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

10.8 At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands by a simple majority of those members (or their duly appointed proxies) entitled to vote and voting on the resolution, unless a poll is (before or on the declaration of the result of the show of hands) demanded:

(a) by the Chairman; or

(b) by any member present in person or by proxy and holding not less than one tenth of the total voting shares issued by the Company and having the right to vote on such resolution.

10.9 Unless a poll be so demanded, a declaration by the Chairman that a resolution has, on a show of hands been carried, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be sufficient evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

10.10 If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, at the discretion of the Chairman.

10.11 On a poll, every holder of a voting share present in person or by proxy shall have one vote for every voting share of which he is the holder which confers the right to a vote on the resolution.

10.12 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote.

10.13 Subject to the Memorandum or these Articles, an action that may be taken by members of the Company at a meeting of members may also be taken by Written Resolution.

10.14 If a committee is appointed for any member who is of unsound mind, that member may vote by such committee.

11 Jointly Held Shares

11.1 Where shares are registered in the names of joint owners:

(a) each registered owner may be present in person or by proxy at a meeting of members and may speak as a member;

(b) if only one of them is present in person or by proxy, he may vote on behalf of all of them; and

(c) if two or more are present in person or by proxy, they must vote as one. If more than one joint owner votes in person or by proxy at any meeting of members or by Written Resolution, the vote of the joint owner whose name appears first among such voting joint holders in the share register shall alone be counted.

12 Corporations Acting by Representatives at Meetings

Any corporation or other form of corporate legal entity which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the members or any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

13 Appointment and Removal of Directors

13.1 The first director or directors shall be appointed by the registered agent of the Company. Thereafter, the directors shall be appointed as follows:

(a) subject to the provisions of Article 27, any existing director(s) shall be designated as a Class C Director for a term expiring at the Company's third Annual Meeting of Members. The Class C director shall then appoint additional Class A, Class B and Class C directors, as necessary. The directors in Class A shall be elected for a term expiring at the first Annual Meeting of Members, the directors in Class B shall be elected for a term expiring at the second Annual Meeting of Members and the directors in Class C shall be elected for a term expiring at the third Annual Meeting of Members. Commencing at the first Annual Meeting of Members, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of members after their election. Except as the Act may otherwise require, in the interim between annual meetings of members or special meetings of members called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director; and

(b) all directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified.

Sections 114(2) and 114(3) of the Act shall not apply to the Company.

13.2 A person shall not be appointed as a director of the Company unless he has consented in writing to be a director.

13.3 Each director holds office until:

(a) his disqualification to act as a director under Section 111 of the Act (on which his office as director shall be automatically terminated if he has not resigned in accordance with section 115(2) of the Act);

(b) his death;

(c) his resignation; or

(d) the effective date of his removal by Resolution of Directors or Resolution of Members.

13.4 The following are disqualified for appointment as the director of the Company:

(a) an individual who is under 18 years of age;

(b) a person who is a disqualified person within the meaning of section 260(4) of the Insolvency Act, 2003;

(c) a person who is a restricted person within the meaning of section 409 of the Insolvency Act, 2003; and

(d) an undischarged bankrupt.

13.5 A director shall not require a share qualification, but nevertheless shall be entitled to attend and speak at any meeting of the directors and meeting of the members and at any separate meeting of the holders of any class of shares in the Company.

13.6 The remuneration of directors (whether by way of salary, commission, participation in profits or otherwise) in respect of services rendered or to be rendered in any capacity to the Company (including to any company in which the Company may be interested) shall be fixed by Resolution of Directors or Resolution of Members. The directors may also be paid such travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors, or any committee of the directors or meetings of the members, or in connection with the business of the Company as shall be approved by Resolution of Directors or Resolution of Members.

14 Alternate and Reserve Directors

14.1 A director, by written instrument deposited at the registered office of the Company, may from time to time appoint another director or another person to be his alternate. Every such alternate shall be entitled to be given notice of meetings of the directors and to attend and vote as a director at any such meeting at which the director appointing him is not personally present (and to vote on a Written Resolution) and generally at such meeting (or in connection with such Written Resolution) to have and exercise all the powers, rights, duties and authorities of the director appointing him. Every such alternate shall be deemed to be an officer of the Company and shall not be deemed to be an agent of the director appointing him. Unless stated otherwise in the notice of the appointment of the alternate, if undue delay or difficulty would be occasioned by giving notice to a director of a resolution of which his approval is sought in accordance with these Articles his alternate (if any) shall be entitled to signify approval of the same on behalf of that director. The remuneration of an alternate shall be payable out of the remuneration payable to the director appointing him, as agreed between such alternate and the director appointing him. A director, by writing under his hand deposited at the registered office of the Company, may at any time vary or revoke the appointment of an alternate appointed by him. If a director shall die or cease to hold the office of director, the appointment of his alternate shall thereupon cease and terminate.

14.2 Where the Company has only one member with voting rights who is an individual and that member is also the sole director of the Company (the "sole member/director"), that sole member/director may, by instrument in writing, nominate a person who is not disqualified from being a director of the Company under section 111(1) of the Act as a reserve director of the Company to act in the place of the sole director in the event of his death.A person shall not be nominated as a reserve director unless he has consented in writing to be nominated as a reserve director. The nomination of a person as a reserve director of the Company ceases to have effect if:

(a) before the death of the sole member/director who nominated him:

(i) he resigns as reserve director, or

(ii) the sole member/director revokes the nomination in writing; or

(b) the sole member/director who nominated him ceases to be the sole member/director of the company for any reason other than his death.

15 Duties of Directors and Conflicts of Interests

15.1 A director of the Company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the Company.

15.2 Notwithstanding the foregoing Article, if the Company is a wholly-owned subsidiary, a director of the Company may, when exercising powers or performing duties as a director, act in a manner which he believes is in the best interests of that Company’s holding company (as defined in the Act) even though it may not be in the best interests of the Company.

15.3 A director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the Company acting, in a manner that contravenes the Act or the Memorandum or Articles.

15.4 A director, when exercising powers or performing duties as a director, shall exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation:

(a) the nature of the Company;

(b) the nature of the decision; and

(c) the position of the director and the nature of the responsibilities undertaken by him.

15.5 A director of the Company, when exercising his powers or performing his duties as a director, is entitled to rely upon the register of members and upon books, records, financial statements and other information prepared or supplied, and on professional or expert advice given, by:

(a) an employee of the Company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;

(b) a professional adviser or expert in relation to matters which the director believes on reasonable grounds to be within the person's professional or expert competence; and

(c) any other director, or committee of directors upon which the director did not serve, in relation to matters within the director's or committee's designated authority,

provided that the director:

(d) acts in good faith;

(e) makes proper inquiry where the need for the inquiry is indicated by the circumstances; and

(f) has no knowledge that his reliance on the register of members or the books, records, financial statements and other information or expert advice is not warranted.

15.6 A director may hold any other office or position of profit under the Company (except that of auditor) in conjunction with his office of director, and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the directors shall approve.

15.7 A director may be or become a director or officer of, or otherwise be interested in any company promoted by the Company, or in which the Company may be interested, as a member or otherwise and no such director shall be accountable for any remuneration or other benefits received by him as director or officer or from his interest in such other company. The directors may also exercise the voting powers conferred by the shares in any other company held or owned by the Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolutions appointing them, or of their number, directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or be about to become, a director or officer of such other company, and as such in any other manner is, or may be, interested in the exercise of such voting rights in the manner aforesaid.

15.8 No director shall be disqualified by his office from contracting with the Company either as a buyer, seller or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any director shall be in any way interested be voided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement, by reason of such director holding that office or by reason of the fiduciary relationship thereby established, provided such director shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose such interest to the board of directors. For the purposes of this Article:

(a) A director of the Company is not required to make such a disclosure if:

(i) the transaction or proposed transaction is between the director and the Company; and

(ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

(b) A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. Such a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

(c) Subject to Section 125(1) of the Act, the failure by a director to comply with this Article does not affect the validity of a transaction entered into by the director or the Company.

15.9 A director of the Company who is interested in a transaction entered into or to be entered into by the Company may:

(a) vote on a matter relating to the transaction;

(b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and

(c) sign a document on behalf of the Company, or do any other thing in his capacity as a director, that relates to the transaction.

16 Powers of Directors

16.1 The business of the Company shall be managed by the directors who may pay all expenses incurred preliminary to and in connection with the formation and registration of the Company, and may exercise all such powers of the Company necessary for managing and for directing and supervising, the business and affairs of the Company as are not by the Act or by the Memorandum or these Articles required to be exercised by the members, subject to any delegation of such powers as may be authorised by these Articles and permitted by the Act and to such requirements as may be prescribed by Resolution of the Members, but no requirement made by Resolution of the Members shall prevail if it be inconsistent with these Articles nor shall such requirement invalidate any prior act of the directors which would have been valid if such requirement had not been made.

16.2 If the number of directors shall have been fixed at two or more persons and by reason of vacancies having occurred in the board of directors there shall be only one continuing director, he shall be authorised to act alone only for the purpose of appointing another director.

17 Delegation by the Board to Directors, Committees, Officers, Attorneys and Agents

17.1 The board of directors may entrust to and confer upon any director or officer any of the powers exercisable by it upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers. Subject to the provisions of Section 110 of the Act, the directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committees so formed shall in the exercise of powers so delegated conform to any regulations that may be imposed on it by the directors or the provisions of the Act.

17.2 The directors have no power to delegate the following powers to a committee of directors:

(a) to amend the Memorandum or Articles;

(b) to designate committees of directors;

(c) to delegate powers to a committee of directors; (This and the preceding sub-Article do not prevent a committee of directors, where authorised by the directors, from appointing a sub-committee and delegating powers exercisable by the committee to the sub-committee);

(d) to appoint or remove directors;

(e) to appoint or remove an agent;

(f) to approve a plan or merger, consolidation or arrangement;

(g) to make a declaration of solvency for the purposes of section 198(1)(a) of the Act or approve a liquidation plan; or

(h) to make a determination under section 57(1) of the Act that the Company will, immediately after a proposed distribution, satisfy the solvency test.

17.3 Where the directors of the Company delegate their powers to a committee of directors, they remain responsible for the exercise of that power by the committee, unless they believed on reasonable grounds that at all times before the exercise of the power that the committee would exercise the power in conformity with the duties imposed on directors of the Company by the Act.

17.4 The directors of the Company may, by Resolution of Directors, appoint officers of the Company at such times as shall be considered necessary or expedient. The officers shall perform such duties as shall be prescribed at the time of their appointment subject to any modifications in such duties as may be prescribed by the directors thereafter.

17.5 Any person may hold more than one office and no officer need be a director or member of the Company. The officers shall remain in office until removed from office by the directors, whether or not a successor is appointed.

