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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Outdoor Media Group Limited (the "Company"), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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: 00254)

CONNECTED TRANSACTION

**Independent financial adviser to the Independent Shareholders and
the Independent Board Committee**

Nuada Limited

Corporate Finance Advisory

A notice convening an extraordinary general meeting of the Company to be held at Suit 1103, 11/F., ICBC Tower, 3 Garden Road, Hong Kong on Wednesday, 15 September 2010 at 11 a.m. is set out on pages 22 to 23 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

30 August 2010

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|-----------------------|--|
| “Agreement” | the conditional sale and purchase agreement dated 4 December 2009 entered into between Konmate Investments Limited, the Bondholder and Mr. Jiang relating to the sale and purchase of the Sale Share |
| “associates” | has the meaning ascribed to this term under the Listing Rules |
| “Board” | board of the Directors |
| “Bondholder” | Fully Wealthy Inc., a company incorporated in the British Virgin Islands with limited liability |
| “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 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Convertible Bonds” | the convertible bonds in the principal amount of HK\$1,228,890,000, issued by the Company in favour of the Bondholder in accordance with the terms and conditions of the Agreement |
| “Deed” | the deed dated 13 August 2010 (as amended by the Supplemental Deed) entered into between the Bondholder and the Company relating to the alteration and restatement of the terms of the Convertible Bonds |
| “Director(s)” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held on Wednesday, 15 September 2010 at 11 a.m. to consider and, if thought fit, approve the Proposed Alterations |

DEFINITIONS

| | |
|-------------------------------|--|
| “GMG Media” | GMG Media Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent board committee comprising all the independent non-executive Directors, which will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Alterations |
| “Independent Shareholders” | Shareholders which are not required to abstain from voting at the general meeting to approve a connected transaction |
| “Latest Practicable Date” | 25 August 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Maturity Date” | the date of maturity of the Convertible Bonds, being the fifth anniversary of the date of issue of the Convertible Bonds |
| “Mr. Jiang” | Jiang Qi Hang, the legal and beneficial owner of the entire issued share capital of the Bondholder |
| “Nuada” | Nuada Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Alterations |
| “Proposed Alterations” | the proposed alterations and restatement of the terms of the Convertible Bonds pursuant to the terms of the Deed |
| “Restated Convertible Bonds” | the Convertible Bonds as altered and restated pursuant to the terms of the Deed |

DEFINITIONS

| | |
|---------------------|--|
| “Sale Share” | one share of US\$1.00, being the entire issued share capital of GMG Media |
| “SFO” | Security Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Deed” | the supplemental deed dated 17 August 2010 entered into the Company and the Bondholder relating to the amendments to the terms of the Deed |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “US\$” | United States dollar(s), the lawful currency of the United States of America |



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: 00254)

Executive Directors:

Mr. Lau Chi Yuen, Joseph
Mr. Lu Liang
Mr. Ng Yan
Mr. Tang Lap Chin, Richard

Registered office:

Unit 1803, 18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Cheng Sheung Hing
Mr. Cheng Kwong Choi, Alexander
Mr. Law Tai Yan

30 August 2010

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

On 13 August 2010, the Board announced that the Company and the Bondholder entered into the Deed to alter and restate the terms of the Convertible Bonds. On 17 August 2010, the Board announced that the Company and the Bondholder entered into the Supplemental Deed to amend certain terms of the Deed.

The purpose of this circular is to provide you with details of the Proposed Alterations, the recommendation of the Independent Board Committee, the advice from Nuada to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Alterations and to provide you the notice of EGM.

LETTER FROM THE BOARD

THE DEED

Date: 13 August 2010 (as amended by the Supplemental Deed dated 17 August 2010)

Parties: (i) Company: China Outdoor Media Group Limited; and
(ii) Bondholder: Fully Wealthy Inc..

The Bondholder is principally engaged in investment holding. The entire issued share capital of the Bondholder is legal and beneficially owned by Mr. Jiang. Mr. Jiang is a director of a subsidiary of the Company.

Principal terms of the Deed

Pursuant to the Deed, the Company shall alter and restate the terms of the Convertible Bonds to the effect that upon the restatement of the Convertible Bonds, the conversion period of the Restated Convertible Bonds shall commence on the date of issue of the Restated Convertible Bonds as oppose to six months after the date of issue of the Convertible Bonds.

