This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CHINA OUTDOOR MEDIA GROUP LIMITED
中國戶外媒體集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 254)

VERY SUBSTANTIAL ACQUISITION

THE AGREEMENT

On 4 December 2009, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser agreed to acquire from the Vendor the Sale Share for a total consideration of HK$1,241,890,000.

The consideration of HK$1,241,890,000 for the sale and purchase of the Sale Share shall be settled by the Purchaser in the following manner:

(a) HK$13,000,000 shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor or his nominee(s), credited as fully paid, at the Issue Price at Completion; and

(b) HK$1,228,890,000 shall be satisfied by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor or his nominee(s) at Completion.

The Acquisition constitutes a very substantial acquisition on the part of the Company and is subject to the approval of the Shareholders at the EGM.

GENERAL

Each of the Vendor and his associates is an Independent Third Party and does not hold any Shares as at the date of this announcement. Accordingly, no Shareholder is required to abstain from voting at the EGM.

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 December 2009 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the issued Shares with effect from 9:30 a.m. on 29 December 2009.

THE AGREEMENT

Date: 4 December 2009

Parties:

(i)	Purchaser:	Konmate Investments Limited, a wholly owned subsidiary of the Company;
(ii)	Vendor:	Fully Wealthy Inc.; and
(iii)	Guarantor:	Jiang Qi Hang, who guarantees in favour of the Purchaser the due and punctual performance of the Vendor under the Agreement.

The Vendor is principally engaged in investment holding. The entire issued share capital of the Vendor is legal and beneficially owned by the Guarantor. The Guarantor holds a bachelor degree in business administration at the Zhong Shan University and a master degree in business administration from the Australia Graduate School of Management, University of New South Wales. The Guarantor has more than 15 years of experience in the advertising and investment industry. He joined Procter & Gamble (China) Ltd in 1992 and was responsible for the brand management of Head & Shoulders shampoo, where he has built up strong personal network in the media and advertising industry in China. After completing his master degree in business administration, he made a career change to the finance industry. From 2000 to 2004, the Guarantor was a director of securities sales in BNP Paribas Peregrine Securities Limited. In 2005, he joined Bank of China International Securities Limited as an executive director. In 2007, the Guarantor became one of the founders of China Angel Capital Holdings Ltd., which specialises in the strategic investments in media and Internet industries. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Guarantor is an Independent Third Party.

Asset to be acquired

Pursuant to the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share, representing the entire issued share capital of the Target immediately prior to Completion.

Consideration

The consideration of HK$1,241,890,000 for the sale and purchase of the Sale Share shall be settled by the Purchaser in the following manner:

(a) HK$13,000,000 shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor or his nominee(s), credited as fully paid, at the Issue Price at Completion; and

(b) HK$1,228,890,000 shall be satisfied by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor or its nominee(s) at Completion.

The consideration for the Sale Share was determined with reference to the preliminary valuation of the Target Group as at 31 August 2009 by Ample Appraisal Limited, an independent valuer, of RMB1,222,000,000 (equivalent to approximately HK$1,380,000,000). There were no material changes since 31 August 2009, which will affect the validity of the valuation. The preliminary valuation was based on income approach and discounted cash flow method was adopted for valuation.

The material assumptions used in the valuation of the Target Group includes the following:

Collaboration with Major Shopping Malls

It was assumed that the planned collaboration with major shopping malls in the PRC would be carried out on time and smoothly in future. The Target aimed to establish collaboration with numerous malls and install 100 wide-screen displays in Beijing, Shanghai, Shenzhen and Guangzhou by early 2014.

Revenue and Rate

The rate was assumed at range of RMB15,000 to RMB20,000 for 30-second per mall per month. The occupancy rate for the displays was assumed from the initial stage of 20% to mature stage of 80% which was reasonable in view of reasonable time for building up of client base and popularity of the malls and benchmarking with a comparable company which achieved more than 90%. The rate was assumed to have 10% to 15% annual increase in the period of 2011 to 2014 which was considered as possible in light of its discount to current market rate, continuous high economic growth in the PRC, increasing occupancy rate and its monopoly advantage in the relevant malls.

As the valuation was made on the basis of (i) the current advertising market in the PRC for similar companies; and (ii) the expected roll-out rate of the PRC Company in the future, the Directors consider the assumptions in the valuation to be fair and reasonable.

The Directors consider the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors consider the terms and conditions of the Acquisition to be on normal commercial terms.