17.6 Any officer who is a body corporate may appoint any person as its duly authorised representative for the purpose of representing it and of transacting any of the business of the officers.

17.7 The directors may from time to time by power of attorney appoint any company, firm or person or body of persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles) and for such period and subject to such conditions as the directors think fit.

17.8 The directors may appoint any person, including a person who is a director, to be an agent of the company. An agent of the Company has such powers and authority of the directors, including the power and authority to affix the common seal of the Company, as are set forth in the Resolution of Directors appointing the agent, except that no agent has any power or authority with respect to the following:

(a) to amend the Memorandum or Articles;

(b) to change the registered office or registered agent;

(c) to designate committees of directors;

(d) to delegate powers to a committee of directors;

(e) to appoint or remove directors;

(f) to appoint or remove an agent;

(g) to fix emoluments of directors;

(h) to approve a plan of merger, consolidation or arrangement;

(i) to make a declaration of solvency for the purposes of section 198(1)(a) of the Act or to approve a liquidation plan;

(j) to make a determination under section 57(1) of the Act that the Company will, immediately after a proposed distribution, satisfy the solvency test as stipulated in Section 56 of the Act; or

(k) to authorise the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.

17.9 Where the directors appoint any person to be an agent of the Company, they may authorise the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.

17.10 The directors may at any time remove an agent and may revoke or vary a power conferred on him.

18 Proceedings of Directors

18.1 The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The meetings of the board of directors and any committee thereof shall be held at such place or places (within or outside the British Virgin Islands) as the directors shall decide.

18.2 A director may at any time summon a meeting of the directors. A director shall be given not less than three (3) business days' (being full business days in the place of the director's residence) notice of a meeting of the directors, save that a meeting of directors held on less notice is valid if a majority of the directors entitled to vote at the meeting have waived the notice of the meeting; and, for this purpose, the presence of a director at the meeting shall be deemed to constitute waiver on his part (unless he objects in writing before or at the meeting).

18.3 The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice shall not invalidate the meeting.

18.4 Any director who is a body corporate may appoint any person its duly authorised representative for the purpose of representing it at meetings of the directors and of transacting any of the business of the directors.

18.5 A meeting of the directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-third of the total number of directors with a minimum of two (2).

18.6 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved.

18.7 A director of the Company shall be deemed to be present at a meeting of the board if:

(a) he or his alternate participates by telephone or other electronic means; and

(b) all directors and alternates participating in the meeting are able to hear each other.

18.8 The directors may elect a chairman (the "Chairman of the Board") of their meeting and determine the period for which he is to hold office. If no such Chairman of the Board is elected, or if at any meeting the Chairman of the Board is not present at the time appointed for holding the meeting, the directors present may choose one of their number to be Chairman of the Board for the meeting. If the directors are unable to choose a Chairman of the Board, for any reason, then the longest serving director present at the meeting shall preside as the Chairman of the Board.

18.9 Questions arising at any meeting of directors shall be decided by a majority of votes. In case of an equality in votes the Chairman of the Board shall have a second or casting vote.

18.10 A resolution approved by a majority of the directors for the time being entitled to receive notice of a meeting of the directors or of a committee of the directors and taking the form of a Written Resolution shall be as valid and effectual as if it had been passed at a meeting of the directors or of such committee duly convened and held, without the need for any notice.

18.11 If the Company shall have only one director, the foregoing provisions for meetings of the directors shall not apply but such sole director shall have full power to represent and act for the Company in all matters and in lieu of minutes of a meeting shall record in writing and sign a note of memorandum of all matters requiring a resolution of the directors. Such note or memorandum shall constitute sufficient evidence of such resolution for all purposes.

19 Indemnification and Insurance

19.1 Subject to the provisions of the Act and the subsequent provisions of this Article, the Company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:

(a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the Company; or

(b) is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise.

19.2 This Article applies only to a person who has acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful. The Company shall not indemnify a person who has not so acted, and any indemnity given to such a person is void and of no effect. A director acts in the best interests of the Company if he acts in the best interests of:

(a) the Company's holding company; or

(b) a shareholder or shareholders of the Company;

in either case, in the circumstances specified in the sub-Articles below, as the case may be:

19.3 The termination of any proceedings by any judgement, order, settlement, conviction or the entering of a nolle prosequi does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.

19.4 Expenses, including legal fees, incurred by a director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with this Article.

19.5 Expenses, including legal fees, incurred by a former director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former director to repay the amount if it shall ultimately be determined that the former director is not entitled to be indemnified by the Company in accordance with this Article and upon such other terms and conditions, if any, as the Company deems appropriate.

19.6 The indemnification and advancement of expenses provided by, or granted pursuant to, this Article is not exclusive of any other rights to which the person seeking indemnification or advancement of expenses may be entitled under any agreement, resolution of members, resolution of disinterested directors or otherwise, both as to acting in the person's official capacity and as to acting in another capacity while serving as a director of the Company.

19.7 The Company may purchase and maintain insurance in relation to any person who is or was a director of the Company, or who at the request of the Company is or was serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability under the foregoing Article.

20 Company Seal and Entry into Contracts and Deeds

20.1 The directors shall provide for the safe custody of the common seal of the Company. The common seal when affixed to any instrument (save for a share certificate in accordance with these Articles) shall be witnessed by a director or officer of the Company or any other person so authorised from time to time by the directors.

20.2 A contract may be entered into by the Company as follows:

(a) a contract that, if entered into by an individual, would be required by law to be in writing and under seal, may be entered into by or on behalf of the Company in writing under the common seal of the Company, or executed by or on behalf of the Company by a director or an authorised agent of the Company, and may be varied or discharged in the same manner;

(b) a contract that, if entered into by an individual, would be required by law to be in writing and signed, may be entered into by or on behalf of the Company in writing and signed by a person acting under the express or implied authority of the company, and may be varied or discharged in the same manner; and

(c) a contract that, if entered into by an individual, would be valid although entered into orally, and not reduced to writing, may be entered into orally by or on behalf of the Company by a person acting under the express or implied authority of the Company, and may be varied or discharged in the same manner.

20.3 Notwithstanding the foregoing Article, an instrument is validly executed by the Company as a deed, or an instrument under seal, if it is either:

(a) sealed with the common seal of the Company and witnessed by a director of the Company and/or such other person who is authorised by the Memorandum or Articles to witness the application of the Company's seal; or

(b) expressed to be, or is expressed to be executed as, or otherwise makes clear on its face that it is intended to be, a deed and it is signed by a director and/or by a person acting under the express or implied authority of the Company.

21 Distributions

21.1 Subject to the provisions of the Act, the directors of a Company may, by Resolution of Directors, authorise a distribution by the Company at a time, and of an amount, and to any members they think fit if they are satisfied, on reasonable grounds that, immediately after the distribution, the value of the Company's assets will exceed the Company's liabilities and the Company is able to pay its debts as they fall due.

21.2 No distribution shall be paid on those shares which are held by the Company as treasury shares at the date of declaration of the distribution.

21.3 The directors may, before recommending any distribution, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at their discretion, either be employed in the business of the Company or be invested in such investments as the directors may from time to time think fit.

21.4 If several persons are registered as joint holders of any share, any of them may give effectual receipt for any distribution or other monies payable on or in respect of the share.

21.5 Notice of any distribution that may have been declared shall be given to each member in manner hereinafter mentioned and all distributions unclaimed for three years after having been declared may be forfeited by the directors for the benefit of the Company.

21.6 No distribution shall bear interest against the Company.

22 Company Records

22.1 The Company shall keep records that:

(a) are sufficient to show and explain the Company's transactions; and

(b) will, at any time, enable the financial position of the Company to be determined with reasonable accuracy.

22.2 The Company shall keep the following records at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine:

(a) minutes of all meetings and all resolutions of members and of classes of members; and

(b) minutes of all meetings and all resolutions of directors and committees of directors.

Where any such records are kept at a place other than at the office of the Company's registered agent, the Company shall provide the registered agent with a written record of the physical address of the place or places at which the records are kept. Where the place at which any such records is changed, the Company shall provide the registered agent with the physical address of the new location of the records within fourteen days of the change of location.

22.3 The Company shall keep a register to be known as a register of directors containing the names and addresses of the persons who are directors of the Company, the date on which each person whose name is entered in the register was appointed as a director of the Company, the date on which each person named as a director ceased to be a director of the Company, and such other information as may be prescribed from time to time by law.

22.4 The Company shall maintain an accurate and complete register of members showing the full names and addresses of all persons holding registered shares in the Company, the number of each class and series of registered shares held by such person, the date on which the name of each member was entered in the register of members and where applicable, the date such person ceased to hold any registered shares in the Company.

22.5 The Company shall keep the following at the office of its registered agent:

(a) the Memorandum and Articles of the Company;

(b) the register of members maintained in accordance with these Articles or a copy of the register of members;

(c) the register of directors maintained in accordance with these Articles or a copy of the register of directors;

(d) copies of all notices and other documents filed by the Company in the previous ten years;

(e) a copy of the register of charges kept by the Company pursuant to Section 162(1) of the Act; and

(f) an imprint of the common seal.

22.6 Where the Company keeps a copy of the register of members or the register of directors at the office of its registered agent, it shall:

(a) within 15 days of any change in the register, notify the registered agent, in writing, of the change; and

(b) provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept.

(c) Where the place at which the original register of members or the original register of directors is changed, the Company shall provide the registered agent with the physical address of the new location of the records within 14 days of the change of location.

22.7 The records, documents and registers required by these Articles shall be open to the inspection of the directors at all times.

22.8 The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions the records, documents and registers of the Company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right to inspect any records, documents or registers of the Company except as conferred by the Act or authorised by a Resolution of Directors.

23 Audit

23.1 The directors may by a Resolution of Directors call for the accounts of the Company to be examined by an auditor or auditors to be appointed by them at such remuneration as may from time to time be agreed.

23.2 The auditor may be a member of the Company but no director or officer shall be eligible during his continuance in office.

23.3 Every auditor of the Company shall have a right of access at all times to the books of accounts of the Company, and shall be entitled to require from the officers of the Company such information and explanations as he thinks necessary for the performance of his duties.

23.4 The report of the auditor shall be annexed to the accounts upon which he reports, and the auditor shall be entitled to receive notice of, and to attend, any meeting at which the Company's audited profit and loss account and/or balance sheet is to be presented.

24 Notices

24.1 Any notice, information or written statement required to be given to members shall be served by mail (air-mail service if available) addressed to each member at the address shown in the share register.

24.2 All notices directed to be given to the members shall, with respect to any registered shares to which persons are jointly entitled, be given to whichever of such persons is named first in the share register, and notice so given shall be sufficient notice to all the holders of such shares.

24.3 Any notice, if served by post, shall be deemed to have been served within ten days of posting, and in proving such service it shall be sufficient to prove that the letter containing the notice was properly addressed and mailed with the postage prepaid.