Apart from the Proposed Alterations, the remaining terms and conditions of the Convertible Bonds remain intact and unchanged.

The Bondholder had initiated for the Proposed Alterations and brought up the same with the Company and the Proposed Alterations were arrived at after arm's length negotiations between the Bondholder and the Company.

Conditions precedent

The Proposed Alterations will be subject to:

- (a) (if necessary) the passing by the Independent Shareholders at a general meeting of the Company to be convened and held, of the necessary resolutions to approve the Proposed Alterations;
- (b) the approval from the Stock Exchange of the Proposed Alterations in accordance with Rule 28.05 of the Listing Rules and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Restated Convertible Bonds; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholder in respect of the Proposed Alterations having been obtained.

LETTER FROM THE BOARD

The conditions are not waivable. If the conditions have not been satisfied on or before 12:00 noon on 30 September 2010, or such later date as the Company and the Bondholder may agree, the Deed shall cease and determine, and thereafter neither party to the Deed shall have any obligations and liabilities towards each.

As at the Latest Practicable Date, none of the conditions have been satisfied.

The Proposed Alterations shall take place on the date falling on the next Business Day after the fulfilment of the conditions or such later date as may be agreed between the Company and the Bondholder.

REASONS FOR THE PROPOSED ALTERATIONS

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

The Board is of the view that the Proposed Alterations will provide more flexibility to the Bondholder and will enable the Bondholder to convert the Convertible Bonds into Shares earlier. The Proposed Alterations will also improve the liquidity of the Convertible Bonds and will increase the chances of the holder(s) of the Convertible Bonds converting the Convertible Bonds into Shares, which in the eventuality would reduce the liabilities of the Company.

The Board believes that Proposed Alterations will be in the interests of the Company and the Shareholders as a whole and the Directors are of the view that the Proposed Alterations will not pose any significant impact on the operations of the Group.

LISTING RULES IMPLICATION

The Bondholder is wholly and beneficially owned by Mr. Jiang and Mr. Jiang is a director of a subsidiary of the Company. Pursuant to Chapter 14A of the Listing Rules, the Bondholder is a connected person of the Company. The Proposed Alterations constitutes a non-exempted connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and approval from Independent Shareholders requirements.

Pursuant to the Listing Rules, the resolution proposed at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

Each of the Bondholder, Mr. Jiang and their respective associates is required to abstain from voting at the EGM to approve the Proposed Alterations. As at the Latest Practicable Date, the Bondholder, Mr. Jiang and their respective associates do not hold any Shares. No Director has any material interests in the Proposed Alterations.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Alterations. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regards.

The Independent Board Committee comprising Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander, and Mr. Law Tai Yan, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Alterations. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Suit 1103, 11/F., ICBC Tower, 3 Garden Road, Hong Kong on Wednesday, 15 September 2010 at 11 a.m. is set out on pages 22 to 23 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

RECOMMENDATION

The Board considers that the terms of the Proposed Alterations are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

LETTER FROM THE BOARD

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 9 and 10 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Proposed Alterations; and (ii) the letter from Nuada, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Alterations and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Nuada is set out on pages 11 to 17 of this circular.

The Independent Board Committee, having taken into account the advice of Nuada, considers that the Proposed Alterations are entered into on normal commercial terms, and in the ordinary and usual course of business of the Group and that the terms of the Proposed Alterations are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Proposed Alterations.

GENERAL

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully,
China Outdoor Media Group Limited
Lau Chi Yuen, Joseph
Director



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: 00254)

30 August 2010

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

We refer to the circular of the Company dated 30 August 2010 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Proposed Alterations whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolutions regarding the Proposed Alterations.

Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed Alterations are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolutions regarding the Proposed Alterations. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 11 to 17 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 8 of the Circular and the additional information set out in the appendices of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Proposed Alterations and the advice of Nuada, we are of the opinion that the terms of the Proposed Alterations are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Alterations.