Conditions precedent

The Agreement was conditional upon:

(a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the matters contemplated thereunder having been obtained;

(b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the matters contemplated thereunder having been obtained;

(c) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds to the Vendor or its nominee(s);

(d) the warranties in respect of the operation of the Target Group, including (i) warranties relating to ownership of shares, accounts, book debts, financial records, taxation, corporate matters, dividends and distributions, banking facilities, events since the date of the management accounts, compliance with laws, material contracts, employment, assets, insurances, business, litigation, intellectual property rights, grants and allowances, terms of trade, power of attorney and general matters for the Target; and (ii) warranties relating to book debts, records and taxation, corporate matters, finance, working capital, trading, related parties transactions, employment, assets, insurance, litigation, disputes and winding up, intellectual property rights and trade secrets, plant and equipment and other warranties for each of the PRC Subsidiary (upon its establishment) and the PRC Company, given by the Vendor under the Agreement remaining true and accurate in all respects;

(e) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares and the Conversion Shares;

(f) the obtaining of a PRC legal opinion (in the form and the substance satisfactory to the Purchaser) in relation to the validity and legality of the establishment of the Target Group, and its operations as going concern entities and the transactions contemplated under the Agreement;

(g) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group; and

(h) the Control Agreements become unconditional and the completion of the Control Agreements.

Only conditions (d) and (g) are waivable by the Purchaser under the Agreement. Currently, the Purchaser has no intention to waive any of such conditions.

As at the date of this announcement, condition (f) has been fulfilled. The PRC legal opinion obtained by the Group has also opined on the validity, legality and enforceability of the Control Agreements.

As at the date of this announcement, (i) the Loan has not been drawn down; and (ii) the Share Charge has not been registered with the relevant industrial and commercial registration authority and Mr Liu, Ms Wang, Ms Liang and Mr Sun have not provided the capital verification certificate. The Control Agreements will become unconditional and completed prior to Completion.

If the conditions have not been satisfied on or before 12:00 noon on 28 February 2010, or such later date as the Purchaser and the Vendor may agree, the Agreement shall cease and determine, and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment of the conditions or such later date as may be agreed between the Purchaser and the Vendor.

Upon Completion, the Target will become a wholly owned subsidiary of the Company.

There is no provision in the Agreement which grants any rights to the Vendor to nominate its nominee to be appointed as Director.

Undertakings

The Guarantor hereby irrevocably and unconditionally undertakes to the Purchaser from the date of the Agreement to the date falling on the tenth anniversary of the Completion Date, it shall:

(a) procure Guangzhou Mega TV to maintain its corporate existence and carry on and conduct its business in a proper and efficient manner; and

(b) procure the necessary banking facilities or other sources of finance for Guangzhou Mega TV, and if necessary, to provide security for the same, so as to provide sufficient working capital for the business of Guangzhou Mega TV.

Guangzhou Mega TV will enter into a rental agreement to lease the indoor large screen television systems to the Target Group. The undertakings will ensure that Guangzhou Mega TV will continue to operate and will have sufficient financial resources and working capital to ensure that it can carry on its business and lease equipment as required by the Target Group.

CONTROL AGREEMENTS

LOAN AGREEMENT

Date: 9 October 2009

Parties: (i) Lender: the Target; and

(ii) Borrowers: Mr Liu;

Ms Wang;

Ms Liang; and

Mr Sun

Prior to the entering into of the Control Agreements, each of Mr Liu, Ms Wang, Ms Liang and Mr Sun has no business dealings with the Group. Each of Mr Liu, Ms Wang, Ms Liang and Mr Sun is an Independent Third Party.

Subject

The Target has granted the Loan to Mr Liu, Ms Wang, Ms Liang and Mr Sun.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Loan Agreement to its wholly owned subsidiary without the consent of Mr Liu, Ms Wang, Ms Liang and Mr Sun.

Principal amount

RMB3,000,000

Interest

The Loan shall not bear any interest.

Term

The term of the Loan shall end on the date of the exercise of the exclusive right by the Target under the Irrevocable Share Transfer Agreement to acquire the equity interest in the PRC Company. The amount of the Loan shall be used to set off against the consideration under the Irrevocable Share Transfer Agreement.

Security

The obligations under the Loan Agreement are secured by the Share Charge.

MANAGEMENT AGREEMENT

Date: 18 December 2009

Parties: (i) the Target; and

(ii) the PRC Company

Subject

The Target shall provide to the PRC Company management consultancy services, including: (i) identifying suitable candidates and experts with experience and providing training to managers, head of departments, administrative staff, accounting staff and other staff of the PRC Company; (ii) providing strategic advices on the agreements that are reasonably required or in the ordinary course of business of the PRC Company; (iii) formulating and assisting in the implementation of rules and internal control policy, standard administrative, accounting, planning, marketing, human resources and operation strategies; (iv) assisting the PRC Company to plan and organise public relations and marketing activities; (v) assisting the PRC Company to review its operations; (vi) assisting the PRC Company in its business operations; (vii) providing market information on advertising media, market research information and analysis; and (viii) providing business advices on the operation and investment project, and assisting and participating in management operations.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Management Agreement to its wholly owned subsidiary without the consent of the PRC Company.