25 Continuation

The Company may, by a Resolution of Directors or by a Resolution of Members, continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

26 Winding Up

26.1 The Company may be voluntarily liquidated under Part XII of the Act if it has no liabilities and it is able to pay its debts as they become due. A liquidator may, subject to the terms of the Act, be appointed by a Resolution of Directors or by a Resolution of Members.

26.2 If the Company shall be wound up, the liquidator may, in accordance with a Resolution of Members, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any such property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributors as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

27 Business Combination

27.1 The following provisions 27.2 through 27.5 and Article 13 shall terminate upon the consummation of any "Business Combination," and may not be amended during the "Target Business Acquisition Period." A "Business Combination" shall mean the acquisition by the Company, whether by merger, share capital exchange, asset or share acquisition or other similar type of transaction, of an operating business ("Target Business"). The "Target Business Acquisition Period" shall mean the period commencing from the effectiveness of the registration statement filed in connection with the initial public offering ("IPO") of the Company's parent corporation, Alyst Acquisition Corporation, a Delaware corporation ("Alyst") up to and including the first to occur of (a) a Business Combination; or (b) the Termination Date (defined below).

27.2 Prior to the consummation of any Business Combination, the Company shall submit such Business Combination to its shareholders for approval regardless of whether the Business Combination is of a type which normally would require such shareholder approval under the Act. In the event that a majority of the IPO Shares (defined below) cast at the meeting to approve the Business Combination are voted for the approval of such Business Combination, the Company shall be authorized to consummate the Business Combination; provided that the Company shall not consummate any Business Combination if the holders of 30% or more of the IPO Shares exercise their redemption rights described in Article 27.3 below.

27.3 In the event that a Business Combination is approved in accordance with the above Article 27.2 and is consummated by the Company, any shareholder of the Company holding Ordinary Shares in the IPO ("IPO Shares") who voted against the Business Combination may, contemporaneously with such vote, demand that the Company redeem his IPO Shares into cash. If so demanded, the Company shall, promptly after consummation of the Business Combination, redeem such shares into cash at a per share redemption price equal to the quotient determined by dividing (i) the amount in the Trust Fund (as defined below), inclusive of any interest thereon, calculated as of two business days prior to the consummation of the Business Combination, by (ii) the total number of IPO Shares. "Trust Fund" shall mean the trust account established by Alyst at the consummation of Alyst's IPO and into which a certain amount of the net proceeds of the IPO are deposited.

27.4 In the event that the Company does not consummate a Business Combination by 29 June 2009 (the "Termination Date"), the officers of the Company shall take all such action necessary to liquidate and dissolve the Company as soon as reasonably practicable. In the event that the Company is so wound-up and subsequently liquidated, only the holders of IPO Shares shall be entitled to receive pro rata liquidating distributions and the Company shall pay no liquidating distributions with respect to any other shares of the Company.

27.5 A holder of IPO Shares shall be entitled to receive distributions from the Trust Fund only in the event of a liquidation of the Company or in the event he demands redemption of his shares in accordance with Article 27.3 above. In no other circumstances shall a holder of IPO Shares have any right or interest of any kind in or to the Trust Fund.

We, Maples Finance BVI Limited of Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands in our capacity as registered agent for the Company hereby apply to the Registrar for the incorporation of the Company this 17th day of April 2008.

Incorporator

(Sgd.)
Clinton
Hempel

Clinton Hempel
Authorised Signatory
Maples Finance BVI Limited

Annex E

DELAWARE GENERAL CORPORATION LAW

SECTION 262

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word ''stockholder'' means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words ''stock'' and ''share'' mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words ''depository receipt'' mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 25 1 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the

shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in

Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

Annex F

THE BRITISH VIRGIN ISLANDS BUSINESS COMPANIES ACT, 2004

SECTION 179

(1) A member of a company is entitled to payment of the fair value of his shares upon dissenting from

(a) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares;

(b) a consolidation, if the company is a constituent company;

(c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company, but not including

(i) a disposition pursuant to an order of the Court having jurisdiction in the matter,

(ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition, or

(iii) a transfer pursuant to the power described in section 28(2);

(d) a redemption of his shares by the company pursuant to section 176; and

(e) an arrangement, if permitted by the Court.

(2) A member who desires to exercise his entitlement under subsection (1) shall give to the company, before the meeting of members at which the action is submitted to a vote, or at the meeting but before the vote, written objection to the action; but an objection is not required from a member to whom the company did not give notice of the meeting in accordance with this Act or where the proposed action is authorised by written consent of members without a meeting.

(3) An objection under subsection (2) shall include a statement that the member proposes to demand payment for his shares if the action is taken.

(4) Within 20 days immediately following the date on which the vote of members authorising the action is taken, or the date on which written consent of members without a meeting is obtained, the company shall give written notice of the authorisation or consent to each member who gave written objection or from whom written objection was not required, except those members who voted for, or consented in writing to, the proposed action.

(5) A member to whom the company was required to give notice who elects to dissent shall, within 20 days immediately following the date on which the notice referred to in subsection (4) is given, give to the company a written notice of his decision to elect to dissent, stating

(a) his name and address;

(b) the number and classes of shares in respect of which he dissents; and

(c) a demand for payment of the fair value of his shares;

and a member who elects to dissent from a merger under section 172 shall give to the company a written notice of his decision to elect to dissent within 20 days immediately following the date on which the copy of the plan of merger or an outline thereof is given to him in accordance with section 172.

(6) A member who dissents shall do so in respect of all shares that he holds in the company.

(7) Upon the giving of a notice of election to dissent, the member to whom the notice relates ceases to have any of the rights of a member except the right to be paid the fair value of his shares.

(8) Within 7 days immediately following the date of the expiration of the period within which members may give their notices of election to dissent, or within 7 days immediately following the date on which the proposed action is put into effect, whichever is later, the company or, in the case of a merger or consolidation, the surviving company or the consolidated company shall make a written offer to each dissenting member to purchase his shares at a specified price that the company determines to be their fair value; and if, within 30 days immediately following the date on which the offer is made, the company making the offer and the dissenting member agree upon the price to be paid for his shares, the company shall pay to the member the amount in money upon the surrender of the certificates representing his shares.

(9) If the company and a dissenting member fail, within the period of 30 days referred to in subsection (8), to agree on the price to be paid for the shares owned by the member, within 20 days immediately following the date on which the period of 30 days expires, the following shall apply:

(a) the company and the dissenting member shall each designate an appraiser;

(b) the two designated appraisers together shall designate an appraiser

(c) the three appraisers shall fix the fair value of the shares owned by the dissenting member as of the close of business on the day prior to the date on which the vote of members authorising the action was taken or the date on which written consent of members without a meeting was obtained, excluding any appreciation or depreciation directly or indirectly induced by the action or its proposal, and that value is binding on the company and the dissenting member for all purposes; and

(d) the company shall pay to the member the amount in money upon the surrender by him of the certificates representing his shares.

(10) Shares acquired by the company pursuant to subsection (8) or (9) shall be cancelled but if the shares are shares of a surviving company, they shall be available for reissue.

(11) The enforcement by a member of his entitlement under this section excludes the enforcement by the member of a right to which he might otherwise be entitled by virtue of his holding shares, except that this section does not exclude the right of the member to institute proceedings to obtain relief on the ground that the action is illegal.

(12) Only subsections (1) and (8) to (11) shall apply in the case of a redemption of shares by a company pursuant to the provisions of section 176 and in such case the written offer to be made to the dissenting member pursuant to subsection (8) shall be made within 7 days immediately following the direction given to a company pursuant to section 176 to redeem its shares.

Annex G

CHINA NETWORKS INTERNATIONAL HOLDINGS LTD.

2008 OMNIBUS SECURITIES AND INCENTIVE PLAN

CHINA NETWORKS INTERNATIONAL HOLDINGS LTD.

2008 OMNIBUS SECURITIES AND INCENTIVE PLAN

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CHINA NETWORKS INTERNATIONAL HOLDINGS LTD.

2008 OMNIBUS SECURITIES AND INCENTIVE PLAN

ARTICLE I
PURPOSE

The purpose of this China Networks International Holdings Ltd. 2008 Omnibus Securities and Incentive Plan (the "Plan") is to benefit the shareholders of China Networks International Holdings Ltd., a BVI corporation (the "Company"), by assisting the Company to attract, retain and provide incentives to key management employees and nonemployee directors of, and non-employee consultants to, the Company and its Affiliates, and to align the interests of such employees, nonemployee directors and nonemployee consultants with those of the Company's shareholders. Accordingly, the Plan provides for the granting of Distribution Equivalent Rights, Incentive Share Options, Non-Qualified Share Options, Performance Share Awards, Performance Unit Awards, Restricted Share Awards, Share Appreciation Rights, Tandem Share Appreciation Rights, Unrestricted Share Awards or any combination of the foregoing, as may be best suited to the circumstances of the particular Employee, Director or Consultant as provided herein.

ARTICLE II
DEFINITIONS

The following definitions shall be applicable throughout the Plan unless the context otherwise requires:

"Affiliate" shall mean any corporation which, with respect to the Company, is a "parent corporation" within the meaning of Section 424(e) of the Code.

"Award" shall mean, individually or collectively, any Distribution Equivalent Right, Option, Performance Share Award, Performance Unit Award, Restricted Share Award, Share Appreciation Right or Unrestricted Share Award.

"Award Agreement" shall mean a written agreement between the Company and the Holder with respect to an Award, each of which shall constitute a part of the Plan.

"Board" shall mean the Board of Directors of the Company from time to time.

"Cause" shall mean (i) if the Holder is a party to an employment or similar agreement with the Company or an Affiliate which agreement defines "Cause" (or a similar term) therein, "Cause" shall have the same meaning as provided for in such agreement, or (ii) for a Holder who is not a party to such an agreement, "Cause" shall mean termination by the Company or an Affiliate of the employment (or other service relationship) of the Holder by reason of the Holder's (A) intentional failure to perform reasonably assigned duties, (B) dishonesty or willful misconduct in the performance of the Holder's duties, (C) involvement in a transaction which is materially adverse to the Company or an Affiliate, (D) breach of fiduciary duty involving personal profit, (E) willful violation of any law, rule, regulation or court order (other than misdemeanor traffic violations and misdemeanors not involving misuse or misappropriation of money or property), (F) commission of an act of fraud or intentional misappropriation or conversion of any asset or opportunity of the Company or an Affiliate, or (G) material breach of any provision of the Plan or the Holder's Award Agreement or any other written agreement between the Holder and the Company or an Affiliate, in each case as determined in good faith by the Board, the determination of which shall be final, conclusive and binding on all parties.