Yours faithfully,
Independent Board Committee of
China Outdoor Media Group Limited

Mr. Cheng Sheung Hing
Independent non-executive Director

Mr. Cheng Kwong Choi, Alexander
Independent non-executive Director

Mr. Law Tai Yan
Independent non-executive Director

LETTER OF ADVICE FROM NUADA

The following is the text of a letter of advice from Nuada Limited in connection with the Proposed Alterations which has been prepared for inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號BLINK 17字樓

30 August 2010

*To the Independent Board Committee and
the Independent Shareholders of
China Outdoor Media Group Limited*

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deed in relation to the Proposed Alterations, details of which are set out in the letter from the Board (the “**Board’s Letter**”) in the circular to the Shareholders dated 30 August 2010 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

On 13 August 2010, the Company and the Bondholder entered into the Deed, pursuant to which the Company and the Bondholder agreed to amend the terms of the Convertible Bonds, such that the conversion period of the Restated Convertible Bonds shall commence on the date of the issue of the Restated Convertible Bonds as oppose to six months after the date of issue of the Convertible Bonds.

The Bondholder is wholly and beneficially owned by Mr. Jiang and Mr. Jiang is a director of a subsidiary of the Company. Pursuant to Chapter 14A of the Listing Rules, the Bondholder is a connected person of the Company. The Proposed Alterations constitutes a non-exempted connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and approval from Independent Shareholders requirements.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Proposed Alterations are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER OF ADVICE FROM NUADA

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so as at the date hereof.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to satisfy ourselves that we have reasonable basis to assess the fairness and reasonableness of the Proposed Alterations in order to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, affairs and prospects of the Group or the markets in which it operate.

We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Proposed Alterations. We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Proposed Alterations have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Proposed Alterations.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Proposed Alterations. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

LETTER OF ADVICE FROM NUADA

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background and principal terms of the Deed

The Group is principally engaged in the provision of outdoor media advertising and media business related services. On 4 December 2009, the Group entered into an agreement (the “**Agreement**”) with the Fully Wealthy Inc. (the “**Vendor**”) for the acquisition of the entire issued share capital of GMG Media (the “**Acquisition**”) for a total consideration of HK\$1,241,890,000, which shall be settled as to (a) HK\$13,000,000 by the Company allotting and issuing 100,000,000 new Shares to the Vendor or his nominee(s), credited as fully-paid, at the issue price of HK\$0.130 per consideration Share at completion of the Acquisition; and (b) HK\$1,228,890,000 by the Company issuing the Convertible Bonds to the Vendor or its nominee(s) at completion of the Acquisition, details of which are set out in the announcement dated 28 December 2009 and the circular dated 26 March 2010 of the Company (the “**Acquisition Documents**”). As a result of the completion of the Acquisition, the Vendor became the existing Bondholder. The Acquisition was completed on 22 July 2010. The Convertible Bonds in the principal amount of HK\$1,228,890,000, with maturity term of five years and zero interest, confer rights to convert into 9,453,000,000 Shares at an initial conversion price of HK\$0.130 per Share (the “**Initial Conversion Price**”). Pursuant to the terms of the Convertible Bonds, the Bondholder(s) may convert the whole or part (in multiples of HK\$1,000,000) of the principal amount of the Convertible Bonds into Shares at the conversion price from the period after six months from the issue date up to the maturity of the Convertible Bonds subject to the terms and conditions of the Convertible Bonds. For details regarding the Acquisition and the Convertible Bonds, please refer to the Acquisition Documents.

Pursuant to the Deed, the Company shall alter and restate the terms of the Convertible Bonds to the effect that upon restatement of the Convertible Bonds, the conversion period of the Restated Conversion Bonds shall commence on the date of issue of the Restated Convertible Bonds as oppose to six months after the date of issue of the Convertible Bonds. Apart from the Proposed Alterations, the remaining terms and conditions of the Convertible Bonds remain intact and unchanged.

As stated in the Board’s Letter, the Board is of view that the Proposed Alterations will provide more flexibility to the Bondholder and will enable the Bondholder to convert the Convertible Bonds into Shares earlier, and the Proposed Alterations will also improve the liquidity of the Convertible Bonds and will increase the chances of the holder(s) of the Convertible Bonds converting the Convertible Bonds into Shares, which in the eventuality would reduce the liabilities of the Company. The Board believes that the Proposed Alterations will be in the interests of the Company and the Shareholders as a whole and the Directors are of the view that the Proposed Alterations will not pose any significant impact on the operations of the Group. As confirmed by the Company, all relevant expenses relating to the Proposed Alterations, including but not limited to the related legal and professional fees as well as printing charges, will be borne by the Vendor.