The Guarantor, being the director of the Target, who has experience in the advertising and investment industry and management experience will provide the management consultancy services to the PRC Company. For further details in relation to the experience of the Guarantor, please refer to the section headed "The Agreement" above. Upon Completion, the Group will also provide the management consultancy services to the PRC Company.

Term

The initial term of the Management Agreement is a fixed term of ten years from the date of the execution of the Management Agreement. The Target has the sole discretion to renew the Management Agreement for a further ten years (up to the end of the term of operation of the Target or the PRC Company). Pursuant to the business licence of the PRC Company, the operation period of the PRC Company will end on 10 April 2028.

Service fee

The Target shall charge the PRC Company a service fee of 100% of the actual net profit the PRC Company.

SHARE CHARGE

Date:	9 October 2009 (as supplemented by the supplemental share charge dated 18 December 2009)		
Parties:	(i)	Lender:	the Target;
	(ii)	Borrowers:	Mr Liu;
			Ms Wang;
			Ms Liang; and
			Mr Sun; and
	(iii)	Company:	the PRC Company

Subject

Mr Liu, Ms Wang, Ms Liang and Mr Sun have created a first priority charge over their respective equity interests in the PRC Company to (i) secure the obligations of Mr Liu, Ms Wang, Ms Liang and Mr Sun under the Loan Agreement and (ii) secure and guarantee the obligations of the PRC Company under the Management Agreement.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Share Charge to its wholly owned subsidiary without the consent of Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company.

Conditions

The Share Charge is conditional upon:

(1) the execution of the Share Charge by the parties to the Share Charge;

(2) the obtaining of the written approval by Mr Liu, Ms Wang, Ms Liang, Mr Sun and the executive director of the PRC Company in relation to the guarantee as provided in the Share Charge;

(3) Mr Liu, Ms Wang, Ms Liang and Mr Sun providing the capital verification certificate and approval and the registration documents to the Target pursuant to the terms of the Share Charge; and

(4) the Share Charge being registered with the relevant industrial and commercial registration authority.

As at the date of this announcement, the conditions (1) and (2) above have been fulfilled.

Term

The charging period commenced from the date of the fulfilment of the above conditions until fulfilment of all the obligations of Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company under the Loan Agreement and the Management Agreement.

IRREVOCABLE SHARE TRANSFER AGREEMENT

Date: 9 October 2009

Parties: (i) Purchaser: the Target;

(ii) Vendors: Mr Liu;

Ms Wang;

Ms Liang; and

Mr Sun; and

(iii) Company: the PRC Company

Subject

Mr Liu, Ms Wang, Ms Liang and Mr Sun have granted an irrevocable and exclusive right to the Target to acquire the entire equity interests in the PRC Company.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Irrevocable Share Transfer Agreement to its wholly owned subsidiary without the consent of Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company.

Consideration

RMB3,000,000. The parties agree that the amount of the Loan shall be used to set off against the consideration under the Irrevocable Share Transfer Agreement.

Term

There is no fixed term to the exercise of rights by the Target to acquire entire equity interests in the PRC Company. Such rights shall remain valid until (i) it is not permitted under the law or (ii) the Target exercises the right to acquire the entire equity interests in the PRC Company.

Further announcement will be made as and when appropriate in relation to the exercise of the rights granted to the Target under the Irrevocable Share Transfer Agreement in compliance with the Listing Rules.

DIRECTOR UNDERTAKING

Date:	9 October 2009		
Parties:	(i)	Director:	Mr Liu; and
	(ii)	Confirmers:	Mr Liu;
			Ms Wang;
			Ms Liang; and
			Mr Sun

As the executive director of the PRC Company (being nominated by the shareholders of the PRC Company) may change, the confirmers (being the shareholders of the PRC Company) were parties under the Director Undertaking (i) to confirm and approve the director of the PRC Company to make such undertaking; and (ii) to guarantee that upon the change of director(s) of the PRC Company, they will procure the replacement director(s) to give a similar undertaking.