"Change of Control" shall mean (i) for a Holder who is a party to an employment or consulting agreement with the Company or an Affiliate which agreement defines "Change of Control" (or a similar term) therein, "Change of Control" shall have the same meaning as provided for in such agreement, or (ii) for a Holder who is not a party to such an agreement, "Change of Control" shall mean the satisfaction of any one or more of the following conditions (and the "Change of Control" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied):

(a) Any person (as such term is used in paragraphs 13(d) and 14(d)(2) of the Exchange Act, hereinafter in this definition, "Person"), other than the Company or an Affiliate or an employee benefit plan of the Company or an Affiliate, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities;

(b) The closing of a merger, consolidation or other business combination (a "Business Combination") other than a Business Combination in which holders of ordinary shares of the Company immediately prior to the Business Combination have substantially the same proportionate ownership of common share of the surviving corporation immediately after the Business Combination as immediately before;

(c) The closing of either (i) an agreement for the sale or disposition of all or substantially all of the Company's assets to any entity that is not an Affiliate, or (ii) a plan of complete liquidation of the Company;

(d) The persons who were members of the Board immediately before a tender offer by any Person other than the Company or an Affiliate, or before a merger, consolidation or contested election, or before any combination of such transactions, cease to constitute a majority of the members of the Board as a result of such transaction or transactions; or

(e) Any other event which shall be deemed by a majority of the members of the Board to constitute a "Change of Control."

"Code" shall mean the United States Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to any section and any regulation under such section.

"Committee" shall mean a committee comprised of (i) at any time that the Ordinary Shares are not registered under Section 12 of the Exchange Act, the Compensation Committee of the Board, and (ii) at any time that the Ordinary Shares are registered under Section 12 of the Exchange Act, not less than three (3) members of the Board who are selected by the Board as provided in Section 4.1.

“Company” shall mean China Networks International Holdings Ltd., a BVI corporation, and any successor thereto.

“Consultant” shall mean any non-Employee (individual or entity) advisor to the Company or an Affiliate who or which has contracted directly with the Company or an Affiliate to render bona fide consulting or advisory services thereto.

“Director” shall mean a member of the Board or a member of the board of directors of an Affiliate, in either case, who is not an Employee.

“Distribution Equivalent Right” shall mean an Award granted under Article XII of the Plan which entitles the Holder to receive bookkeeping credits, cash payments and/or Ordinary Share distributions equal in amount to the distributions that would have been made to the Holder had the Holder held a specified number of Ordinary Shares during the period the Holder held the Distribution Equivalent Right.

“Distribution Equivalent Right Award Agreement” shall mean a written agreement between the Company and a Holder with respect to a Distribution Equivalent Right Award.

“Effective Date” shall mean _____________ , 2008.

“Employee” shall mean any employee, including officers, of the Company or an Affiliate.

“Exchange Act” shall mean the United States Securities Exchange Act of 1934, as amended.

“Fair Market Value” shall mean, as determined consistent with the applicable requirements of Sections 409A and 422 of the Code, as of any specified date, the closing sales price of the Ordinary Shares for such date (or, in the event that the Ordinary Shares are not traded on such date, on the immediately preceding trading date) on the Nasdaq Share Market or a domestic or foreign national securities exchange (including London’s Alternative Investment Market) on which the Ordinary Shares may be listed, as reported in The Wall Street Journal or The Financial Times. If the Ordinary Shares are not listed on the Nasdaq Share Market or on a national securities exchange, but are quoted on the OTC Bulletin Board or by the National Quotation Bureau, the Fair Market Value of the Ordinary Shares shall be the mean of the bid and asked prices per Ordinary Share for such date. If the Ordinary Shares are not quoted or listed as set forth above, Fair Market Value shall be determined by the Board in good faith by any fair and reasonable means (which means, with respect to a particular Award grant, may be set forth with greater specificity in the applicable Award Agreement). The Fair Market Value of property other than Ordinary Shares shall be determined by the Board in good faith by any fair and reasonable means, and consistent with the applicable requirements of Sections 409A and 422 of the Code.

"Family Member" shall mean any child, stepchild, grandchild, parent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Holder's household (other than a tenant of the Holder), a trust in which such persons have more than fifty percent (50%) of the beneficial interest, a foundation in which such persons (or the Holder) control the management of assets, and any other entity in which such persons (or the Holder) own more than fifty percent (50%) of the voting interests.

"Holder" shall mean an Employee, Director or Consultant who has been granted an Award or any such individual's beneficiary, estate or representative, to the extent applicable.

"Incentive Share Option" shall mean an Option which is intended by the Committee to constitute, and which does constitute, an "incentive stock option" under Section 422 of the Code.

"Non-Qualified Share Option" shall mean an Option which is not an Incentive Share Option.

"Option" shall mean an Award granted under Article VII of the Plan of an option to purchase Ordinary Shares and includes both Incentive Share Options and Non-Qualified Share Options.

"Option Agreement" shall mean a written agreement between the Company and a Holder with respect to an Option.

"Ordinary Shares" shall mean the ordinary shares, par value $0.0001 per share, of the Company.

"Performance Share Award" shall mean an Award granted under Article XI of the Plan under which, upon the satisfaction of predetermined individual and/or Company (and/or Affiliate) performance goals and/or objectives, Ordinary Shares are paid to the Holder.

"Performance Share Award Agreement" shall mean a written agreement between the Company and a Holder with respect to a Performance Share Award.

"Performance Unit" shall mean a Unit awarded to a Holder pursuant to a Performance Unit Award.

"Performance Unit Award" shall mean an Award granted under Article X of the Plan under which, upon the satisfaction of predetermined individual and/or Company (and/or Affiliate) performance goals and/or objectives, a cash payment shall be made to the Holder, based on the number of Units awarded to the Holder.

"Performance Unit Award Agreement" shall mean a written agreement between the Company and a Holder with respect to a Performance Unit Award.

"Plan" shall mean this China Networks International Holdings Ltd. 2008 Omnibus Securities and Incentive Plan, as amended from time to time, together with each of the Award Agreements utilized hereunder.

"Restricted Share Award" shall mean an Award granted under Article VIII of the Plan of Ordinary Shares, the transferability of which by the Holder shall be subject to Restrictions.

"Restricted Share Award Agreement" shall mean a written agreement between the Company and a Holder with respect to a Restricted Share Award.

"Restriction Period" shall mean the period of time for which Ordinary Shares subject to a Restricted Share Award shall be subject to Restrictions, as set forth in the applicable Restricted Share Award Agreement.

"Restrictions" shall mean forfeiture, transfer and/or other restrictions applicable to Ordinary Shares awarded to an Employee, Director or Consultant under the Plan pursuant to a Restricted Share Award and set forth in a Restricted Share Award Agreement.

"Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, as such may be amended from time to time, and any successor rule, regulation or statute fulfilling the same or a substantially similar function.

"Share Appreciation Right" shall mean an Award granted under Article XIII of the Plan of a right, granted alone or in connection with a related Option, to receive a payment on the date of exercise.

"Share Appreciation Right Award Agreement" shall mean a written agreement between the Company and a Holder with respect to a Share Appreciation Right.

"Tandem Share Appreciation Right" shall mean a Share Appreciation Right granted in connection with a related Option, the exercise of which shall result in termination of the otherwise entitlement to purchase some or all of the Ordinary Shares under the related Option, all as set forth in Section 13.2.

"Ten Percent Shareholder" shall mean an Employee who, at the time an Option is granted to him or her, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or of any parent corporation or subsidiary corporation thereof (both as defined in Section 424 of the Code), within the meaning of Section 422(b)(6) of the Code.

"Total and Permanent Disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, all as described in Section 22(e)(3) of the Code.

"Units" shall mean bookkeeping units, each of which represents such monetary amount as shall be designated by the Committee in each Performance Unit Award Agreement.

"Unrestricted Share Award" shall mean an Award granted under Article IX of the Plan of Ordinary Shares which are not subject to Restrictions.

“Unrestricted Share Award Agreement” shall mean a written agreement between the Company and a Holder with respect to an Unrestricted Share Award.

ARTICLE III
EFFECTIVE DATE OF PLAN

The Plan shall be effective as of the Effective Date, provided that the Plan is approved by the shareholders of the Company within twelve (12) months of such date.

ARTICLE IV
ADMINISTRATION

Section 4.1 Composition of Committee. The Plan shall be administered by the Committee, which shall be appointed by the Board. Notwithstanding the foregoing, however, at any time that the Ordinary Shares are registered under Section 12 of the Exchange Act, the Committee shall consist solely of three (3) or more Directors who are each (i) “outside directors” within the meaning of Section 162(m) of the Code (“Outside Directors”), (ii) “non-employee directors” within the meaning of Rule 16b-3, and (iii) “independent” for purposes of any applicable listing requirements (“Non-Employee Directors”); provided, however, that the Board or the Committee may delegate to a committee of one or more members of the Board who are not (x) Outside Directors, the authority to grant Awards to eligible persons who are not (A) then “covered employees” within the meaning of Section 162(m) of the Code and are not expected to be “covered employees” at the time of recognition of income resulting from such Award, or (B) persons with respect to whom the Company wishes to comply with the requirements of Section 162(m) of the Code, and/or (y) Non-Employee Directors, the authority to grant Awards to eligible persons who are not then subject to the requirements of Section 16 of the Exchange Act. If a member of the Committee shall be eligible to receive an Award under the Plan, such Committee member shall have no authority hereunder with respect to his or her own Award.

Section 4.2 Powers. Subject to the provisions of the Plan, the Committee shall have the sole authority, in its discretion, to make all determinations under the Plan, including but not limited to determining which Employees, Directors or Consultants shall receive an Award, the time or times when an Award shall be made (the date of grant of an Award shall be the date on which the Award is awarded by the Committee), what type of Award shall be granted, the term of an Award, the date or dates on which an Award vests (including acceleration of vesting), the form of any payment to be made pursuant to an Award, the terms and conditions of an Award, the Restrictions under a Restricted Share Award and the number of Ordinary Shares which may be issued under an Award, all as applicable. In making such determinations the Committee may take into account the nature of the services rendered by the respective Employees, Directors and Consultants, their present and potential contribution to the Company’s (or the Affiliate’s) success and such other factors as the Committee in its discretion shall deem relevant.

Section 4.3 Additional Powers. The Committee shall have such additional powers as are delegated to it under the other provisions of the Plan. Subject to the express provisions of the Plan, the Committee is authorized to construe the Plan and the respective Award Agreements executed hereunder, to prescribe such rules and regulations relating to the Plan as it may deem advisable to carry out the intent of the Plan, and to determine the terms, restrictions and provisions of each Award, including such terms, restrictions and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Share Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in any Award Agreement in the manner and to the extent it shall deem expedient to carry it into effect. The determinations of the Committee on the matters referred to in this Article IV shall be conclusive and binding on the Company and all Holders.