LETTER OF ADVICE FROM NUADA

Financial performance and position of the Group, and potential dilution on existing shareholdings of the Company

As noted from the annual report 2009 of the Company, the Group had recorded consecutive losses since the financial year ended 30 June 2006. For the financial year ended 30 June 2009, the Group recorded audited loss of approximately HK\$49.956 million (including loss of approximately HK\$3.020 million attributable to minority interests), of which loss of approximately HK\$37.104 million is attributable to continuing operations and loss of approximately HK\$12.852 million is attributable to discontinued operation. Apart from the loss attributable to the discontinued operation, the loss of the Group is partly due to impairment of goodwill of approximately HK\$22.923 million.

According to the interim report 2010 of the Company, for the six months ended 31 December 2009, the Group recorded unaudited profit of approximately HK\$7.072 million (including loss of approximately HK\$1.059 million attributable to non-controlling interests), of which approximately HK\$8.238 million is attributable to profit from discontinued operations, while the Group recorded unaudited loss from continuing operations of approximately HK\$1.166 million. As noted from the interim report 2010 of the Company, the turnover of the continuing operations for the six months ended 31 December 2009 is mainly contributed by operating segment of media and advertising in the PRC, which represented a decrease of approximately 38.5% comparing to the previous corresponding period. The decrease in the turnover of the operating segment of media and advertising in the PRC is mainly due to the impact of the global financial tsunami. In addition, the Shanghai authorities imposed tighter control over the media and advertising market, including requesting the dismantling of most advertising formats for the 2010 World Expo, as a result, the Group had worked closely to conform to the new policies and certain business contracts could not be engaged for the conformation. As at 31 December 2009, the unaudited total assets of the Group amounted to approximately HK\$98.441 million, with goodwill of approximately HK\$5.245 million and cash and bank balances of approximately HK\$2.833 million, while the unaudited total liabilities of the Group amounted to approximately HK\$14.826 million, with total borrowings of approximately HK\$1.704 million.

On 23 July 2010, the Company issued a profit warning announcement (the “**Profit Warning Announcement**”), according to which the Group is expected the unaudited consolidated results of the Group for the financial year ended 30 June 2010 to show the consolidated gross loss as compared to the consolidated gross profit for the year ended 30 June 2009 which is expected to be mainly due to (i) the Group having signed several advertising contracts with different enterprises in the PRC which advertisement medium are located in Beijing but as at the date of the Profit Warning Announcement, the Group has not been able to secure any order to place advertisement in the medium provided by such enterprises; and (ii) the growth in the PRC advertising industry was not as good as anticipated. Moreover, the Group is also expected to record a net loss for the financial year ended 30 June 2010 which might be lower than that as compared to a net loss for the financial year ended 30 June 2009. Taking into account the weak financial performance of the Group, we consider the cash flow from operating activities and the financial position of the Group may then be adversely affected.

LETTER OF ADVICE FROM NUADA

Given the Proposed Alterations involve alterations and restatement of the Convertible Bonds to the effect that the conversion period of the Restated Conversion Bonds shall commence on the date of issue of the Restated Convertible Bonds as oppose to six months after the date of issue of the Convertible Bonds, the Proposed Alterations may result in an earlier conversion of the Convertible Bonds, and thus may cause an immediate reduction in the liabilities of the Group under the Convertible Bonds and an immediate dilution on the existing shareholdings of the Company. Other than the possible immediate reduction in liabilities of the Group under the Convertible Bonds and the possible immediate dilution on the existing shareholdings of the Company, we consider that the Proposed Alterations will not incur any material effects so far as the Group and the Shareholders are concerned, nor will the Proposed Alterations pose any significant impact on the operations of the Group.