Subject

Prior to the transfer of the entire equity interests in the PRC Company to the Target and the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement, Mr Liu, the executive director of the PRC Company, has undertaken to act according to the instructions of the Target upon the exercise of the powers of the executive director of the PRC Company, including but not limited to, the convening of shareholders' meeting, performance of shareholders' resolutions, approving of business plans and investment plans, formulating of annual budget, distribution of profits and making up of losses. Mr Liu (as the director) and Mr Liu, Ms Wang, Ms Liang and Mr Sun (as the confirmers) have further undertaken that upon the change of director(s) of the PRC Company, they will procure the replacement director(s) to give a similar undertaking as aforesaid.

Upon the assignment of the rights and novation of obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement, the Target can also assign the rights under the Director Undertaking to its wholly owned subsidiary.

SHAREHOLDERS UNDERTAKING

Date: 9 October 2009

Parties: Shareholders: Mr Liu;

Ms Wang;

Ms Liang; and

Mr Sun

Subject

Mr Liu, Ms Wang, Ms Liang and Mr Sun have undertaken that they will vote on any resolutions proposed at the shareholders' meetings of the PRC Company in accordance with the instructions of the Target until the transfer of the entire equity interests in the PRC Company to the Target and the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement.

Upon the assignment of the rights and novation of obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement, the Target can also assign the rights under the Shareholder Undertaking to its wholly owned subsidiary.

REASONS FOR THE CONTROL AGREEMENTS

The Control Agreements are required as under the current PRC regulations, the Group are not allowed to directly hold the equity interests in an advertising and media companies such as the PRC Company.

THE CONSIDERATION SHARES

The 100,000,000 Consideration Shares will be issued at the Issue Price of HK$0.130 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue of the Consideration Shares.

The Issue Price represents (i) a discount of approximately 38.39% to the closing price of HK$0.211 per Share as quoted on the Stock Exchange on 4 December 2009, being the date of the Agreement; (ii) a discount of approximately 34.34% to the average of the closing prices of approximately HK$0.198 per Share as quoted on the Stock Exchange for the last five trading days up to and including 4 December 2009, being the date of the Agreement; (iii) a discount of approximately 33.67% to the average of the closing prices of approximately HK$0.196 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 4 December 2009, being the date of the Agreement; and (iv) a premium of approximately 124.91% over the net asset value per Share of HK$0.0578 based on the audited consolidated financial statements of the Group as at 30 June 2009.

The Issue Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to various factors including the closing prices and the net asset value per Share as shown above. The Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable.

The Consideration Shares represent (i) approximately 8.70% of the existing issued share capital of the Company and (ii) approximately 8.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

TERMS OF CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$1,228,890,000

Interest

The Convertible Bonds will not bear any interest.

The Directors consider that a non-interest bearing term on the Convertible Bonds will be to the benefit of the Company. As such, the Purchaser negotiated with the Vendor on such basis and the non-interest bearing term was subsequently agreed by the Vendor.

Maturity

A fixed term of five years from the date of issue of the Convertible Bonds. Provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the Conversion Rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents 30% or more (or such other percentage as stated in the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules (collectively, the "**Conversion Restrictions**"), any amount of the Convertible Bonds which remains outstanding on the Maturity Date shall be converted into Shares. For the avoidance of doubt, if any of the outstanding principal amount of the Convertible Bonds cannot be converted into Shares due to the Conversion Restrictions, such outstanding principal amount of the Convertible Bonds will be cancelled at the Maturity Date.

Conversion

Provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents 30% or more (or such other percentage as stated in the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules, the Bondholders may convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Convertible Bonds into new Shares at the Conversion Price from the period after six months from the issue date up to the Maturity Date.

Conversion Price

The Conversion Price is HK$0.130 per Conversion Share subject to the adjustment. The events for the adjustments of the Conversion Price are as follows:

(i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;

(iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 97% of the market price;

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 97% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 97% of the market price; and

(vi) an issue being made by the Company wholly for cash of Shares at a price per Share less than 97% of the market price.

The Conversion Price represents (i) a discount of approximately 38.39% to the closing price of HK$0.211 per Share as quoted on the Stock Exchange on 4 December 2009, being the date of the Agreement; (ii) a discount of approximately 34.34% to the average of the closing prices of approximately HK$0.198 per Share as quoted on the Stock Exchange for the last five trading days up to and including 4 December 2009, being the date of the Agreement; (iii) a discount of approximately 33.67% to the average of the closing prices of approximately HK$0.196 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 4 December 2009, being the date of the Agreement; and (iv) a premium of approximately 124.91% over the net asset value per Share of HK$0.0578 based on the audited consolidated financial statements of the Group as at 30 June 2009.