Section 4.4 Committee Action. In the absence of specific rules to the contrary, action by the Committee shall require the consent of a majority of the members of the Committee, expressed either orally at a meeting of the Committee or in writing in the absence of a meeting. No member of the Committee shall have any liability for any good faith action, inaction or determination in connection with the Plan.

Section 4.5 Special Committee Action Regarding Applicable Law. The Committee shall be authorized to adopt special rules and requirements under the Plan for compliance with applicable law, including but not limited to applicable Chinese law, as shall be set forth on Appendix A to the Plan and in the applicable Award Agreements.

ARTICLE V
SHARES SUBJECT TO PLAN AND LIMITATIONS THEREON

Section 5.1 Shares Grant and Award Limits. The Committee may from time to time grant Awards to one or more Employees, Directors and/or Consultants determined by it to be eligible for participation in the Plan in accordance with the provisions of Article VI. Subject to Article XIV, the aggregate number of Ordinary Shares that may be issued under the Plan shall not exceed Two Million Five Hundred Thousand (2,500,000) Ordinary Shares. Ordinary Shares shall be deemed to have been issued under the Plan solely to the extent actually issued and delivered pursuant to an Award. To the extent that an Award lapses, expires, is canceled, is terminated unexercised or ceases to be exercisable for any reason, or the rights of its Holder terminate, any Ordinary Shares subject to such Award shall again be available for the grant of a new Award. Notwithstanding any provision in the Plan to the contrary, the maximum number of Ordinary Shares that may be subject to Awards of Options under Article VII and/or Share Appreciation Rights under Article XIII, in either or both cases granted to any one Employee during any calendar year, shall be _________ (____) Ordinary Shares (subject to adjustment in the same manner as provided in Article XIV with respect to Ordinary Shares subject to Awards then outstanding). The limitation set forth in the preceding sentence shall be applied in a manner which shall permit compensation generated in connection with the exercise of Options or Share Appreciation Rights to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, but not limited to, counting against such maximum number of Ordinary Shares, to the extent required under Section 162(m) of the Code, any Ordinary Shares subject to Options or Share Appreciation Rights that are canceled or repriced.

Section 5.2 Shares Offered. The share to be offered pursuant to the grant of an Award may be authorized but unissued Ordinary Shares, Ordinary Shares purchased on the open market or Ordinary Shares previously issued and outstanding and reacquired by the Company.

Section 5.3 Lock-Up Agreement. Each Award Agreement which provides for the issuance of Ordinary Shares, including but not limited to the issuance of Ordinary Shares upon the exercise of an Option, shall provide for a lock-up covenant by the Holder, to be effective for a period not to exceed one year, upon the request of the Company or the Company's principal underwriter in connection with an underwritten public offering of the Ordinary Shares.

ARTICLE VI
ELIGIBILITY FOR AWARDS; TERMINATION OF EMPLOYMENT, DIRECTOR STATUS OR CONSULTANT STATUS

Section 6.1 Eligibility. Awards made under the Plan may be granted solely to persons or entities who, at the time of grant, are Employees, Directors or Consultants. An Award may be granted on more than one occasion to the same Employee, Director or Consultant, and, subject to the limitations set forth in the Plan, such Award may include, a Non-Qualified Share Option, a Restricted Share Award, an Unrestricted Share Award, a Distribution Equivalent Right Award, a Performance Share Award, a Performance Unit Award, a Share Appreciation Right, a Tandem Share Appreciation Right, any combination thereof or, solely for Employees, an Incentive Share Option.

Section 6.2 Termination of Employment or Director Status. Except to the extent inconsistent with the terms of the applicable Award Agreement and/or the provisions of Section 6.4, the following terms and conditions shall apply with respect to the termination of a Holder's employment with, or status as a Director of, the Company or an Affiliate, as applicable, for any reason, including, without limitation, Total and Permanent Disability or death:

(a) The Holder's rights, if any, to exercise any then exercisable Non-Qualified Share Options and/or Share Appreciation Rights shall terminate:

(1) If such termination is for a reason other than the Holder's Total and Permanent Disability or death, not more than ninety (90) days after the date of such termination of employment or after the date of such termination of Director status;

(2) If such termination is on account of the Holder's Total and Permanent Disability, one (1) year after the date of such termination of employment or Director status; or

(3) If such termination is on account of the Holder's death, one (1) year after the date of the Holder's death.

Upon such applicable date the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in or with respect to any such Non-Qualified Share Options and Share Appreciation Rights.

(b) The Holder's rights, if any, to exercise any then exercisable Incentive Share Option shall terminate:

(1) If such termination is for a reason other than the Holder's Total and Permanent Disability or death, not more than three (3) months after the date of such termination of employment;

(2) If such termination is on account of the Holder's Total and Permanent Disability, one (1) year after the date of such termination of employment; or

(3) If such termination is on account of the Holder's death, one (1) year after the date of the Holder's death.

Upon such applicable date the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in or with respect to any such Incentive Share Options.

(c) If a Holder's employment with, or status as a Director of, the Company or an Affiliate, as applicable, terminates for any reason prior to the actual or deemed satisfaction and/or lapse of the restrictions, terms and conditions applicable to an Award of Restricted Shares, such Restricted Shares shall immediately be canceled, and the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in and with respect to any such Restricted Shares. The immediately preceding sentence to the contrary notwithstanding, the Committee, in its sole discretion, may determine, prior to or within thirty (30) days after the date of such termination of employment or Director status, that all or a portion of any such Holder's Restricted Shares shall not be so canceled and forfeited.

Section 6.3 Termination of Consultant Status. Except to the extent inconsistent with the terms of the applicable Award Agreement and/or the provisions of Section 6.4, the following terms and conditions shall apply with respect to the termination of a Holder's status as a Consultant, for any reason:

(a) The Holder's rights, if any, to exercise any then exercisable Non-Qualified Share Options and Share Appreciation Rights shall terminate:

(1) If such termination is for a reason other than the Holder's death, not more than ninety (90) days after the date of such termination; or

(2) If such termination is on account of the Holder's death, one (1) year after the date of the Holder's death.

(b) If the status of a Holder as a Consultant terminates for any reason prior to the actual or deemed satisfaction and/or lapse of the Restrictions, terms and conditions applicable to an Award of Restricted Shares, such Restricted Shares shall immediately be canceled, and the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in and with respect to any such Restricted Shares. The immediately preceding sentence to the contrary notwithstanding, the Committee, in its sole discretion, may determine, prior to or within thirty (30) days after the date of such termination of such a Holder's status as a Consultant, that all or a portion of any such Holder's Restricted Shares shall not be so canceled and forfeited.

Section 6.4 Special Termination Rule. Except to the extent inconsistent with the terms of the applicable Award Agreement, and notwithstanding anything to the contrary contained in this Article VI, if a Holder’s employment with, or status as a Director of, the Company or an Affiliate shall terminate, if, within ninety (90) days of such termination, such Holder shall become a Consultant, such Holder’s rights with respect to any Award or portion thereof granted thereto prior to the date of such termination may be preserved, if and to the extent determined by the Committee in its sole discretion, as if such Holder had been a Consultant for the entire period during which such Award or portion thereof had been outstanding. Should the Committee effect such determination with respect to such Holder, for all purposes of the Plan, such Holder shall not be treated as if his or her employment or Director status had terminated until such time as his or her Consultant status shall terminate, in which case his or her Award, as it may have been reduced in connection with the Holder’s becoming a Consultant, shall be treated pursuant to the provisions of Section 6.3; provided, however, that any such Award which is intended to be an Incentive Share Option shall, upon the Holder’s no longer being an Employee, automatically convert to a Non-Qualified Share Option. Should a Holder’s status as a Consultant terminate, if, within ninety (90) days of such termination, such Holder shall become an Employee or a Director, such Holder’s rights with respect to any Award or portion thereof granted thereto prior to the date of such termination may be preserved, if and to the extent determined by the Committee in its sole discretion, as if such Holder had been an Employee or a Director, as applicable, for the entire period during which such Award or portion thereof had been outstanding, and, should the Committee effect such determination with respect to such Holder, for all purposes of the Plan, such Holder shall not be treated as if his or her Consultant status had terminated until such time as his or her employment with the Company or an Affiliate, or his or her Director status, as applicable, shall terminate, in which case his or her Award shall be treated pursuant to the provisions of Section 6.2.

Section 6.5 Termination for Cause. Notwithstanding anything in this Article VI or elsewhere in the Plan to the contrary, and unless a Holder’s Award Agreement specifically provides otherwise, should a Holder’s employment, Director status or engagement as a Consultant with or for the Company or an Affiliate be terminated by the Company or Affiliate for Cause, all of such Holder’s then outstanding Awards shall expire immediately and be forfeited in their entirety upon such termination.

ARTICLE VII
OPTIONS

Section 7.1 Option Period. The term of each Option shall be as specified in the Option Agreement; provided, however, that except as set forth in Section 7.3, no Option shall be exercisable after the expiration of ten (10) years from the date of its grant.

Section 7.2 Limitations on Exercise of Option. An Option shall be exercisable in whole or in such installments and at such times as specified in the Option Agreement.

Section 7.3 Special Limitations on Incentive Share Options. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Share Option is granted) of Ordinary Shares with respect to which Incentive Share Options are exercisable for the first time by an individual during any calendar year under all plans of the Company and any parent corporation or subsidiary corporation thereof (both as defined in Section 424 of the Code) which provide for the grant of Incentive Share Options exceeds One Hundred Thousand Dollars ($100,000) (or such other individual limit as may be in effect under the Code on the date of grant), the portion of such Incentive Share Options that exceeds such threshold shall be treated as Non-Qualified Share Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of a Holder's Options, which were intended by the Committee to be Incentive Share Options when granted to the Holder, will not constitute Incentive Share Options because of such limitation, and shall notify the Holder of such determination as soon as practicable after such determination. No Incentive Share Option shall be granted to an Employee if, at the time the Option is granted, such Employee is a Ten Percent Shareholder, unless (i) at the time such Incentive Share Option is granted the Option price is at least one hundred ten percent (110 %) of the Fair Market Value of the Ordinary Shares subject to the Option, and (ii) such Incentive Share Option by its terms is not exercisable after the expiration of five (5) years from the date of grant. No Incentive Share Option shall be granted more than ten (10) years from the date on which the Plan is approved by the Company's shareholders. The designation by the Committee of an Option as an Incentive Share Option shall not guarantee the Holder that the Option will satisfy the applicable requirements for "incentive stock option" status under Section 422 of the Code.