Save for the possible earlier conversion of the Convertible Bonds and thus the possible earlier dilution on the existing shareholdings of the Company, the Proposed Alterations do not alter any other terms in relation to the conversion of the Convertible Bonds. As such, the extent of potential dilution on the existing shareholdings of the Company brought about by the Convertible Bonds as a result of the Proposed Alterations would remain unchanged. For illustrative purpose only, the following table set out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon conversion of the Convertible Bonds at the Initial Conversion Price to the extent that the Bondholder(s) does not hold more than 29.9% of the entire issued share capital of the Company; and (iii) immediately upon conversion of the Convertible Bonds at the Initial Conversion Price in full, assuming other things remain constant.

| | As at the Latest Practicable Date | | Immediately upon conversion of the Convertible Bonds at the Initial Conversion Price to the extent that the Bondholder(s) does not hold more than 29.9% of the entire issued share capital of the Company | | Immediately upon conversion of the Convertible Bonds at the Initial Conversion Price in full | |
|----------------------|-----------------------------------|--|---|--|--|--|
| | 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 | 21.90 | 273,581,900 | 15.35 | 273,581,900 | 2.56 |
| The Bondholder(s) | - | - | 532,861,933 | 29.90 | 9,453,000,000 | 88.32 |
| Public | 975,703,100 | 78.10 | 975,703,100 | 54.75 | 975,703,100 | 9.12 |
| Total | 1,249,285,000 | 100.00 | 1,782,146,933 | 100.00 | 10,702,285,000 | 100.00 |

LETTER OF ADVICE FROM NUADA

The above shareholding structure is shown for illustrative purpose only as the Bondholder(s) may from time to time purchase and/or dispose of any Shares, and/or transfer or assign the Convertible Bonds to any party other than a connected person of the Company with the prior notification to the Company pursuant to the terms of the Convertible Bonds, and/or convert the Convertible Bonds in whole or in part into Shares, provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) on the part of the Bondholder(s) which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of the Shares to be allotted and issued upon 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 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.

Notwithstanding the possible earlier conversion of the Convertible Bonds and thus the possible earlier dilution on the existing shareholdings of the Company, given (a) the substantial amount of the Convertible Bonds in the principal sum of HK\$1,228,890,000; (b) the weak financial performance of the Group which may adversely affect the cash flow from operating activities and the financial position of the Group; (c) the Proposed Alterations will not incur material effects so far as the Group and the Shareholders are concerned other than the possible earlier reduction in the liabilities of the Group under the Convertible Bonds and the possible earlier dilution on the existing shareholdings of the Company; and (d) the Proposed Alterations do not alter any other terms in relation to the conversion of the Convertible Bonds, such that the extent of potential dilution on existing shareholdings of the Company brought about by the Convertible Bonds as a result of the Proposed Alterations would remain unchanged, we consider that the Proposed Alterations are in the interests of the Company and the Shareholders as whole and in the ordinary and usual course of business of the Company in that any conversion of the Convertible Bonds would immediately reduce the liabilities of the Group and broaden the capital base of the Company.

Convertible bonds issued by other companies listed on the Stock Exchange

As mentioned above, the Convertible Bonds in the principal amount of HK\$1,228,890,000, with maturity term of five years and zero interest, confer rights to convert into 9,453,000,000 Shares at the Initial Conversion Price of HK\$0.130 per Share. As stated in the Acquisition Documents, the Initial Conversion Price of the Convertible Bonds of HK\$0.130 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 the date of the Agreement; and (ii) a discount of approximately 34.34% to the average of the closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Agreement.

LETTER OF ADVICE FROM NUADA

In assessing whether the Proposed Alterations are on normal commercial terms and fair and reasonable, we have reviewed recent issuances of convertible bonds announced by other companies listed on the Stock Exchange, in particular those with zero interest and the initial conversion price representing discounts to the then prevailing market price of the relevant shares as referred to in the relevant announcements, and take note of the fact that the issuances of convertible bonds by other companies listed on the Stock Exchange with conversion period commencing immediately after the issue date of the relevant convertible bond are not uncommon in the market. As such, we consider that the Proposed Alterations would not result in any abnormality regarding the convertible period of the Convertible Bonds which deviate from market practices, and are on normal commercial terms and fair and reasonable.