The Conversion Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to the current market price of the Shares and the net asset value per Share as shown above. The Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$1,228,890,000 at the Conversion Price by the Bondholders, the Company will issue an aggregate of 9,453,000,000 new Shares, representing (i) approximately 822.51% of the existing issued share capital of the Company; and (ii) approximately 89.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

Early redemption

The Company may at any time before the Maturity Date by serving at least ten days' prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the total amount of Convertible Bonds.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

With the prior notification to the Company, the Convertible Bonds may be transferred or assigned by the Bondholders to any party other than a connected person of the Company.

Voting rights

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the British Virgin Islands on 10 August 2009 and is principally engaged in investment holding.

According to the unaudited management accounts of the Target for the period from 10 August 2009 to 31 August 2009, which has been prepared in accordance with generally accepted accounting principles in Hong Kong, the net liabilities value was approximately HK$9,000 and the net loss before and after taxation and extraordinary items was approximately HK$9,000.

The PRC Company is a limited liability company established in the PRC on 11 April 2008 and is principally engaged in operating chain broadcasting networks of large-screen television channels at shopping malls in the PRC. As at the date of this announcement, the principal place of business of the PRC Company is at Beijing and it intends to commence its business initially at cities such as Beijing, Shanghai, Guangzhou and Shenzhen. By employing a unique large-screen technology of high-definition and rear-projection, large-screen media networks can be installed at the atriums of major shopping malls and department stores, representing an effective blending of advertising media in shopping areas.

As at the date of the announcement, the Target had signed memorandums and undertakings with more than 20 sizable department stores in the PRC, which can assist the Target to build up its extensive network of numerous department stores in the PRC. Those networks enable the Target and the PRC Company to achieve real-time interactions with consumers and are extremely suitable for promoting fast moving consumer goods, fashion brands and large-sized online games. The memorandums and undertakings provide that, subject to final agreement, the Target will supply the hardware for the mega television in shopping malls, operate the mega television and collect advertising revenue. The shopping malls will not charge the Target for rental of space for the mega television, but will share a certain percentage of the advertising revenue. In general, the service is expected to be exclusive to the Target for a term of three to five years. The department stores which signed memorandums and undertakings with the Target are situated in many different cities, e.g. Beijing, Shanghai, Hangzhou, Ningbo, Wuhan and Xian. Although these memorandums and undertakings are non-binding, it shows that department stores are willing to co-operate with the Target as it can provide another revenue source for department stores and provide a unique service to its tenants and shoppers. These memorandums and undertakings are by no means the only department stores that the Group can pursue in the future. Upon Completion, the Company will agree with the PRC Company as to the timing and implementation plan to finalise the formal agreements with the department stores and to engage in more business contracts.

As at the date of the announcement, each of Guangzhou Mega TV and Shanghai Mega TV has entered into a non-competition agreement with the PRC Company pursuant to which each of Guangzhou Mega TV and Shanghai Mega TV has agreed not to compete with the PRC Company in relation to the provision of any mega television advertising services in malls or department stores or any other possible competing businesses. The first right for the PRC Company to provide such services is conditional upon the customers agreeing to be provided with mega television advertising services in malls and department stores in Beijing, Tianjin or any other cities where the PRC Company has operations or where the PRC Company will develop its business.

Guangzhou Mega TV is a company established in the PRC and is principally engaged in the development and manufacturing of rear-projected mega televisions. Shanghai Mega TV is a company established in the PRC and is principally engaged in design, production and publication of advertisements. Shanghai Mega TV is operating a similar business as the PRC Company. As at the date of this announcement, an associate of the Guarantor holds 63% and 38.25% of the registered capital of Guangzhou Mega TV and Shanghai Mega TV respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Guangzhou Mega TV and Shanghai Mega TV is an Independent Third Party.

According to the unaudited management accounts of the PRC Company for the period from 11 April 2008 to 31 December 2008, which has been prepared in accordance with the generally accepted accounting principles in the PRC, the net asset value was approximately RMB1,968,000 and the net loss before and after taxation and extraordinary items was approximately RMB32,000.

According to the unaudited management accounts of the PRC Company for the six months ended 30 June 2009, which has been prepared in accordance with generally accepted accounting principles in the PRC, the net asset value was approximately RMB1,922,000 and the net loss before and after taxation and extraordinary items was approximately RMB46,000.

Risk factor

The Group is confident of the business prospects of the PRC Company as it is a unique medium and there is vast development potential in the PRC, however, the Group believes that there are the usual start-up risks involved in its operations as the business is still in an early stage of development and there are risks, both from a commercial and regulatory perspective, for businesses operating in the PRC. The Group believes that a carefully executed business plan and with the support of the Company, the PRC Company will ensure that the Group can control these business risks to an acceptable level and enable the PRC Company to expand steadily although only non-binding memorandums have been signed as at the date of this announcement.