Section 7.4 Option Agreement. Each Option shall be evidenced by an Option Agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve, including, but not limited to, provisions intended to qualify an Option as an Incentive Share Option. An Option Agreement may provide for the payment of the Option price, in whole or in part, by the delivery of a number of Ordinary Shares that have been owned by the Holder for at least six (6) months (plus cash if necessary) and having a Fair Market Value equal to such Option price. Each Option Agreement shall, solely to the extent inconsistent with the provisions of Sections 6.2, 6.3 and 6.4, as applicable, specify the effect of termination of employment, Director status or Consultant status on the exercisability of the Option. Moreover, an Option Agreement may provide for a "cashless exercise" of the Option by establishing procedures whereby the Holder, by a properly-executed written notice, directs (i) an immediate market sale or margin loan respecting all or a part of the Ordinary Shares to which he is entitled upon exercise pursuant to an extension of credit by the Company to the Holder of the Option price, (ii) the delivery of the Ordinary Shares from the Company directly to a brokerage firm and (iii) the delivery of the Option price from sale or margin loan proceeds from the brokerage firm directly to the Company. Each Option Agreement shall, solely to the extent inconsistent with the provisions of Sections 6.2, 6.3 and 6.4, as applicable, specify the effect of the termination of the Holder's employment with the Company or an Affiliate, Director status or Consultant status on the exercisability of the Option. An Option Agreement may also include provisions relating to (i) subject to the provisions hereof, accelerated vesting of Options, (ii) tax matters (including provisions covering any applicable Employee wage withholding requirements and requiring additional "gross-up" payments to Holders to meet any excise taxes or other additional income tax liability imposed as a result of a payment upon a "change of control" of the Company resulting from the operation of the Plan or of such Option Agreement) and (iii) any other matters not inconsistent with the terms and provisions of the Plan that the Committee shall in its sole discretion determine. The terms and conditions of the respective Option Agreements need not be identical.

Section 7.5 Option Price and Payment. The price at which an Ordinary Share may be purchased upon exercise of an Option shall be determined by the Committee; provided, however, that such Option price (i) shall not be less than the Fair Market Value of an Ordinary Share on the date such Option is granted, and (ii) shall be subject to adjustment as provided in Article XIV. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company. The Option price for the Option or portion thereof shall be paid in full in the manner prescribed by the Committee as set forth in the applicable Option Agreement. Separate share certificates shall be issued by the Company for those Ordinary Shares acquired pursuant to the exercise of an Incentive Share Option and for those Ordinary Shares acquired pursuant to the exercise of a Non-Qualified Share Option.

Section 7.6 Shareholder Rights and Privileges. The Holder of an Option shall be entitled to all the privileges and rights of a shareholder of the Company solely with respect to such Ordinary Shares as have been purchased under the Option and for which certificates of share have been registered in the Holder's name.

Section 7.7 Options and Rights in Substitution for Share Options Granted by Other Corporations. Options may be granted under the Plan from time to time in substitution for share options held by individuals employed by entities who become Employees as a result of a merger or consolidation of the employing entity with the Company or any Affiliate, or the acquisition by the Company or an Affiliate of the assets of the employing entity, or the acquisition by the Company or an Affiliate of share of the employing entity with the result that such employing entity becomes an Affiliate.

ARTICLE VIII
RESTRICTED SHARE AWARDS

Section 8.1 Restriction Period to be Established by Committee. At the time a Restricted Share Award is made, the Committee shall establish the Restriction Period applicable to such Award. Each Restricted Share Award may have a different Restriction Period, in the discretion of the Committee. The Restriction Period applicable to a particular Restricted Share Award shall not be changed except as permitted by Section 8.2.

Section 8.2 Other Terms and Conditions. Ordinary Shares awarded pursuant to a Restricted Share Award shall be represented by a share certificate registered in the name of the Holder of such Restricted Share Award. If provided for under the Restricted Share Award Agreement, the Holder shall have the right to vote Ordinary Shares subject thereto and to enjoy all other shareholder rights, including the entitlement to receive dividends on the Ordinary Shares during the Restriction Period, except that (i) the Holder shall not be entitled to delivery of the share certificate until the Restriction Period shall have expired, (ii) the Company shall retain custody of the share certificate during the Restriction Period (with a share power endorsed by the Holder in blank), (iii) the Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Ordinary Shares during the Restriction Period and (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Share Award Agreement shall cause a forfeiture of the Restricted Share Award. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions relating to Restricted Share Awards, including, but not limited to, rules pertaining to the effect of termination of employment, Director status or Consultant status prior to expiration of the Restriction Period. Such additional terms, conditions or restrictions shall, to the extent inconsistent with the provisions of Sections 6.2, 6.3 and 6.4, as applicable, be set forth in a Restricted Share Award Agreement made in conjunction with the Award. Such Restricted Share Award Agreement may also include provisions relating to (i) subject to the provisions hereof, accelerated vesting of Awards, including but not limited to accelerated vesting upon the occurrence of a "change of control" of the Company, (ii) tax matters (including provisions covering any applicable Employee wage withholding requirements and requiring additional "gross-up" payments to Holders to meet any excise taxes or other additional income tax liability imposed as a result of a payment made in connection with a "change of control" of the Company resulting from the operation of the Plan or of such Restricted Share Award Agreement) and (iii) any other matters not inconsistent with the terms and provisions of the Plan that the Committee shall in its sole discretion determine. The terms and conditions of the respective Restricted Share Agreements need not be identical. All Ordinary Shares delivered to a Holder as part of a Restricted Share Award shall be delivered and reported by the Company or the Affiliate, as applicable, to the Holder by no later than two and one-half (2-1/2) months after the end of the calendar year in which the Holder's entitlement to such Ordinary Shares becomes vested.

Section 8.3 Payment for Restricted Shares. The Committee shall determine the amount and form of any payment from a Holder for Ordinary Shares received pursuant to a Restricted Share Award, if any, provided that in the absence of such a determination, a Holder shall not be required to make any payment for Ordinary Shares received pursuant to a Restricted Share Award, except to the extent otherwise required by law.

Section 8.4 Restricted Share Award Agreements. At the time any Award is made under this Article VIII, the Company and the Holder shall enter into a Restricted Share Award Agreement setting forth each of the matters contemplated hereby and such other matters as the Committee may determine to be appropriate.

ARTICLE IX
UNRESTRICTED SHARE AWARDS

Pursuant to the terms of the applicable Unrestricted Share Award Agreement, a Holder may be awarded (or sold at a discount) Ordinary Shares which are not subject to Restrictions, in consideration for past services rendered thereby to the Company or an Affiliate or for other valid consideration.

ARTICLE X
PERFORMANCE UNIT AWARDS

Section 10.1 Terms and Conditions. The Committee shall set forth in the applicable Performance Unit Award Agreement the performance goals and objectives (and the period of time to which such goals and objectives shall apply) which the Holder and/or the Company would be required to satisfy before the Holder would become entitled to payment pursuant to Section 10.2, the number of Units awarded to the Holder and the dollar value assigned to each such Unit.

Section 10.2 Payments. The Holder of a Performance Unit shall be entitled to receive a cash payment equal to the dollar value assigned to such Unit under the applicable Performance Unit Award Agreement if the Holder and/or the Company satisfy (or partially satisfy, if applicable under the applicable Performance Unit Award Agreement) the performance goals and objectives set forth in such Performance Unit Award Agreement.

ARTICLE XI
PERFORMANCE SHARE AWARDS

Section 11.1 Terms and Conditions. The Committee shall set forth in the applicable Performance Share Award Agreement the performance goals and objectives (and the period of time to which such goals and objectives shall apply) which the Holder and/or the Company would be required to satisfy before the Holder would become entitled to the receipt of Ordinary Shares pursuant to such Holder's Performance Share Award and the number of Ordinary Shares subject to such Performance Share Award.

Section 11.2 Shareholder Rights and Privileges. The Holder of a Performance Share Award shall have no rights as a shareholder of the Company until such time, if any, as the Holder actually receives Ordinary Shares pursuant to the Performance Share Award.

ARTICLE XII
DISTRIBUTION EQUIVALENT RIGHTS

Section 12.1 Terms and Conditions. The Committee shall set forth in the applicable Distribution Equivalent Rights Award Agreement the terms and conditions, if any, including whether the Holder is to receive credits currently in cash, is to have such credits reinvested (at Fair Market Value determined as of the date of reinvestment) in additional Ordinary Shares or is to be entitled to choose among such alternatives. Distribution Equivalent Rights Awards may be settled in cash or in Ordinary Shares, as set forth in the applicable Distribution Equivalent Rights Award Agreement. A Distribution Equivalent Rights Award may, but need not be, awarded in tandem with another Award, whereby, if so awarded, such Distribution Equivalent Rights Award shall expire, terminate or be forfeited by the Holder, as applicable, under the same conditions as under such other Award.

Section 12.2 Interest Equivalents. The Distribution Equivalent Rights Award Agreement for a Distribution Equivalent Rights Award may provide for the crediting of interest on a Distribution Rights Award to be settled in cash at a future date, at a rate set forth in the applicable Distribution Equivalent Rights Award Agreement, on the amount of cash payable thereunder.

ARTICLE XIII
SHARE APPRECIATION RIGHTS

Section 13.1 Terms and Conditions. The Committee shall set forth in the applicable Share Appreciation Right Award Agreement the terms and conditions of the Share Appreciation Right, including (i) the base value (the “Base Value”) for the Share Appreciation Right, which for purposes of a Share Appreciation Right which is not a Tandem Share Appreciation Right, shall be not less than the Fair Market Value of an Ordinary Share on the date of grant of the Share Appreciation Right, (ii) the number of Ordinary Shares subject to the Share Appreciation Right, (iii) the period during which the Share Appreciation Right may be exercised; provided, however, that no Share Appreciation Right shall be exercisable after the expiration of ten (10) years from the date of its grant, and (iv) any other special rules and/or requirements which the Committee imposes upon the Share Appreciation Right. Upon the exercise of some or all of the portion of a Share Appreciation Right, the Holder shall receive a payment from the Company, in cash or in the form of Ordinary Shares having an equivalent Fair Market Value or in a combination of both, as determined in the sole discretion of the Committee, equal to the product of:

(a) The excess of (i) the Fair Market Value of an Ordinary Share on the date of exercise, over (ii) the Base Value, multiplied by;

(b) The number of Ordinary Shares with respect to which the Share Appreciation Right is exercised.

Section 13.2 Tandem Share Appreciation Rights. If the Committee grants a Share Appreciation Right which is intended to be a Tandem Share Appreciation Right, the Tandem Share Appreciation Right must be granted at the same time as the related Option, and the following special rules shall apply:

(a) The Base Value shall be equal to or greater than the exercise price under the related Option;

(b) The Tandem Share Appreciation Right may be exercised for all or part of the Ordinary Shares which are subject to the related Option, but solely upon the surrender by the Holder of the Holder’s right to exercise the equivalent portion of the related Option (and when an Ordinary Share is purchased under the related Option, an equivalent portion of the related Tandem Share Appreciation Right shall be cancelled);

(c) The Tandem Share Appreciation Right shall expire no later than the date of the expiration of the related Option;

(d) The value of the payment with respect to the Tandem Share Appreciation Right may be no more than one hundred percent (100%) of the difference between the exercise price under the related Option and the Fair Market Value of the Ordinary Shares subject to the related Option at the time the Tandem Share Appreciation Right is exercised, multiplied by the number of Ordinary Shares with respect to which the Tandem Share Appreciation Right is exercised; and

(e) The Tandem Share Appreciation Right may be exercised solely when the Fair Market Value of the Ordinary Shares subject to the related Option exceeds the exercise price under the related Option.