RECOMMENDATION

Taking into account the principal factors and reasons mentioned above, we are of the view that the Proposed Alterations are in the interests of the Company and the Shareholders as a whole, in the ordinary and usual course of business of the Company, on normal commercial terms, and fair and reasonable. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Proposed Alterations.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) *Shares:*

| Name of Director | Number or attributable number of Shares held or short positions | Nature of interests | Approximate percentage or attributable percentage of shareholding (%) |
|-------------------------|---|---------------------|---|
| Lau Chi Yuen, Joseph | 273,581,900 (L) | Beneficial owner | 21.90% |

L: Long Position

(ii) Share options:

| Name of Director | Number or attributable number of Shares held or short positions | Nature of interests | Approximate percentage or attributable percentage of shareholding (%) |
|---------------------------|--|----------------------------|--|
| Lu Liang | 3,200,000 (L) <i>(Note)</i> | Beneficial owner | 0.26% |
| Tang Lap Chin, Richard | 8,403,175 (L) <i>(Note)</i> | Beneficial owner | 0.67% |

L: Long Position

Note: These share options were granted pursuant to the refreshment of the existing scheme mandate limit of the share option scheme adopted by the member of the Company at the extraordinary general meeting held on 23 November 2007.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. MATERIAL ADVERSE CHANGE

It is expected the unaudited consolidated results of the Group for the year ended 30 June 2010 to show the consolidated gross loss as compared to the consolidated gross profit for the year ended 30 June 2009 which is expected to be mainly due to (i) the Group having signed several advertising contracts with different enterprises in the PRC which advertisement medium are located in Beijing but as at the Latest Practicable Date, the Group has not been able to secure any order to place advertisement in the medium provided by such enterprises; and (ii) the growth in the PRC advertising industry was not as good as anticipated. Moreover, the Group is also expected to record a net loss for the year ended 30 June 2010 which might be lower than that as compared to a net loss for the year ended 30 June 2009. Save as disclosed above, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 30 June 2009, being the date to which the latest published audited financial statements of the Group was made up.

6. EXPERT AND CONSENT

The following are the qualification of the expert who has given opinions or advice which are contained in this circular:

| Name | Qualifications |
|-------|--|
| Nuada | A licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO |

Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, Nuada does not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MISCELLANEOUS

- (a) Save as to (i) the agreement (the “**iKanTV Agreement**”) dated 2 July 2010 and entered into between the Company and iKanTV Limited (“**iKanTV**”) (being an associate of Lau Chi Yuen, Joseph (“**Mr. Lau**”), a director of the Company) for the provision of advertising services; and (ii) the agreement (the “**CPECGL Agreement**”) dated 2 July 2010 entered into between the Company and China Post E-Commerce Group Limited (“**CPECGL**”) (being an associate of Mr. Lau) for the provision of advertising services (further details of which are set out in the joint announcement of the Company and China Post E-Commerce (Holdings) Limited (“**CPECHL**”) dated 2 July 2010), there is no contract or arrangement entered into by any member of the Group subsisting at the date

of this circular in which any Director is materially interested and which is significant to the business of the Group.

- (b) Save as to the indirect interests of Mr. Lau in the 4% of the issued share capital of iKanTV disposed by China New Media Company Limited (“CNMCL”), a wholly owned subsidiary of the Company, pursuant to the agreement (the “Disposal Agreement”) dated 27 August 2009 and entered into between CNMCL, CPECGL and CPECHL (further details of which are set out in the announcement of the Company dated 27 August 2009), as at the Latest Practicable Date, each of Nuada and the Directors does not have any direct or indirect interests in any assets which had been since 30 June 2009, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.
- (c) Tricor Abacus Limited, the share registrar and transfer office of the Company is located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Ms. Ng Ka Sim, who is a member of both the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Unit 1803, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 15 September 2010 and at the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Deed;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 9 and 10 in this circular;
- (d) the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 17 in this circular;
- (e) the iKanTV Agreement;
- (f) the CPECGL Agreement; and
- (g) the Disposal Agreement.

NOTICE OF EGM



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: 00254)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Outdoor Media Group Limited (the “**Company**”) will be held at Suit 1103, 11/F., ICBC Tower, 3 Garden Road, Hong Kong on Wednesday, 15 September 2010 at 11 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the deed (the “**Deed**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) dated 13 August 2010 (as amended by the supplemental deed (the “**Supplemental Deed**”) (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification) dated 17 August 2010) and entered into between the Company and Fully Wealthy Inc. (the “**Bondholder**”) in relation to the alteration and restatement of the terms of the convertible bonds in the principal amount of HK\$1,228,890,000, issued by the Company in favour of the Bondholder and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Deed (as amended by the Supplemental Deed) and the transactions contemplated thereunder.”

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

Hong Kong, 30 August 2010

NOTICE OF EGM

Registered office:

Unit 1803
18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.