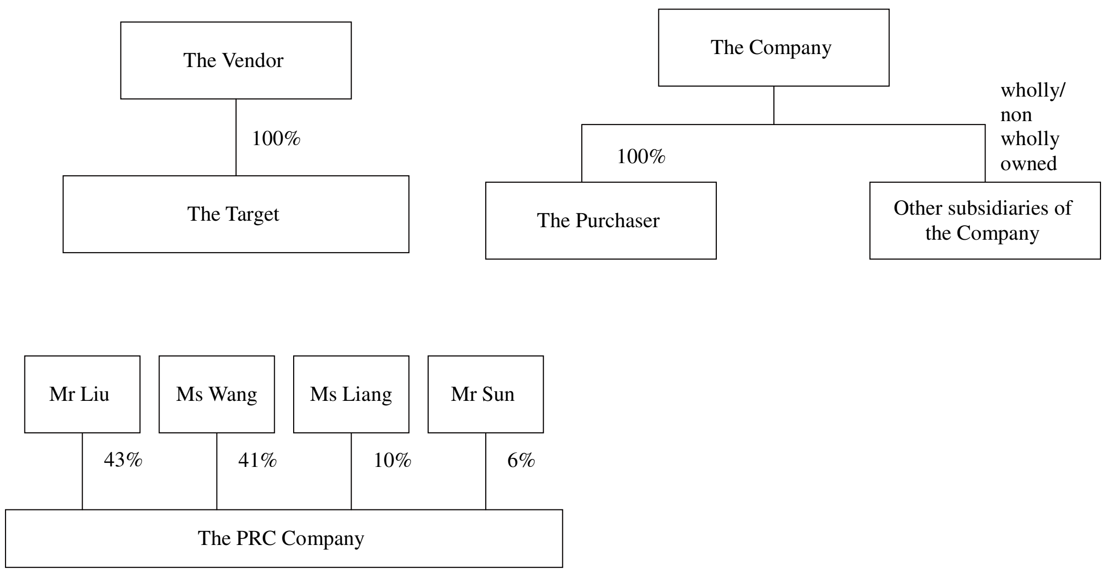
Business plan

Since the PRC Company already has the key personnel required for the operations of its business and the technology for implementation of the service can be readily deployed, it is the Company's intention that, after Completion, effort will be made to finalise service agreements with the department stores and to seek further business opportunities. The business target of the PRC Company is to secure more than 10 department stores as clients in 2010, which is expected to increase to more than 30 and 60 department stores by 2011 and 2012 respectively. The main initial marketing areas of the PRC Company are Beijing, Shanghai, Guangzhou and Shenzhen. If and when the PRC Company has sufficient financial and human resources, it may decide to speed up the implementation plan in order to improve earnings and also to protect its competitive position. Additional employees will be hired at a later stage and test sites will also be set up in the future in order to build up the client base.

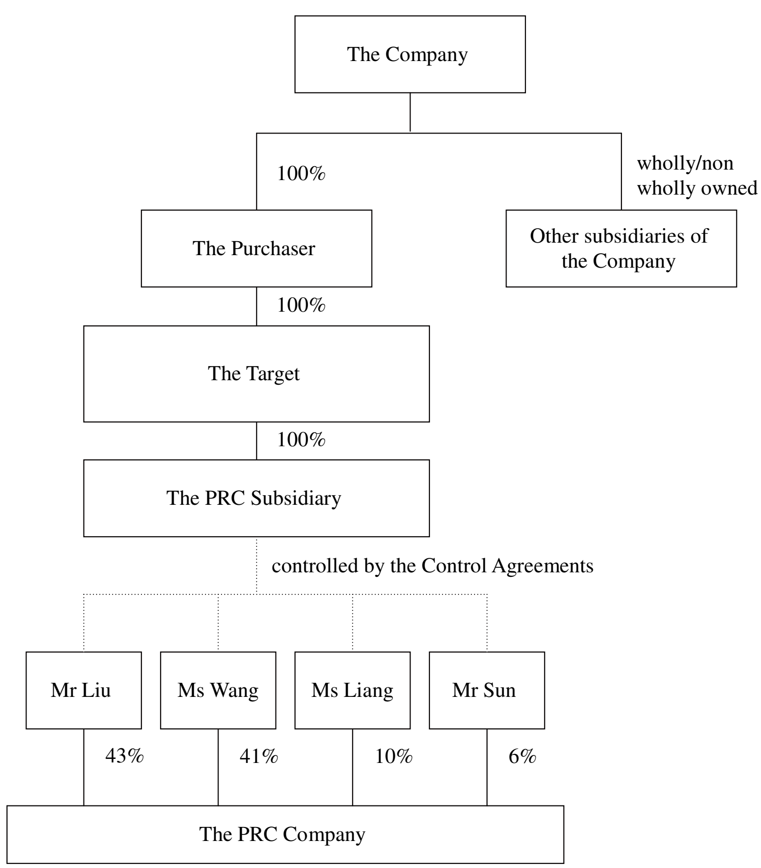
Group structure

The following charts show the group structure of the Target Group as at the date of this announcement before and after the Completion:

As at the date of this announcement



Immediately after Completion



Pursuant to the Control Agreements, the Group can obtain the control of the PRC Company, without acquiring the equity interests of the PRC Company. Upon Completion, as the Group will have control of the Target Group, members of the Target Group will become subsidiaries of the Company and their accounts will be consolidated into the consolidated financial statements of the Group. As the Target shall charge the PRC Company a service fee of 100% of the actual net profit the PRC Company under the Management Agreement, upon Completion, the Group's revenue will increase as a result of the successful operation of the PRC Company. However, the Group will not be entitled to the profit sharing and/or dividends distribution of the PRC Company.

REASONS FOR THE ACQUISITION

The Group is principally engaged in provision of outdoor media advertising and media business related services.

The Directors have been actively exploring potential investment opportunities in the PRC to strengthen the market position of the Group and to expand the existing business of the Group of outdoor media advertising and media business related services. The Directors are optimistic about the expansion in developing indoor advertising business in facilitating the advertising operation in the PRC through operating chain broadcasting networks of large screen television channels at the atriums of major shopping malls and department stores in the PRC. The Directors consider that the Acquisition will reinforce the marketing position of the Group in the PRC advertising business sector and will expand and enhance the existing business of the Group.

Taking into consideration the future prospects of the PRC advertising and marketing business, the Directors believe that the Acquisition will allow the Group to have an additional and steady income source in the coming years.

In view of the above, the Directors are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Consideration Shares but before the issue of any Conversion Shares; (iii) immediately after the issue of the Consideration Shares and the issue of Conversion Shares upon conversion of the Convertible Bonds to the extent that the Bondholder(s) does not hold more than 29.9% of the entire issued share capital of the Company; and (iv) for illustration purpose only, immediately after the issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds, in each case assuming there is no other change in the issued share capital and shareholding structure of the Company from the date of this announcement.

	As at the date of this announcement		Immediately after the issue of the Consideration Shares but before the issue of any Conversion Shares		Immediately after the issue of the Consideration Shares and the issue of Conversion Shares upon conversion of the Convertible Bonds to the extent that the Bondholder(s) does not hold more than 29.9% of the entire issued share capital of the Company		Immediately after the issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds *(Note)*	
	Number of Shares	*Approximate percentage of shareholding* %	*Number of Shares*	*Approximate percentage of shareholding* %	*Number of Shares*	*Approximate percentage of shareholding* %	*Number of Shares*	*Approximate percentage of shareholding* %
Lau Chi Yuen, Joseph	273,581,900	23.80	273,581,900	21.90	273,581,900	16.69	273,581,900	2.56
The Vendor and parties acting in concert with it	–	–	100,000,000	8.00	490,208,581	29.90	9,553,000,000	89.26
Public	875,703,100	76.20	875,703,100	70.10	875,703,100	53.41	875,703,100	8.18
Total	1,149,285,000	100.00	1,249,285,000	100.00	1,639,493,581	100.00	10,702,285,000	100.00

Note: The shareholding structure is shown for illustration purpose only as pursuant to the terms of the Convertible Bonds, the Bondholder shall have the right to convert the Convertible Bonds into Shares provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules.

LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition on the part of the Company and is subject to the approval of the Shareholders at the EGM. Each of the Vendor and its associates is an Independent Third Party and does not hold any Shares as at the date of this announcement. Accordingly, no Shareholder is required to abstain from voting at the EGM.

GENERAL

A circular containing details of, among other things, the Acquisition, the valuation report on the Target Group, the report from the financial adviser of the Company and the letter from the auditors of the Company in respect of the valuation of the Target Group and a notice of EGM will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 December 2009 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the issued Shares with effect from 9:30 a.m. on 29 December 2009.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Share pursuant to the Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Agreement"	the conditional sale and purchase agreement dated 4 December 2009 entered into between the Purchaser, the Vendor and the Guarantor relating to the sale and purchase of the Sale Share
"Board"	board of the Directors
"Bondholder(s)"	the holder(s) of the Convertible Bonds
"Business Day"	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	China Outdoor Media Group Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	100,000,000 new Shares to be allotted and issued by the Company in accordance with the terms and conditions of the Agreement
"Control Agreements"	the Loan Agreement, the Share Charge, the Irrevocable Share Transfer Agreement, the Shareholders Undertaking, the Director Undertaking and the Management Agreement
"Convertible Bonds"	the convertible bonds in the principal amount of HK$1,228,890,000, to be issued by the Company in favour of the Vendor or its nominee(s) in accordance with the terms and conditions of the Agreement
"Conversion Price"	the initial conversion price of HK$0.130 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bonds