ARTICLE XIV
RECAPITALIZATION OR REORGANIZATION

Section 14.1 Adjustments to Ordinary Shares. The shares with respect to which Awards may be granted under the Plan are Ordinary Shares as presently constituted; provided, however, that if, and whenever, prior to the expiration or distribution to the Holder of an Award theretofore granted, the Company shall effect a subdivision or consolidation of the Ordinary Shares or the payment of a share dividend on Ordinary Shares without receipt of consideration by the Company, the number of Ordinary Shares with respect to which such Award may thereafter be exercised or satisfied, as applicable, (i) in the event of an increase in the number of outstanding Ordinary Shares, shall be proportionately increased, and the purchase price per Ordinary Share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding Ordinary Shares, shall be proportionately reduced, and the purchase price per Ordinary Share shall be proportionately increased. Notwithstanding the foregoing or any other provision of this Article XIV, any such adjustment made with respect to an Award which is an Incentive Share Option shall comply with the requirements of Section 424(a) of the Code, and in no event shall any such adjustment be made which would render any Incentive Share Option granted under the Plan to be other than an "incentive stock option" for purposes of Section 422 of the Code.

Section 14.2 Recapitalization. If the Company recapitalizes or otherwise changes its capital structure, thereafter upon any exercise or satisfaction, as applicable, of a previously granted Award, the Holder shall be entitled to receive (or entitled to purchase, if applicable) under such Award, in lieu of the number of Ordinary Shares then covered by such Award, the number and class of shares and securities to which the Holder would have been entitled pursuant to the terms of the recapitalization if, immediately prior to such recapitalization, the Holder had been the holder of record of the number of Ordinary Shares then covered by such Award.

Section 14.3 Other Events. In the event of changes to the outstanding Ordinary Shares by reason of recapitalization, reorganization, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Award and not otherwise provided for under this Article XIV, any outstanding Awards and any Award Agreements evidencing such Awards shall be adjusted by the Board in its discretion as to the number and price of Ordinary Shares or other consideration subject to such Awards. In the event of any such change to the outstanding Ordinary Shares, the aggregate number of Ordinary Shares available under the Plan may be appropriately adjusted by the Board, the determination of which shall be conclusive.

Section 14.4 Powers Not Affected. The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or of the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change of the Company's capital structure or business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Ordinary Shares or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

Section 14.5 No Adjustment for Certain Awards. Except as hereinabove expressly provided, the issuance by the Company of shares of any class or securities convertible into shares of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect previously granted Awards, and no adjustment by reason thereof shall be made with respect to the number of Ordinary Shares subject to Awards theretofore granted or the purchase price per share, if applicable.

ARTICLE XV
AMENDMENT AND TERMINATION OF PLAN

The Board in its discretion may terminate the Plan at any time with respect to any shares for which Awards have not theretofore been granted; provided, however, that the Plan's termination shall not materially and adversely impair the rights of a Holder with respect to any Award theretofore granted without the consent of the Holder. The Board shall have the right to alter or amend the Plan or any part hereof from time to time; provided, however, that no change in any Award theretofore granted may be made which would materially and adversely impair the rights of a Holder with respect to such Award without the consent of the Holder (unless such change is required in order to cause the benefits under the Plan to qualify as "performance-based" compensation within the meaning of Section 162(m) of the Code).

ARTICLE XVI
SPECIAL RULES

Section 16.1 Right of First Refusal. Solely during such time that the Ordinary Shares are not publicly traded, no Holder (or beneficiary of a Holder including but not limited to the Holder's estate) may sell or otherwise transfer (except for inter vivos transfers to Family Members) any Ordinary Shares obtained thereby pursuant to an Award without first (a) providing the Company with a written offer to sell the Ordinary Shares to the Company on the same terms as were offered to the Holder (or the Holder's beneficiary) by a bona fide third party (a copy of which third party offer shall be attached to the Holder's or beneficiary's offer to sell such Ordinary Shares to the Company) for a sales price and with other terms and conditions, in each case equal to those stated in the third party's purchase offer, and (b) waiting thirty (30) days from the date of the Company's receipt of such offer. If the Company shall accept the Holder's or beneficiary's offer in writing within said thirty (30) day period, the Holder or beneficiary and the Company shall promptly effect such transaction. If the Company does not provide a written acceptance of the Holder's or beneficiary's offer within said thirty (30) day period, the Holder or beneficiary shall be entitled to accept such third party's offer and effect such transaction.

Section 16.2 Call Option. Solely during such time that the Ordinary Shares are not publicly traded, upon the termination of (a) an Employee's employment with the Company or an Affiliate, (b) a Director's membership on the Board or on the board of directors of an Affiliate or (c) a Consultant's consulting or advisory engagement by the Company or Affiliate, the Company shall have the right to purchase from such individual or from such individual's estate, for a period of 90 days following the date of such termination, any Ordinary Shares obtained thereby pursuant to the exercise of a Share Option hereunder for a purchase price equal to the Fair Market Value of such Ordinary Shares as of the date on which the Company provides written notice of its intent to exercise its call option hereunder to such individual or to such individual's estate; provided, however, that notwithstanding the foregoing, should the individual's employment, Board membership or consulting or advisory engagement be terminated by the Company for Cause, in lieu of Fair Market Value, the purchase price shall equal the amount paid, if any, by such individual, to obtain such Ordinary Shares.

ARTICLE XVII
MISCELLANEOUS

Section 17.1 No Right to Award. Neither the adoption of the Plan by the Company nor any action of the Board or the Committee shall be deemed to give an Employee, Director or Consultant any right to an Award except as may be evidenced by an Award Agreement duly executed on behalf of the Company, and then solely to the extent and on the terms and conditions expressly set forth therein.

Section 17.2 No Rights Conferred. Nothing contained in the Plan shall (i) confer upon any Employee any right with respect to continuation of employment with the Company or any Affiliate, (ii) interfere in any way with any right of the Company or any Affiliate to terminate the employment of an Employee at any time, (iii) confer upon any Director any right with respect to continuation of such Director's membership on the Board, (iv) interfere in any way with any right of the Company or an Affiliate to terminate a Director's membership on the Board at any time, (v) confer upon any Consultant any right with respect to continuation of his or her consulting engagement with the Company or any Affiliate, or (vi) interfere in any way with any right of the Company or an Affiliate to terminate a Consultant's consulting engagement with the Company or an Affiliate at any time.

Section 17.3 Other Laws; Withholding. The Company shall not be obligated to issue any Ordinary Shares pursuant to any Award granted under the Plan at any time when the shares covered by such Award have not been registered under the Securities Act of 1933 and under such other state and federal laws, rules or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel of the Company, if there is no exemption from the registration requirements of such laws, rules or regulations available for the issuance and sale of such Ordinary Shares. No fractional Ordinary Shares shall be delivered, nor shall any cash in lieu of fractional Ordinary Shares be paid. The Company shall have the right to deduct in cash (whether under this Plan or otherwise) in connection with all Awards any taxes required by law to be withheld and to require any payments required to enable it to satisfy its withholding obligations. In the case of any Award satisfied in the form of Ordinary Shares, no Ordinary Shares shall be issued unless and until arrangements satisfactory to the Company shall have been made to satisfy any tax withholding obligations applicable with respect to such Award. Subject to such terms and conditions as the Committee may impose, the Company shall have the right to retain, or the Committee may, subject to such terms and conditions as it may establish from time to time, permit Holders to elect to tender, Ordinary Shares (including Ordinary Shares issuable in respect of an Award) to satisfy, in whole or in part, the amount required to be withheld.

Section 17.4 No Restriction on Corporate Action. Nothing contained in the Plan shall be construed to prevent the Company or any Affiliate from taking any corporate action which is deemed by the Company or such Affiliate to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No Employee, Director, Consultant, beneficiary or other person shall have any claim against the Company or any Affiliate as a result of any such action.

Section 17.5 Restrictions on Transfer. No Award under the Plan or any Award Agreement and no rights or interests herein or therein, shall or may be assigned, transferred, sold, exchanged, encumbered, pledged or otherwise hypothecated or disposed of by a Holder except (i) by will or by the laws of descent and distribution, or (ii) except for an Incentive Share Option, by gift to any Family Member of the Holder. An Award may be exercisable during the lifetime of the Holder only by such Holder or by the Holder's guardian or legal representative unless it has been transferred by gift to a Family Member of the Holder, in which case it shall be exercisable solely by such transferee. Notwithstanding any such transfer, the Holder shall continue to be subject to the withholding requirements provided for under Section 17.3 hereof.

Section 17.6 Beneficiary Designations. Each Holder may, from time to time, name a beneficiary or beneficiaries (who may be contingent or successive beneficiaries) for purposes of receiving any amount which is payable in connection with an Award under the Plan upon or subsequent to the Holder's death. Each such beneficiary designation shall serve to revoke all prior beneficiary designations, be in a form prescribed by the Company and be effective solely when filed by the Holder in writing with the Company during the Holder's lifetime. In the absence of any such written beneficiary designation, for purposes of the Plan, a Holder's beneficiary shall be the Holder's estate.

Section 17.7 Rule 16b-3. It is intended that, at any time when the Ordinary Shares are registered under Section 12 of the Exchange Act, the Plan and any Award made to a person subject to Section 16 of the Exchange Act shall meet all of the requirements of Rule 16b-3. If any provision of the Plan or of any such Award would disqualify the Plan or such Award under, or would otherwise not comply with the requirements of, Rule 16b-3, such provision or Award shall be construed or deemed to have been amended as necessary to conform to the requirements of Rule 16b-3.

Section 17.8 Section 162(m). It is intended that, at any time when the Ordinary Shares are registered under Section 12 of the Exchange Act, the Plan shall comply fully with and meet all the requirements of Section 162(m) of the Code so that Awards hereunder which are made to Holders who are "covered employees" (as defined in Section 162(m) of the Code) shall constitute "performance-based" compensation within the meaning of Section 162(m) of the Code. The performance criteria to be utilized under the Plan for such purposes shall consist of objective tests based on one or more of the following: earnings or earnings per share, cash flow, customer satisfaction, revenues, financial return ratios (such as return on equity and/or return on assets), market performance, shareholder return and/or value, operating profits, EBITDA, net profits, profit returns and margins, share price, credit quality, sales growth, market share, comparisons to peer companies (on a company-wide or divisional basis), working capital and/or individual or aggregate employee performance. If any provision of the Plan would disqualify the Plan or would not otherwise permit the Plan to comply with Section 162(m) as so intended, such provision shall be construed or deemed amended to conform to the requirements or provisions of Section 162(m).

Section 17.9 Section 409A. Notwithstanding any other provision of the Plan, the Committee shall have no authority to issue an Award under the Plan with terms and/or conditions which would cause such Award to constitute non-qualified "deferred compensation" under Section 409A of the Code. Accordingly, by way of example but not limitation, no Option shall be granted under the Plan with a per share Option exercise price which is less than the Fair Market Value of an Ordinary Share on the date of grant of the Option. Notwithstanding anything herein to the contrary, no Award Agreement shall provide for any deferral feature with respect to an Award which constitutes a deferral of compensation under Section 409A of the Code. The Plan and all Award Agreements are intended to comply with the requirements of Section 409A of the Code and shall be so interpreted and construed.

Section 17.10 Other Plans. No Award, payment or amount received hereunder shall be taken into account in computing an Employee's salary or compensation for the purposes of determining any benefits under any pension, retirement, life insurance or other benefit plan of the Company or any Affiliate, unless such other plan specifically provides for the inclusion of such Award, payment or amount received.

Section 17.11 Limits of Liability. Any liability of the Company with respect to an Award shall be based solely upon the contractual obligations created under the Plan and the Award Agreement. None of the Company, any member of the Board nor any member of the Committee shall have any liability to any party for any action taken or not taken, in good faith, in connection with or under the Plan.

Section 17.12 Governing Law. Except as otherwise provided herein, the Plan shall be construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

Section 17.13 Severability of Provisions. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of the Plan, and the Plan shall be construed and enforced as if such invalid or unenforceable provision had not been included in the Plan.

Section 17.14 No Funding. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to ensure the payment of any Award.

Section 17.15 Headings. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

Section 17.16 Terms of Award Agreements. Each Award shall be evidenced by an Award Agreement, which Award Agreement, if it provides for the issuance of Ordinary Shares, shall require the Holder to enter into and be bound by the terms of the Company's Shareholders' Agreement, if any. The terms of the Award Agreements utilized under the Plan need not be the same.

Appendix A

[Applicable Law Appendix]

1. Regulations on the Foreign Exchange System of The People's Republic of China, issued by the State Council in 2008.

2. Measures for Administration of Individual Foreign Exchange, issued by the People's Bank of China in 2006.

3. Detailed Rules of the Measures for Administration of Individual Foreign Exchange, issued by the State Administration of Foreign Exchange (SAFE), in 2007.

4. Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (Circular 75) and its Operation Rules (Circular 106) issued by the SAFE in 2005 and 2007.

5. Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies (Circular 78), issued by the SAFE in 2007.

6. Other applicable regulations which issued or will be issued by the PRC government authorities within the Term of this Plan.

FOLD AND DETACH HERE AND READ THE REVERSE SIDE

PROXY

Alyst Acquisition Corp.
233 East 69th Street #6J
New York, NY 10021

SPECIAL MEETING OF STOCKHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
OF ALYST ACQUISITION CORP.

The undersigned appoints Michael E. Weksel as proxy, with full power to act as proxy and with the power to appoint a substitute, and thereby authorizes him to represent and to vote, as designated on the reverse side, all shares of common stock of Alyst held of record by the undersigned on [______], 2009, at the Special Meeting of Stockholders to be held on [______], 2009, or any postponement or adjournment thereof.

THIS PROXY REVOKES ALL PRIOR PROXIES GIVEN BY THE UNDERSIGNED. BY EXECUTING THIS PROXY CARD, THE UNDERSIGNED AUTHORIZES THE PROXY TO VOTE IN HIS DISCRETION TO APPROVE THE REDOMESTICATION AND THE BUSINESS COMBINATION PROPOSALS (EACH AS DEFINED ON THE REVERSE SIDE) IF THE UNDERSIGNED HAS NOT SPECIFIED HOW HIS, HER OR ITS SHARES SHOULD BE VOTED.

THIS PROXY WILL BE VOTED AS DIRECTED. IF NO DIRECTIONS ARE GIVEN, THIS PROXY WILL BE VOTED “FOR” PROPOSAL NUMBERS 1, 2, 3 & 4. THE ALYST BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE PROPOSALS SHOWN ON THE REVERSE SIDE.

ALYST MAY POSTPONE OR ADJOURN THE SPECIAL MEETING TO SOLICIT ADDITIONAL VOTING INSTRUCTIONS IN THE EVENT THAT A QUORUM IS NOT PRESENT OR UNDER OTHER CIRCUMSTANCES IF DEEMED ADVISABLE BY THE ALYST BOARD OF DIRECTORS, SUCH AS NOT HAVING ACHIEVED THE REQUISITE VOTE TO APPROVE THE PROPOSALS.

(Continued and to be signed on reverse side)

[TELEPHONE]

VOTE BY TELEPHONE
QUICK *** EASY *** IMMEDIATE

Alyst Acquisition Corp.

Voting by telephone is quick, easy and immediate. As an Alyst Acquisition Corp. stockholder, you have the option of voting your shares on the telephone, eliminating the need to return the proxy card. Your telephonic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card. Votes submitted by telephone must be received by 11:59 p.m., Eastern standard time, on ______, 2009.

To Vote Your Proxy By Phone

It is fast, convenient, and immediate.

Call the Toll-free number listed on your Voting Instruction Form.

Follow these four easy steps:
1. Read the accompanying Proxy Statement and Proxy Card.
2. Call the Toll-free number listed on your Voting Instruction Form.
3. Enter your 12-digit Control Number located on your Voting Instruction Form.
4. Follow the recorded instructions.

YOUR VOTE IS IMPORTANT!

DO NOT RETURN YOUR PROXY CARD IF YOU ARE VOTING BY TELEPHONE.

To Vote Your Proxy By Mail

Mark, sign and date your proxy card below, detach it and return it in the postage-paid envelope provided.

FOLD AND DETACH HERE AND READ THE REVERSE SIDE

Please mark votes as in this example x

PROXY

THIS PROXY WILL BE VOTED AS DIRECTED. IF NO DIRECTIONS ARE GIVEN, THIS PROXY WILL BE VOTED "FOR" PROPOSAL NUMBERS 1, 2, 3 & 4. THE ALYST BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE FOLLOWING PROPOSALS.

1.	To approve the redomestication of Alyst from the State of Delaware to the British Virgin Islands by merging Alyst with and into China Networks International Holdings Ltd. (‘‘CN Holdings’’), its wholly-owned British Virgin Islands subsidiary (the ‘‘Redomestication Merger’’).	FOR o	AGAINST o	ABSTAIN o
2.	To approve the proposed merger of China Networks Merger Co., Ltd., a wholly-owned British Virgin Islands subsidiary of CN Holdings ("China Networks Merger Co.") with and into China Networks Media, Ltd. ("China Networks Media"), a private limited liability British Virgin Islands company, becoming a wholly-owned	FOR o	AGAINST o	ABSTAIN o

subsidiary of CN Holdings (the ‘‘Business Combination’’).

Only if you voted “AGAINST” Proposal Number 2 and you hold shares of Alyst common stock issued in the Alyst initial public offering, may you exercise your conversion rights and demand that Alyst convert your shares of common stock into cash by marking the “Exercise Conversion Rights” box below. If you exercise your conversion rights, then you will be exchanging your shares of Alyst common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold them through the closing of the Business Combination and then tender your stock certificate(s) to Alyst or to Alyst’s duly appointed tender agent.

EXERCISE CONVERSION RIGHTS o

3.	To adopt the proposed incentive stock option plan pursuant to which directors, officers, employees and consultants of CN Holdings or its subsidiaries may be granted options to purchase up to 2,500,000 million ordinary shares of CN Holdings.	FOR o	AGAINST o	ABSTAIN o
4.	To approve any adjournment or postponement of the Special Meeting for the purpose of soliciting additional proxies in the event Alyst does not receive the requisite stockholder vote for approval of the Redomestication Proposal and the Business Combination Proposal.	FOR o	AGAINST o	ABSTAIN o

PLEASE MARK, DATE AND RETURN THIS PROXY PROMPTLY.
Signature ___________________ Signature ___________________ Date ___________________

Sign exactly as name appears on this proxy card. If shares are held jointly, each holder should sign. Executors, administrators, trustees, guardians, attorneys and agents should give their full titles. If stockholder is a corporation, sign in full corporate name by an authorized officer.

ALYST ACQUISITION CORP.
233 East 69th Street, #6J
New York, NY 10021

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF STOCKHOLDERS OF ALYST ACQUISITION CORP. TO BE HELD ON [ ], 2009

Dear Alyst Stockholder:

The Special Meeting of Stockholders of Alyst Acquisition Corp., a Delaware corporation ("Alyst"), will be held at 10:00 a.m., Eastern Time, on [ ], 2009, at 340 Madison Avenue, 2nd Floor, New York, New York 10173.

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to Be Held on [ ], 2009

1. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.

2. Alyst's Proxy Statement, Annual Report and other proxy material are available at http://www.alyst.net/.

3. If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before [ ], 2009 to facilitate timely delivery.

Proposals to be considered at the Special Meeting are listed below along with Alyst's Board of Directors (the "Board") recommendations:

(a) to redomesticate Alyst from the State of Delaware to the British Virgin Islands;

(b) to merger China Networks Merger Co., Ltd. with and into China Networks Media;

(c) to approve Alyst's 2008 Omnibus Securities and Incentive Plan; and

(d) to adjourn or postpone the Special Meeting to solicit additional proxies if necessary for approval of Items (a) and (b) above.

The Board recommends a vote "FOR" Item (a), (b), (c) and (d).

The Board has fixed the close of business on [ ], 2009 as the record date for the determination of stockholders entitled to receive notice and to vote at the Special meeting or any adjournment or postponement thereof.

You may access the following proxy materials at http://www.alyst.net:

- Alyst's Proxy statement (including all attachments thereto);
- the Proxy card;
- Alyst's Annual Report for the year ended June 30, 2008; and
- any amendments to the foregoing materials that are required to be furnished to stockholders.

Other than the identification control number provided to you in the notice (if such a number is used), you are not required to provide any personal information in order to access any material from the website.

If you would like a paper copy of the proxy materials mailed to you, you may request one by calling, collect, (212) 650-0232, or by sending an email to mweksel@alyst.net, or by making your request online at http://www.alyst.net. You will have the opportunity to make your request for paper copies apply to all Alyst's future meetings of stockholders (which you may later revoke at any time) or only for this Special Meeting.

To obtain directions to attend the meeting and vote in person, you may visit http://www.google.com/maps and enter the address for the meeting location provided above.

Dated: , 2009

By Order of the Board of Directors,

Robert A. Schriesheim
Chairman