"Conversion Shares"	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Bonds
"Director(s)"	director(s) of the Company
"Director Undertaking"	the undertaking dated 9 October 2009 executed by Mr Liu, the executive director of the PRC Company, and confirmed by Mr Liu, Ms Wang, Ms Liang and Mr Sun in favour of the Target that Mr Liu will act according to the instructions of the Target upon the exercise of the powers of the executive director of the PRC Company until the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition
"Group"	the Company and its subsidiaries
"Guangzhou Mega TV"	廣州市巨屏廣告傳媒有限公司 (Guangzhou Mega TV Advertising Media Company Limited[#]), a limited liability company established in the PRC
"Guarantor"	Jiang Qi Hang, the guarantor under the Agreement and is the legal and beneficial owner of the entire issued share capital of the Vendor
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Irrevocable Share Transfer Agreement"	the irrevocable share transfer agreement dated 9 October 2009 entered into between the Target, Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company in relation of granting of the irrevocable and exclusive right by Mr Liu, Ms Wang, Ms Liang and Mr Sun to the Target to acquire the entire equity interest in the PRC Company at a consideration of RMB3,000,000

"Issue Price"	the issue price of HK$0.130 per Consideration Share
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the principal amount of RMB3,000,000 to be advanced by the Target to Mr Liu, Ms Wang, Ms Liang and Mr Sun pursuant to the terms and conditions of the Loan Agreement
"Loan Agreement"	the loan agreement dated 9 October 2009 entered into between the Target, Mr Liu, Ms Wang, Ms Liang and Mr Sun in relation to the grant of the Loan
"Maturity Date"	the date of maturity of the Convertible Bonds
"Management Agreement"	the exclusive management agreement dated 18 December 2009 entered into between the Target and the PRC Company in relation to the provision of management consultancy services by the Target to the PRC Company for the initial term of ten years
"Mr Liu"	劉忠南 (Liu Zhongnan#), who holds 43% of the registered capital of the PRC Company
"Mr Sun"	孫宇 (Sun Yu#), who holds 6% of the registered capital of the PRC Company
"Ms Liang"	梁淑嫻 (Liang Shuxian#), who holds 10% of the registered capital of the PRC Company
"Ms Wang"	王璐 (Wang Lu#), who holds 41% of the registered capital of the PRC Company
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company"	北京巨屏傳媒廣告有限公司 (Beijing Mega TV Media Advertisement Company Limited#), a limited liability company established in the PRC
"PRC Subsidiary"	a PRC enterprise to be established in the PRC, the entire registered capital of which will be held by the Target
"Purchaser"	Konmate Investments Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company

"Sale Share"	one share of US$1.00, being the entire issued share capital of the Target as at the date of the Agreement which is legally and beneficially owned by the Vendor
"Shanghai Mega TV"	上海巨屏文化傳播有限公司 (Shanghai Mega TV Cultural Dissemination Company Limited#), a limited liability company established in the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Charge"	the share charge dated 9 October 2009 (as supplemented by the supplemental share charge dated 18 December 2009) created by Mr Liu, Ms Wang, Ms Liang and Mr Sun in favour of the Target to secure the obligations of the borrowers under the Loan Agreement and the obligations of the PRC Company under the Management Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Undertaking"	the undertaking dated 9 October 2009 executed by Mr Liu, Ms Wang, Ms Liang and Mr Sun in favour of the Target that they will vote on any resolutions proposed at the shareholders' meetings of the PRC Company in accordance with the instructions of the Target until the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	GMG Media Group Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by the Vendor before the Completion
"Target Group"	the Target, the PRC Subsidiary (upon its establishment) and the PRC Company
"Vendor"	Fully Wealthy Inc., a company incorporated in the British Virgin Islands with limited liability, the sole beneficial shareholder of the Target prior to the Completion and the vendor to the Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

By order of the Board
China Outdoor Media Group Limited
Lau Chi Yuen, Joseph
Director

Hong Kong, 28 December 2009

\# *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

As at the date of this announcement, the executive Directors are Mr. Lau Chi Yuen, Joseph, Mr. Lu Liang, Mr. Ng Yan and Mr. Tang Lap Chin, Richard and the independent non-executive Directors of the Company are Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander, and Mr. Law Tai Yan.